ICONIC BRANDS REFRESHING PERFORMANCE

A.G. BARR p.l.c.
Annual Report and Accounts 2019

WE ARE A UK-BASED BRANDED CONSUMER GOODS BUSINESS FOCUSED ON GROWTH, BUILDING GREAT TASTING BRANDS THAT PEOPLE LOVE

We aim to deliver long-term sustainable value, growing both organically and through partnerships and acquisition.

Revenue

£279.0m
+5.6%

Net cash from operating activities

£44.6m
+5.7%

Profit before tax*
(before exceptional items)

£45.2m
+2.5%

Net cash

£21.8m
+45.3%

Profit before tax
(after exceptional items)

£44.5m
(0.9)%

Basic earnings per share

31.51p
(2.3)%

Full year dividend per share

16.64p
+7.0%

Read **Our Business and Brands** on **Pages 1 to 3**

All numbers, including comparators, reflect the adoption of IFRS 15 "Revenue from Contracts with Customers". Certain amounts payable to customers, previously presented as expenses, are now shown as a deduction to revenue. Reconciliations are provided on pages 101 and 102.

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 146 to 148.

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WELCOME

I am pleased to present A.G. BARR p.l.c.'s Annual Report for the year ended 26 January 2019. The report provides an overview of our business model and a comprehensive review of our strategy, its execution, our financial performance and information on how we govern our business.

Established over 140 years ago in Scotland, we are a FTSE 250 business operating across the UK and internationally.

At our core, we are a successful branded soft drinks business, building a diverse and differentiated portfolio of great tasting brands that people love.

We make it our business to understand what consumers want.

Whether it's the iconic IRN-BRU, launched in 1901 and still going strong today, our market leading Rubicon fruit and juice drinks, our unique range of BARR flavours, or our pure, clear Scottish spring water Strathmore, our brands offer people a choice of great tasting products and bring exciting innovation to the market.

Enhancing our portfolio, we also operate long-term successful partnerships, complementing our own range of products with global brands Rockstar, Snapple, San Benedetto and Bundaberg Brewed Drinks in the UK and beyond.

But we're not just about soft drinks – with the addition of Funkin we have moved into the cocktails market, broadening and strengthening our portfolio with a unique and exciting market leading brand in a growing market.

Read **Our Strategy** on **Page 12**

Employing almost 1,000 people across 10 UK locations, we are proud to be a responsible business that listens to our consumers, builds lasting customer relationships, takes care of our employees, gives something back to our communities and works to minimise our environmental impact.

Roger White
Chief Executive

OUR BRANDS

We are brand owners and builders, offering a diverse and differentiated portfolio of products that people love.

SUCCESSFULLY EXECUTING OUR GROWTH STRATEGY

Over the past 12 months we have produced another positive set of financial results, delivered with agility, resilience and enterprise.

Revenue grew by 5.6% and we ended the year with profit before tax and exceptional items* of £45.2m, 2.5% ahead of the prior year. Profit before tax, after an exceptional cost of £0.7m relating to pension service, was £44.5m. This was 0.9% lower than the prior year which benefited from an exceptional gain on a property disposal.

These results are all the more pleasing taking into account the continued economic and political uncertainty experienced by UK business as a whole, as well as the particular challenges faced by the soft drinks industry, such as regulatory intervention in the form of the Soft Drinks Industry Levy, CO_2 shortages and the resulting impact upon customer service.

We have approached these challenges with a sense of determination to identify the opportunities available to us and to create a competitive advantage. We have successfully grown our core brands, delivered market share gains and continued to develop our existing and new partnerships.

We exit the year with a strong balance sheet, providing us with the flexibility to exploit growth opportunities as they arise.

Dividend

The Board is pleased to continue with its progressive dividend policy and recommend a final dividend of 12.74p per share to give a proposed total dividend for the full year of 16.64p per share, a full year increase of 7.0% on the prior year. The final dividend is payable on 7 June 2019 to shareholders on the Register of Members at the close of business on 10 May 2019. The ex-dividend date is 9 May 2019.

People

We are a business built on the energy and expertise of our people. 2018 was another busy year and once again our people rose to the challenge. I would like to take this opportunity to extend my thanks on behalf of the Board to the full team. Their contribution to another set of positive financial results was invaluable.

Board

We were delighted to welcome Nick Wharton to the Board as an independent non-executive director with effect from 1 November 2018. Nick's breadth of experience, gained across a range of diverse yet complementary sectors, provides valuable skills and insight to support the continued development of our Board capabilities. We will continue to further develop and strengthen our Board skills and capabilities as required.

Prospects

Looking ahead, the political and economic climate in the UK indicates that 2019 will be another uncertain year for UK based businesses. For soft drinks this is likely to be made all the more challenging by further regulation and ever changing consumer dynamics. Despite these external factors we have confidence in our growth strategy and confidence that our people can execute it successfully. We have a proven track record of delivery and are well positioned to further grow and develop our business across 2019 and beyond.

John Nicolson
Chairman

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"Over the past 12 months we have produced another positive set of financial results, delivered with agility, resilience and enterprise."

John Nicolson, Chairman

Dividend per share

16.64p

+7.0%

Revenue

£279.0m

+5.6%

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 146 to 148.

BUSINESS MODEL

We are a UK-based branded consumer goods business focused on growth, building great tasting brands that people love. We aim to deliver long-term sustainable value, growing both organically and through partnerships and acquisition. Our business model is simple, effective and profitable.

WE MAKE...

We pride ourselves on our effective manufacturing capabilities, producing high quality products across our well-invested and efficient production sites, in **Cumbernauld**, **Forfar** and **Milton Keynes**. From sourcing our raw materials across the globe to designing our packaging, we aim for continuous improvement, ensuring safety is at the forefront of all we do, and investing accordingly to ensure we produce the best tasting products as efficiently as possible.

3

UK manufacturing facilities

WE MOVE...

With a fleet of more than 100 vehicles, and long-standing relationships with our key distribution partners, we strive to deliver great service to all our customers, from the biggest food service customer to the smallest local shop. Operating across multiple routes to market, we have a well established and efficient distribution network, with our Direct Store Delivery channel in particular setting us apart, by offering a tailored and personal service to thousands of independent retailers across the UK.

100

strong fleet of vehicles

WE MARKET...

Listening carefully to our consumers is paramount and by doing so we have developed a diverse and differentiated brand portfolio of great tasting products to satisfy their needs and offer choice. And when it comes to marketing, innovating and building our brands we like to have some fun, appealing to our broad range of consumers, whether that's through TV campaigns, digital media, sponsorship or supporting local community events.

18

brands within portfolio

WE SELL...

Building long-lasting relationships with our customers across all our key markets is fundamental to our business. Whether it's a multiple grocer, a wholesaler, a regional restaurant group or a local independent retailer, we work collaboratively with all our customers to understand their businesses and find winning consumer propositions in a practical and profitable way.

96%

revenue generated in the UK

WE BEHAVE RESPONSIBLY...

We believe that how we act reflects who we are. We take our responsibilities seriously and continuously strive to be a sustainable and responsible business that listens to our consumers, takes care of our people, works to minimise our environmental impact and gives something back to the communities we serve.

140+

years of responsible actions

WE CREATE VALUE...

Shareholders

Our business model has proven successful for more than 140 years and continues to create and deliver value to a wide range of stakeholders.

£17.9m

Shareholder dividends paid in 2018

Employees

As an employer of almost 1,000 employees across the UK, £42.5m was paid in salaries and wages.

£42.5m

Salaries and wages paid

Suppliers

We are directly contracted with more than 70 suppliers with an annual spend of over £100m while working closely with thousands of customers to co-create joint business plans.

£100m

Annual spend

UK economy & communities

With 96% of our revenue generated in the UK, and through our tax payments to the government, we continue to play our part in growing the UK economy while also donating over £100K to good causes across our communities.

£100k

Donated to good causes

DELIVERING AGAINST OUR LONG-TERM STRATEGY

At the outset of 2018 we set out a clear strategy and specific actions which we believed were required to deliver continued financial success during what we forecast to be a year of significant changes across our industry.

I am pleased to report we have delivered another strong financial performance having adapted well to both the circumstances we anticipated and those which were less expected – carbon dioxide (CO_2) shortages during a period of prolonged hot weather, "Beast from the East" snow disruption as well as a number of customer business failures and ongoing customer credit risks. These factors, together with the implementation of the Soft Drinks Industry Levy (SDIL), as anticipated, led to significant changes in pricing, promotional and demand factors in the wider market. It is with this backdrop in mind that I emphasise the flexibility and strength of our business model, people and brands, all of which continue to deliver consistently.

Our activities were focused on our core brands and supported by positive contributions from innovation, Funkin and new partnerships.

Our revenue growth in the 52 weeks to 26 January 2019 was 5.6%, driven by a strong volume performance. In the period the Group incurred less than £0.2m SDIL costs, successfully achieving our 99% levy free plan. It is worth noting that across the wider soft drinks market, revenue growth is likely to reflect the increase applied to leviable products, a proportion of which is ultimately paid to the Treasury.

Despite the volatile operating environment across 2018 we have delivered against our long-term strategy.

- Total Group revenue of £279.0m, an increase of 5.6% on the previous year
- We grew our volume share within the total UK soft drinks market by over 11% year-on-year
- Profit before tax and exceptional items* was £45.2m, an increase of 2.5% on the prior year performance of £44.1m. Profit before tax was £44.5m
- Operating margin before exceptional items* was 16.4%, a decrease of 66bps
- Our balance sheet remains strong, with larger than anticipated net cash of £21.8m, reflecting lower capital spend and fewer shares acquired than initially planned in our share repurchase programme
- We are pleased to recommend a final dividend of 12.74p per share to give a total dividend for the full year of 16.64p per share, a full year increase of 7.0% on the prior year

Soft drinks market performance

The UK soft drinks market has had a good year by any benchmark standard, however the underlying dynamics are somewhat difficult to disaggregate in full. In particular the implementation of the SDIL has led to distortions in both value and volume performance in the market. Unit pricing changes and shifts in promotional dynamics have been evident across the full year.

Total UK soft drinks market growth, as measured by IRI, highlights the significant acceleration of value growth ahead of volume in the wider market, with value up 8.1% and volume up 3.0%. This was particularly evident in the carbonates category, where value grew 11.6% and volume increased by 2.7%. Also notable were levy paid categories, such as regular colas, where value grew 1.9% while volume declined by 22.0%.

With increased value growth across the soft drinks market, the only sub-sector in decline was juice drinks which continues this long-term trajectory, as consumers choose water, flavoured water, functional or traditional carbonates.

Against this somewhat dynamic backdrop we made good progress, with overall Barr Soft Drinks volume share growing more than 11%. We have seen an especially pleasing performance in both volume and value terms across England and Wales.

(Market data source: IRI Marketplace 52 weeks to 27 January 2019)

> "I am pleased to report we have delivered another strong financial performance having adapted well to both the circumstances we anticipated and those which were less expected."

Roger White, Chief Executive

Strategy

We have continued our focus on our long-term growth strategy across 2018. We did however adapt our trading tactics in order to underpin the significant portfolio changes we implemented during the period. While our reformulation activity had been ongoing for several years, 2018 was a notable year which saw the reformulation of our biggest brands and the implementation of the SDIL. Accordingly, we placed an intentional short-term trading focus on volume across our core carbonates business as we established where market pricing and promotions would sit post the SDIL implementation. This has, as expected, given some real short-term boosts to our volume growth especially in our strategic growth markets of England and Wales and within our Barr flavours brand. The IRN-BRU brand has also benefited from the continued focus on distribution growth, particularly IRN-BRU XTRA which, alongside IRN-BRU Sugar Free, now accounts for 40% of the total IRN-BRU brand sales on a volume and value basis. Following its reformulation in January 2018, IRN-BRU regular has increased its volume share of the total UK carbonates market by 4.2%.

While the performance of Rubicon still juice drinks has been impacted in line with the overall decline in the fruit drinks category, the Rubicon brand as a whole has grown 7.9% in volume terms, reflecting the continued significant growth of Rubicon Spring.

The Barr flavours range of traditional carbonates has made exceptional progress across 2018. The proven formula of high quality product, a trusted brand and great value for money allowed the brand to take advantage of the opportunities in the market during the period. We expect to deliver further progress in Barr flavours in 2019 due to the increased levels of distribution gained in the second half of 2018.

We expect to see the overall soft drinks market performance stabilise in 2019 as we lap the SDIL implementation and pricing, on a year-on-year basis, normalises. Having altered our tactics in 2018, we expect to revert to our long-term strategy of value over volume as markets stabilise. We anticipate this move back to a value-led approach will lead to a normalisation in our volume growth, while having a positive impact on margins across our core carbonates range.

We have seen a significant amount of change in our partnership brands across the reporting period. We launched new partnerships with Bundaberg and San Benedetto in early 2018 and I am pleased to report that these new partnerships have got off to a strong start with the brands settling into our business well and both making good progress.

The Snapple brand has not made as much progress to date as we would have liked, however the change of ownership in the parent company Dr Pepper Snapple Group, which has been taken over by Keurig Green Mountain to form the new Keurig Dr Pepper (KDP) company, has led to a positive change which we hope will lead to a more autonomous position for AG Barr allowing us to refocus on growth over the long term.

Rockstar progress has slowed in the period, down 3.1% in volume terms, in a challenging marketplace where significant competitive investment and activity have dented the strong prior year performance when the brand grew volume over 15%. We expect to launch a number of innovative new Rockstar products across 2019 in order to regain our sales momentum in this exciting, dynamic but increasingly mature market.

We have regained momentum in our international sales performance with revenue growth of 8.6% as our business development plans delivered strongly in Ireland, Sweden and Germany in particular. Our capital-light export driven model gives us access to a significant number of markets across the globe with relatively little risk and remains a source of growing contribution to the Group.

Much of our core business growth has been driven by innovation with a specific focus on building IRN-BRU XTRA and Rubicon Spring across the market. While this emphasis will be maintained across 2019, our innovation pipeline continues to develop, as we adapt our portfolio to changing consumer tastes, purchasing behaviours and channel dynamics. In common with most fast moving consumer goods companies we expect a mix of large scale opportunities, longer-term slower burn projects and those that don't make the grade. We hope to see innovation delivering significant strategic growth in the business over the medium and longer term as well as providing us with short-term tactical boosts to revenue where possible.

The Funkin business continued its strong growth trajectory with revenue growth of 9.0% in spite of the FIFA World Cup and exceptional summer weather, when consumers typically favour longer beer and cider drinks over cocktails. Funkin has made significant progress across core business development in the on-trade along with the exciting launch of draught cocktails, initially focused on outdoor events and now expanding into higher volume on-trade pubs, bars and restaurants. Following Funkin's initial foray into the "at home cocktails" market with the growing "Shaker Pack" product, the next step will be the launch of nitro cocktails in can format which will be launched into the market in the first half of 2019, further supporting our strategy of building the Funkin brand from its existing strong base in the on-trade into the wider consumer market.

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We forecasted that operating margin would see a moderate reduction across the period as we continued to support brand development, innovation, customer service and flexibility. However we were also impacted by the unplanned CO_2 shortages, unprecedented seasonal demand which led to suboptimal operating conditions and additional operating costs during the summer months. Looking forward we anticipate modest cost inflation in the coming year which we expect to offset through management actions which, in tandem with our trading strategy, should see margin stabilise over the course of 2019.

Brexit

We have operated across the past year in a period of political and economic uncertainty and volatility. We do not see any immediate end to this extended period of uncertainty. Given our largely UK sales profile, our current assessment is that the specific issue of the UK's future exit from the European Union will not have a significant impact on our business other than through its effects on foreign exchange and the procurement of specific raw materials. To mitigate these risks where possible we have exchange rate hedging cover in place at the top end of our treasury policy and we have secured both the required UK storage and materials to enable us to minimise any potential impact of operating difficulties around the time of the current Brexit exit date. Should this change in any way we will adapt our plans and actions as appropriate.

Regulation and responsibility

We continue to work constructively to achieve positive outcomes across a range of regulatory discussions with our industry peers and governments, both central and devolved.

In relation to packaging in particular we are committed to introducing 30% recycled material into our PET bottles by 2022, with a longer-term ambition of up to 50%.

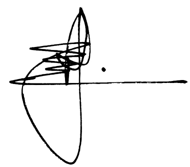
Based on current government policy, both in Scotland and England, a deposit return scheme (DRS) for beverage containers is expected to be introduced in the UK within the next few years. In the context of an increasing focus on the environmental impact of plastic, a DRS in the UK will set plastic drinks packaging apart from all other plastics, as bottles will become part of a truly circular economy.

Along with our soft drinks industry peers, we are supportive of a DRS in principle and have been working positively and collaboratively with government. Designed correctly, DRS can be a sustainable solution to packaging waste that is positive for the environment and practical for consumers, manufacturers and retailers.

In relation to health and diet, consultations around advertising, promotions, age restrictions and labelling are ongoing and we will play a full role in these debates to support the desire to create a healthier nation for the long-term. Our 2019 annual report contains a full review of our sustainability actions which demonstrate our commitment to behaving responsibly across a broad range of issues.

Summary

We have grown revenue by 8.0% and 5.6% respectively over the past two years reflecting the growth potential of our business. Whilst the uncertainty across the UK economy is likely to prevail for the foreseeable future, we have consistently demonstrated over the long-term that our strategy and execution are fit for purpose and resilient. The markets in which we operate are robust and provide us with continued opportunities to grow. Our brands, business model and people are agile, flexible and capable of adapting quickly and efficiently to maximise opportunities to deliver long-term value. We have exciting plans to deliver across the Group and are confident of continuing to make further progress in the coming year.



Roger White
Chief Executive

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Where stated, brand growth is based on volume of cases invoiced for the 52 weeks to 26 January 2019.

DELIVERING LONG-TERM SUSTAINABLE VALUE

Our overarching business strategy is to deliver long-term sustainable value in all that we do.

OUR STRATEGIC PRIORITIES

Connecting with consumers

Consumer insight drives our business. Our consumers are growing in number, location and diversity and we ensure that we take the time to listen, to understand their needs and to offer them a choice of great tasting, high quality products.

Read **Strategy in Action** on **Page 14**

Building brands

We are brand owners and builders, offering a diverse and differentiated portfolio of products that people love. With our own powerful brands, complementary franchise partner brands and a strong track record of bringing successful innovation to market, we seek to build brand awareness, grow our brand equity and outperform the market.

Read **Strategy in Action** on **Page 16**

KEY PERFORMANCE INDICATORS

Revenue

£279.0m

+5.6%

Year	Value
2019	£279.0m
2018	£264.1m

The increase in value of revenue recorded in the period relative to the prior period.

Gross margin

43.9%

(43)bps

Year	Value
2019	43.9%
2018	44.3%

Reported gross profit divided by revenue.

Profit before tax and exceptional items*

£45.2m

+2.5%

Year	Value
2019	£45.2m
2018	£44.1m

EBITDA margin*

19.6%

(61)bps

Year	Value
2019	19.6%
2018	20.2%

EBITDA (defined as profit on ordinary activities before tax and before exceptional items, adding back interest, depreciation, amortisation and impairment) divided by revenue.

Free cash flow*

£35.9m

(10.0)%

Year	Value
2019	£35.9m
2018	£39.9m

Net cash flow excluding the movements in borrowings, expansionary capex, shares, dividend payments and non-cash exceptional items.

Operating margin before exceptional items*

16.4%

(66)bps

Year	Value
2019	16.4%
2018	17.1%

Operating profit before exceptional items and before the deduction of interest and taxation, divided by revenue.

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Developing relationships

Building and maintaining long-lasting and successful relationships is central to our business. We work closely with our customers, across multiple routes to market, to develop joint plans which allow us to share in success. We pride ourselves on our ability to turn these shared plans into effective actions, supporting our customers with excellent in-store activation of our brand led activities and delivering the highest possible levels of service. And by working closely with brand franchise partners, international distributors, suppliers and 3rd party logistics providers, we develop complementary relationships that deliver shared benefits and support our growing business.

Read **Strategy in Action** on **Page 18**

Driving efficiency

We continually strive for greater efficiency across our business, ensuring strong financial controls are in place while also investing for growth. As our business develops, we are committed to driving continuous improvement across our processes and technology. As an asset backed business we drive operational improvements, flexibility and efficiency through our expansionary capital investment programme, equipping us with some of the industry's most advanced operational capability.

Read **Strategy in Action** on **Page 20**

Dividend per share

16.64p

+7.0%

2019	16.64p
2018	15.55p

Dividend payable in respect of the financial year.

Accident incident rate

6.23

2019	6.23
2018	5.36

Number of accidents relative to employee base. Now reflects reportable (RIDDOR) accidents only to allow more relevant industry benchmarking.

Employee engagement

77%

2019	77%
2018	74%

As measured by annual "Your Voice Matters" employee survey.

Return on capital employed*

21.0%

+48bps

2019	21.0%
2018	20.5%

Profit before tax and exceptional items as a percentage of invested capital. Invested capital is defined as period end non-current plus current assets less current liabilities excluding all balances relating to any provisions, financial instruments, interest-bearing liabilities and cash or cash equivalents.

Market share

3.4%

2019	3.4%
2018	3.3%

AG Barr's value share of the total UK soft drinks market as measured by IRI Marketplace for the 52 weeks ending 27 January 2019.

Carbon intensity ratio

26.04

2019	26.04
2018	30.91

Intensity ratio is kilograms of CO_2e per 1,000 litres of product produced.

CONNECTING WITH CONSUMERS

THE IRN-BRU SNOWMAN RETURNS

The iconic IRN-BRU Snowman advert is recognised across Scotland as a key part of Christmas and, 12 years on from the original airing, the Snowman returned to Scottish screens in December with a stunning new sequel. The advert launched on TV with both the original ad and the sequel shown back to back, picking up the story of the Snowman and his young pyjama-clad adversary where it left off. The campaign ran across TV, radio, social media, digital and PR, and even saw some of the featured landmarks lighting themselves orange to celebrate their involvement. With over 1.4 million views on Facebook and Twitter alone, the return of the Snowman captured the hearts of Scottish consumers, for many of whom Christmas wouldn't be Christmas without their favourite IRN-BRU.

STRATHMORE – OFFICIAL WATER OF THE GLASGOW EUROPEAN 2018 CHAMPIONSHIPS

A new era in world sport got under way in August 2018 as Glasgow and Berlin hosted the inaugural European Championships, an exciting new multi-sport event bringing together a collection of the continent's leading athletes. As the official water of the Glasgow events, our Strathmore brand was present across 12 venues, covering 7 sports and was unmissable in the field of play. 4,500 athletes from 52 countries took part in what were an incredible 11 days of sport, delighting more than 500,000 members of the public and watched by more than 20 million viewers on the BBC. With strong sport partnerships already in place with Scottish Rugby, British Athletics and the Mountain Bike World Cup, as well as the upcoming sponsorship of the European Indoor Athletics Championships, Strathmore is reinforcing its credentials as the water at the heart of elite sport.

RUBICON – OFFICIAL SOFT DRINK OF THE ENGLAND AND WALES CRICKET BOARD

In its 2nd year as official partner of the England and Wales Cricket Board, our Rubicon brand has firmly established itself as a big hitter thanks to a multi-faceted consumer campaign which brought the brand to significantly larger audiences than ever before. Through eye-catching cricket ground branding, targeted social media activity, a national on-pack promotion, the launch of "Urban Crictionary", the home of all the weird and wonderful terminology of cricket, and a media partnership with The Guardian, Rubicon and cricket are a winning partnership. And Rubicon's presence is going to be even more impactful in 2019 with two of cricket's biggest events, the World Cup and the Ashes, both taking place on UK soil.

BUILDING BRANDS

FUNKIN LEADS THE WAY IN COCKTAIL INNOVATION

The Funkin brand has a proven track record of bringing exciting new products to the market, responding with pace and creativity to emerging trends in the cocktail space. Across 2018 the Funkin business has grown by 9.0%, supported by a strong performance from a range of new product innovations. Funkin Premium Batched Draft Cocktails, which offer easy serve quality cocktails across the on-trade and outdoor events, have had an impressive first year with more than 650,000 Funkin branded cocktails enjoyed by consumers across the UK. And for the take home market, our "Shaker Pack" has been refreshed and updated, with enhanced packaging creating greater on-shelf presence and two new flavours, Espresso Martini and Bramble, offering even greater choice. With sales in strong growth and new listings across a range of large supermarket brands, our Shaker Pack offers an exciting opportunity to extend the Funkin brand even further, making cocktails at home accessible to all.

RUBICON SPRING – FASTEST GROWING TOP 10 WATER BRAND

Rubicon Spring has proven to be one of our most successful pieces of new product development, extending the reach of our Rubicon brand to a much wider range of consumers than ever before. Offering consumers a tasty, healthy and hydrating spring water based drink, in a variety of great fruit flavours, Rubicon Spring contains no added sugar and is now available in a wider range of sizes and formats to meet the needs of its growing consumer base.

With 9 million more bottles sold in 2018 than the prior year, Rubicon Spring is a core driver of growth for the Rubicon brand and was the fastest growing Top 10 water brand in The Grocer magazine's Top Products Survey 2018.

Rubicon
Spring
Orange
Mango

Rubicon
Spring
Strawberry
Kiwi
Rubicon
Spring
Lemon
Lime

DEVELOPING RELATIONSHIPS

PARTNERSHIP PROGRESS WITH BUNDABERG

We were delighted to welcome the Bundaberg brand into our portfolio in April 2018 and are even more delighted with the progress made since. We've worked closely with our partners at Bundaberg Brewed Drinks in Queensland Australia, who share similar values and growth aspirations to us, to maintain the brand's quintessential Australian personality while bringing our knowledge of the UK consumer to the relationship. With 5 million bottles sold in the brand's first 9 months under our stewardship we are excited about the potential this long-term partnership offers to accelerate the brand's growth and further build our portfolio.

SHARING SUCCESS WITH ROCKSTAR

Our long-standing partnership with Rockstar demonstrates how collaborative working can create shared success. Whether music, gaming, movie or sport related we have continued to energise and entertain consumers with high profile activities across 2018. For gamers we strengthened our partnership with Sony & Activision with an on-pack offer for the Destiny 2:Forsaken title and for movie goers we partnered with Warners Bros. on Creed II, engaging consumers with on-pack promotions and social media based competitions. We have exciting plans for 2019 that will allow us to develop our partnership further and deliver our joint growth ambitions.

WINNING WITH OUR CUSTOMERS

We were delighted to be recognised once again at the Scottish Wholesale Association's Achiever Awards, being awarded the "Overall Service Award" for our support across our Scottish wholesale customers. This is the seventh occasion in the last nine years that we have been awarded this prestigious accolade, something of which both our sales team, and the business as a whole, are extremely proud.

DRIVING EFFICIENCY

MILES SAVED TO MILTON KEYNES

In 2017 we added further production capacity to our operational footprint with the successful installation of a new PET production line at MIlton Keynes. This £10m capital investment has created a much more efficient supply chain footprint, with a large number of our PET bottles now produced closer to our English and Welsh consumers, saving more than 1 million road miles.

ENERGY SAVING AT FORFAR

We continually strive for opportunities to improve our sustainability and have been focusing specifically on energy use at our Forfar factory where we bottle our Strathmore spring water, 24 hours per day, 5 days per week.

Located in the north east of Scotland in the Vale of Strathmore, our Forfar site has historically been susceptible to energy spikes, particularly during the adverse weather we come to expect in the Scottish climate. Through the successful implementation of a voltage optimisation project, which smoothed out peaks and troughs in energy, we have not only eliminated the energy spikes altogether but have achieved the added benefit of reducing our total energy usage on site by 7% across 2018.

Where stated, brand growth is based on volume of cases invoiced for the 52 weeks to 26 January 2019.

BEHAVING RESPONSIBLY FOR OVER 140 YEARS

We are proud of our business and proud of the positive contribution we make to society. We believe that how we act reflects who and what we are.

WE ACT WITH INTEGRITY

Key focus areas

- Health and safety
- Employee engagement
- Responsible policies & practices

Main supporting policies

- Anti-bribery and Corruption Policy
- Anti-facilitation of Tax Evasion Policy
- Data Protection Policy
- Disclosure Policy
- Equality and Diversity Policy
- Environmental Policy
- Ethical Trading Policy
- Health and Safety Policy
- Information Security Policy
- Modern Slavery Statement
- Prompt Supplier Payment Guidelines
- Quality Policy
- Responsible Marketing Code
- Speaking Up Policy

2019 Key performance measures

77%
employee engagement
2022 Goal: 80%

6.23
accident incident rate
Goal of zero work related accidents

Supporting the UN Sustainable Business Goals

WE RESPECT THE ENVIRONMENT

Key focus areas

- Energy efficiency
- Waste and water
- Sustainable sourcing
- Packaging

Main supporting policies

- Environmental Policy
- Ethical Trading Policy
- Procurement Quality Manual

2019 Key performance measures

94.5%
waste diverted from landfill
2021 Goal: 100%

1.2%
reduction in water usage efficiency
2025 Goal: 15% improvement
(baseline 2015)

28%
reduction in greenhouse gas emissions
2025 Goal: 40% reduction
(baseline 2015)

PET
Recycled PET content
2022 Goal: 30%

Supporting the UN Sustainable Business Goals

For over 140 years we've focused on creating great tasting brands that people love and our business has grown as a result. The continued financial strength of our business is important not only to our almost 1,000 employees and our shareholders, but also on a broader basis, where our performance positively impacts a wide range of stakeholders, from customers and suppliers to communities and the UK economy as a whole.

Our responsibility agenda has always been woven into the fabric of our business and, as we grow and develop, it's more important than ever that we play our part in addressing the key issues facing society.

Behaving responsibly at AG Barr is underpinned by four key commitments:

WE SUPPORT HEALTHY LIVING

Key focus areas

- Calorie reduction
- Responsible advertising & marketing
- Labelling
- Inspiring active lifestyles

Main supporting policies

- Responsible Marketing Code
- British Soft Drinks Association Code of Practice on Energy Drinks

2019 Key performance measures

99%
portfolio exempt from Soft Drinks Industry Levy

98%
innovation launched in lower/no added sugar products

Supporting the UN Sustainable Business Goals

WE GIVE BACK

Key focus areas

- Community engagement
- Charity partnership
- Employee volunteering

Main supporting policies

- Employee Volunteering Policy

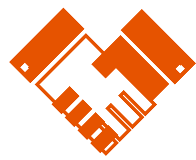
2019 Key performance measures

125
community groups supported in-kind or financially

£100K
corporate donations to good causes with an additional £40k raised by employees

Supporting the UN Sustainable Business Goals

WE ACT WITH INTEGRITY



Health and safety system

We work hard to create a culture in which safety and health are our top priorities. Our ultimate goals in this area are zero work related accidents and the provision of a safe and healthy working environment. We have a robust health and safety management system in place to underpin our activity and ensure compliance with all health and safety related legislation. Our thorough and varied safety management activity programme is designed to keep safety at the top of our agenda with action ranging from safety awareness initiatives and behavioural safety training, to site audits and reporting.

IN FOCUS: HEALTH & SAFETY

Across 2018 we partnered with the Keil Centre, chartered psychologists and ergonomists with significant safety related experience, to conduct a full health and safety cultural assessment across our supply chain function. Based on the findings we are now developing a series of interventions to roll out across our teams to drive improved safety related behaviours, awareness and decision making.

Employee engagement

Our goal is to make AG Barr a great place to work, both now and in the future. Underpinning everything that we do is our belief in performance through people – a positive and engaged team drives better business performance.

Barr Behaviours

We have developed a simple behavioural framework central to who we are and how we operate, known as our Barr Behaviours. These behaviours are at the heart and soul of AG Barr and support how we work together to enhance performance in our developing business. Whether recruiting new employees or developing our existing teams, our Barr Behaviours are core to our thinking and ensure we are all focused on our performance potential. Our behaviours centre on four main areas – Being Brilliant, Always Learning, Results Driven and Relationships Matter.

IN FOCUS: BARR BEHAVIOURS

We live and breathe our Barr Behaviours every day and encourage all our people to highlight when they believe their colleagues are leading by example. Whether on our new "HIVE" intranet, at team meetings, via our social network communities, or simply in person, we regularly recognise a Barr Behaviour in action.

Eddie McKibbin, a Line Improvement Engineer at our Cumbernauld factory, cares about what he does and the people he works with. That's why his colleague David McFarlane thinks he's brilliant.

"Eddie is a great person to have in the Cumbernauld factory. He has a great attitude towards work and likes to get stuck in. He is never in a bad mood and always willing to help others – a very valuable member of our team," says David.

"We wouldn't be the innovative, creative and successful Company that we are today without the people who work for us."

Your Voice Matters Employee Engagement Survey

Our annual employee engagement survey "Your Voice Matters" provides invaluable insight into the views and opinions of our employees. Seeking feedback on a range of areas, from working conditions and leadership to reward and learning opportunities, the survey allows direct year-on-year comparisons to be made to allow the development of continuous improvement action plans at both a corporate and a team level.

IN FOCUS: YOUR VOICE MATTERS EMPLOYEE ENGAGEMENT SURVEY

Our 2018 "Your Voice Matters" employee engagement survey results saw an impressive response rate of 84% and an overall increase in employee engagement, up from 74% to 77%, with an improvement in 18 of the areas questioned.

Employee engagement

77%

Learning and development

Learning and development in our business is about creating a Company-wide culture in which everyone is supported and challenged to take ownership of their results, the impact they have on others and their careers. That's why "Always Learning" is one of our Barr Behaviours. Our teams are encouraged to take the lead in their own personal development, drawing from a wide range of learning opportunities. Our award-winning iLearn platform is our hub for development activity, with hundreds of hours of learning immediately accessible. But we also recognise that different people learn in different ways, and that knowledge, skills and experience can be enhanced in different ways. From classroom training and job shadowing to our successful mentoring programme and externally provided training courses, we try to ensure there's something to suit every individual in every area of the business.

IN FOCUS: LEARNING AND DEVELOPMENT

Our iLearn online platform has had an incredibly successful year. In November iLearn won Best UK Learning Platform Implementation at the Learning Technologies national awards beating some pretty stiff competition. And just before Christmas we successfully launched the iLearn App allowing users easy access to all our eLearning content anywhere, anytime.

Diversity and inclusion

We want to be a diverse and inclusive business that respects and values difference and allows all of our people to perform at their best. By treating people fairly and equally and by accepting and embracing diversity in all its forms, we can also improve our market competitiveness, foster innovation, enhance our reputation and create an inclusive and positive working environment for all employees to thrive. Our aim is to ensure that all employees and job applicants are given equal opportunities. Embracing diversity means that we value and respect everyone's differences, allowing us to make the most of individual talent. We have made progress in this area however we know we still have work to do. We continue to work on creating the kind of environment that is inclusive, where people feel they can be themselves at work and their opinions count.

IN FOCUS: DIVERSITY AND INCLUSION

We intensified our focus on diversity and inclusion across 2018. Supported by an independent expert organisation in this area, we used internal focus groups, interviews and new questions within our employee survey to listen to the views of a broad spectrum of our employees. This valuable feedback has shaped our thinking and, with a new policy in place to guide direction, has led to the identification of clear focus areas. From new awareness training for our leadership population to a complete review and refresh of our recruitment processes, the next 12 months will see us continue our efforts to further our diversity and inclusion progress.

In 2018, our second year of gender pay gap reporting for Barr Soft Drinks, we were pleased to report an improvement in our mean pay gap, which has reduced from 12.0% to 4.1%. We were also encouraged to see an increase in senior female representation across the business with women holding 37.0% of leadership roles as at January 2019, up from 28.9% on 5 April 2017. Our full 2018 latest Barr Soft Drinks Gender Pay Report is available on our website at www.agbarr.co.uk.

IN FOCUS: DIVERSITY AND INCLUSION

We are pleased to report a steady increase in the representation of female senior managers within the business, with women now making up more than 37% of our senior management population compared to 30% in the prior year.

Gender split

	Board and Company Secretary		Senior Managers		All Employees	
	Year to 27 Jan 2018	Year to 26 Jan 2019	Year to 27 Jan 2018	Year to 26 Jan 2019	Year to 27 Jan 2018	Year to 26 Jan 2019
Male	8	9	69	59	702	689
Female	2	3	29	35	265	268
Total	**10**	**12**	**98**	**94**	**967**	**957**

Responsible policies and practices

We have high expectations of our partners, our suppliers and ourselves. Over 140 years we have developed robust and responsible policies and practices that guide what we do and how we work with others. The policies, statements and guidelines we rely upon include, but are not limited to, the following:

- Anti-bribery and Corruption Policy
- Anti-facilitation of Tax Evasion Policy
- Data Protection Policy
- Disclosure Policy
- Environmental Policy
- Equality and Diversity Policy
- Ethical Trading Policy
- Health and Safety Policy
- Information Security Policy
- Modern Slavery Statement
- Prompt Supplier Payment Guidelines
- Quality Policy
- Responsible Marketing code
- Speaking Up Policy

In considering the requirements of the Non-Financial Reporting Regulations, the directors have considered the level of detail to disclose in relation to our policies and due diligence processes regarding human rights, anti-bribery and corruption. The directors do not deem this detail necessary to aid understanding of the Company's development, performance and position.

We measure non-financial performance across a range of business areas. The majority of our non-financial metrics are contained within this Sustainable Business Review on pages 22 and 23.

The business risks are included within our risk management section on pages 38 to 42.

A description of our business model can be found on pages 6 and 7.

The Company is a UK Living Wage accredited employer. Our policy in relation to Modern Slavery can be found on the Company's website at www.agbarr.co.uk. The Audit Committee regularly reviews the Company's Anti-bribery and Corruption Policy, as confirmed on page 52.

WE RESPECT THE ENVIRONMENT

The environment and natural resources are precious and we take our environmental responsibilities seriously, continuing to strive for opportunities to improve our sustainability, whether through our energy use, our water and waste control or our general environmental impact.

We have been accredited to the Environmental Standard ISO 14001 since 2003. This certification provides a framework against which we have developed comprehensive environmental procedures and monitoring systems. These processes have allowed us to measure our environmental performance and focus our activities on delivering improvements.

Energy efficiency

We closely monitor our energy efficiency and have taken numerous steps over recent years to reduce our energy usage, whether within our manufacturing sites, in our general offices or out on the road across our fleet of trucks.

AG Barr GHG Emissions in tonnes CO_2e	2017/18	2018/19
Scope 1	5,580	5,296
Scope 2	8,658	7,294
Intensity ratio	30.91	26.04

Methodology

Emission releasing activities are categorised into Scope 1 (Direct) and Scope 2 (Indirect) defined by the World Resources Institute/World Business Council for Sustainable Development.

Scope 1 figures include fuel combustion, process emissions and fuel usage for owned logistics transport, taking measurements in KwH (of gas) and litres of fuel, then converting these values to CO_2e (conversion factors issued yearly by the Department of Energy).

Scope 2 figures include consumption of purchased electricity in KwH, then converting these values to CO_2e using Department of Energy conversion factors.

Intensity ratio is kg of CO_2e per 1,000 litres of product produced.

IN FOCUS : ENERGY EFFICIENCY

In the past year the turbine has provided 8% of the site's total energy usage, demonstrating our commitment to increasing renewable energy following the installation of a 70 metre tall wind turbine at our Cumbernauld site in 2015.

IN FOCUS : ENERGY EFFICIENCY

Over the past year we have invested almost £2m replacing more than half our fleet of Barr Direct trucks in England. The new larger and more efficient vehicles have a greater load capacity and, combined with the implementation of a successful route optimisation project, have led to an annual reduction of 60,000 miles, 23,500 litres of diesel and 62 tonnes of CO_2.

IN FOCUS : ENERGY EFFICIENCY

We continually strive for opportunities to improve our sustainability and have been focusing specifically on energy use at our Forfar factory where we bottle our Strathmore spring water, 24 hours per day, 5 days per week.

Located in the north east of Scotland in the Vale of Strathmore, our Forfar site has historically been susceptible to energy spikes, particularly during the adverse weather we come to expect in the Scottish climate. Through the successful implementation of a voltage optimisation project, which smoothed out peaks and troughs in energy, we have not only eliminated the energy spikes altogether but have achieved the added benefit of reducing our total energy usage on site by 7% across 2018.

Waste and water

We are committed to the prevention of pollution and continually seek to understand and minimise the direct and indirect environmental impacts of our operations. As a soft drinks manufacturer, waste and water are key areas of focus. Through constant monitoring, using formal auditing procedures where appropriate, we seek to avoid, reduce or control the creation, emission of discharge of any type of pollutant or waste.

Sustainable sourcing

As climate change and a rising population put pressure on our limited natural resources, it is becoming increasingly important for our raw materials to be sourced sustainably and used efficiently. Our Ethical Trading Policy sets out our expectations in this regard and every supplier we partner with must acknowledge their compliance on an annual basis. Alongside our own stringent supplier approval process, which audits a broad range of requirements, we use the Supplier Ethical Data Exchange (Sedex) platform, as a secondary verification step. Sedex is a not-for-profit global membership organisation dedicated to driving improvements in ethical and responsible business practices.

IN FOCUS : SUSTAINABLE SOURCING

The sourcing of high quality fruit for our Rubicon brand is crucial. Over many years we have built strong relationships with local processors, particularly in India from where we source Alfonso mangoes, the sweetest and widely considered the best mangoes available. By working in close partnership, and making regular visits to the mango groves, we ensure the provenance, quality and sustainability of supply are maintained on a long-term and sustainable basis.

Packaging

We believe that packaging should be treated as a valuable resource and recycled, not discarded as litter. 100% of our soft drinks packaging is recyclable and recycling messages are displayed on all our drinks. We continually seek to reduce the amount of packaging we use and have made significant achievements in this area. We use 20% less material in our plastic bottle designs than we did 10 years ago and we recently removed difficult to recycle polypropylene sleeves from millions of our bottles. We are pleased to be further improving our sustainability performance by introducing recycled material content, known as rPET, into our plastic bottles, commencing with our Strathmore water brand. Our target is to have at least 30% rPET content across our entire portfolio by 2022.

Based on current government policy, both in Scotland and England, a deposit return scheme (DRS) for beverage containers is expected to be introduced in the UK within the next few years. Such a scheme would see consumers pay a deposit on beverage containers, which would be redeemed when the container is returned.

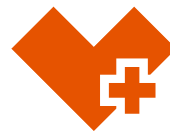
In the context of an increasing focus on the environmental impact of plastic, a DRS in the UK will set plastic drinks packaging apart from all other plastics, as bottles will become part of a truly circular economy. In countries where DRS is already operational, such as Norway and Germany, return rates of plastic bottles reach as high as 98%. In addition, the quality of drinks bottles returned in a DRS is expected to be much higher than the quality produced by the mix of plastics in current household recycling. This will vastly improve the availability of recycled content to go back into new bottles, an area where demand currently outstrips supply in the UK.

Along with our soft drinks industry peers, we are supportive of a deposit return scheme in principle and have been working positively and collaboratively with government. Designed correctly, DRS can be a sustainable solution to packaging waste that is positive for the environment and practical for consumers, manufacturers and retailers.

IN FOCUS : PACKAGING

We encourage our consumers to act responsibly when disposing of our packaging. We communicate recycling messages on all our packs as well as supporting anti-littering and pro-recycling initiatives across the country such as Keep Scotland Beautiful's "Give your litter a lift" campaign, targeting roadside litter in Scotland, and the Every Can Counts scheme, which encourages people to recycle their cans when out and about.

WE SUPPORT HEALTHY LIVING



Calorie reduction

99% of our soft drinks portfolio now contains no or low sugar, less than 5g total sugars per 100ml.

Our job has always been, and continues to be, about understanding consumers and their changing tastes and preferences, and providing them with great tasting soft drinks. Evidence shows that most consumers want to reduce their sugar intake while still enjoying great tasting drinks. We have been reducing the sugar across our portfolio and introducing new and innovative reduced sugar products in response to our consumers' changing tastes and preferences for more than five years.

Responsible advertising and marketing

We take our responsibility in how we market, promote and advertise our products very seriously. In addition to reducing our soft drinks sugar content, we advertise responsibly, offer a wide range of pack sizes to assist with portion control and, by providing clear nutritional information on all of our products, enable our consumers to make informed choices. We fully comply with all of the appropriate regulations and in some cases go beyond the standards set, such as in the area of Energy Drinks where our industry code exceeds regulatory requirements.

Labelling

We have always been committed to providing clear calorie and nutritional information on our packs to help consumers choose products that are right for them. We were one of the earliest adopters of the government's voluntary front of pack nutritional labelling on all our own brands which is a simple traffic light style scheme, making it even easier for consumers to find the information they need.

Inspiring active lifestyles

We know that our consumers are more interested in their health and well-being than ever before. We are taking active steps to raise consumers' awareness of the benefits of a healthy and more active lifestyle through the power of our Strathmore brand. Through our extensive sports sponsorship programme and our "Do More" Strathmore campaign, we are playing our part in motivating, encouraging and inspiring consumers to lead healthier lives.

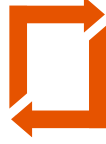
At the beginning of 2018 Laura Muir joined our existing sporting ambassadors Sammi Kinghorn and Ross Murdoch in "Team Strathmore". Laura represented Team GB in London 2017, won Gold at the World Indoor Championships in Birmingham and has become a household name associated with British Athletics.

Supporting the "Do More" initiative, Team Strathmore hosts sporting sessions for some of our lucky consumers, encouraging them to live healthy and active lifestyles through the participation in sport.

IN FOCUS: INSPIRING ACTIVE LIFESTYLES

As part of the sponsorship of Scottish Rugby, our Strathmore brand offered amateur rugby clubs across Scotland a once in a lifetime opportunity to win an exclusive training session with Scotland's international rugby stars. The "Do More" Rugby Challenge aimed to promote the benefits of hydration and encourage and inspire more people to lead healthy and active lifestyles through regular exercise and sport in general. The social media led competition challenged amateur rugby clubs across Scotland to share a ten-minute team talk that would inspire the Scotland team to victory. Stirring words were shared from over 80 entrants across Scotland, with Kirkcaldy RUFC U18s winning the prize. The session was designed to inspire and motivate amateur players to enjoy the game and to become the best players they can be. Scotland internationals were on hand to provide practical advice, as well as sharing personal insight into what it takes to become a world class rugby player.

WE GIVE BACK



Community engagement

Since 1875, we have always supported and worked closely with the communities in which we operate.

We provide financial, in-kind, practical and employee volunteering support to a wide range of charities, good causes and community groups each year across the UK.

Charity partnership

In 2016, Macmillan Cancer Support became our first ever employee-chosen charity partner following a Company-wide vote. Our corporate donation of £150,000 over 3 years supports Macmillan nursing care and key Macmillan support centres in Scotland and England. In addition, every employee sets out to raise £27 each during each year of the 3-year partnership. £27 funds one hour of Macmillan nursing care, so our employees aim to raise enough to fund 3,000 hours of nursing help and support for thousands of people with cancer across the country.

Since our partnership with Macmillan began, money raised has gone to a wide range of good causes, from nursing care to a new Support and Information Centre at the Beatson West of Scotland Cancer Centre. We are proud of our association with Macmillan and the positive impact our employees have made and continue to make.

IN FOCUS: CHARITY PARTNERSHIP

In May 2018 we teamed up with our charity partner Macmillan to take part in the 500 Mile Challenge, the equivalent distance from our most northern to our most southern sites. Four employee teams, captained by our directors, were encouraged to get active, clock their miles walked in a week and raise money for Macmillan Cancer Support. The 500 mile per team target was well and truly smashed with almost 20,000 miles achieved in total. The money raised, added to the fundraising from a range of other activities across the year, contributed to almost £40k of employee generated donations, significantly boosting the corporate contribution.

Employee volunteering

We encourage employees from across the business to take part in volunteering activities, giving something back to the communities we serve. Our employee volunteering policy allows every employee the opportunity to take paid time off to volunteer with our employee nominated charity.

IN FOCUS: EMPLOYEE VOLUNTEERING

Rebecca Gallagher, who works in our data management team in Scotland, is one of our most active employee volunteers. Not only did Macmillan Cancer Support recognise Rebecca with the Corporate Volunteer Award for Scotland and Northern Ireland, but we were also delighted and proud to learn that Rebecca was also awarded Volunteer of the Year in 2018.

A STRONG FINANCIAL PERFORMANCE

The following is based on results for the 52 weeks ended 26 January 2019. Comparatives, unless otherwise stated, are for the 52 weeks ended 27 January 2018.

Overview

Our performance in the year to 26 January 2019 continued to demonstrate the rigorous execution of our strategy – to deliver more from our core brands, to drive innovation, to invest in the continued development of the Funkin brand and to grow internationally.

In a departure from previous years, there has been an intentional short-term focus on volume growth as we sought to capitalise on structural changes in the market following the implementation of the SDIL and market-wide supply disruption during the summer.

While reported profit and earnings per share (EPS) have been marginally impacted by a one-off exceptional charge relating to a past service pension charge, the underlying performance is strong. We continue to deliver across the core performance areas of revenue, profit and cash generation and have delivered another year of strong results across a broad range of financial measures.

Revenue	up 5.6% to £279.0m
Gross margin*	down 43bps to 43.9%
Profit before tax and exceptional items*	up 2.5% to £45.2m
Profit before tax	down 0.9% to £44.5m
Operating margin before exceptional items*	down 66bps to 16.4%
Operating margin*	down 122bps to 16.2%
Net cash from operating activities	up £2.4m to £44.6m
Net cash balance	up £6.8m to £21.8m
Basic earnings per share before exceptional items (EPS)*	up 2.3% to 32.03p
Basic earnings per share (EPS)	down 2.3% to 31.51p

Our revenue increase was driven by volume growth across our core carbonates portfolio and underpinned by continued gains from innovation. Volume improvement and modest price increases were in part offset by adverse brand and customer mix. Cost pressures from commodity prices, the prolonged hot summer and CO_2 shortages tested our supply chain resilience and had a negative impact on gross margin as we placed customer service deliberately ahead of cost efficiency. This allowed us to support our customers during a period of unprecedented demand.

Following the completion of our long-term reformulation programme, we consciously increased our marketing behind our core soft drinks brands and have continued to invest in the successful development of the Funkin business.

Margins have been impacted as a consequence of our volume over value trading tactics, adverse product and channel mix as well as sustained brand and customer investment. Gross margin was 43.9%, down 43bps versus the prior year, while operating margin before exceptional items remained strong at 16.4%, down 66bps, delivering profit growth before tax and exceptional items of 2.5%.

"This year's performance continues to demonstrate the rigorous execution of our strategy."

Stuart Lorimer, Finance Director

Our disciplined approach to cash management continued to be a key area of focus. We report only a modest rise in inventory despite having initiated a managed increase in selected raw materials as part of our Brexit planning. Net receivables are down, with the impact of increased sales more than offset by strong credit control and active debt management.

We end the year with net cash of £21.8m, ahead of our previous expectations, as a result of phasing adjustments to our ongoing capital investment plan, in particular the upgrading of our Cumbernauld process room, as well as our decision to extend the timing of our share repurchase programme, having bought £10.3m of shares in the year and spent £18.5m to date. Our strong financial performance and our confidence in the future support the recommendation of a final dividend of 12.74p per share, an increase of 7.6%. This brings the recommended full year dividend to 16.64p per share, an increase of 7.0%, with a dividend cover of just over 1.9 times.

Segmental performance

While our overall volume growth was 6.9%, our revenue grew by 5.6%, reflecting price, product and customer mix impact.

Carbonates

Our carbonates business represents over 76% of our revenue and over 80% of gross profit. Carbonates revenue increased by 8.9% (volume up 10.1%) driven primarily by IRN-BRU, the Barr flavours range and Rubicon Spring. This growth delivered a 6.4% increase in gross profit as the previously mentioned impact of price, product and customer mix resulted in a modest reduction in gross margin.

The IRN-BRU brand continued to grow revenue and gain market share, particularly in England where distribution gains by zero calorie IRN-BRU XTRA have been a key growth driver. Following its reformulation in January 2018, IRN-BRU regular has increased its volume share of the total UK carbonates market by 4.2%. The Barr flavours range recorded double digit growth with distribution gains in the first half of the year, particularly in the impulse channel. Rubicon Spring continues its positive growth momentum with an increase in brand formats with the successful launch of the 1.5L take-home pack. After many years of sustained growth, Rockstar experienced low single digit volume and value decline, impacted by intense promotional pressure and new product launches by competitor brands, however our new franchise brands, Bundaberg and San Benedetto, performed strongly.

Stills and water

Our stills business is focused on our Rubicon fruit drinks and Strathmore water brands. Rubicon fruit drinks faced significant competitive challenges in a declining market segment, impacting both pricing and volume.

As a primarily 'on premise' brand, Strathmore gained less benefit from the significant weather related demand across the hot summer months and was impacted by competitive pricing across the market.

The combined pressures on these core brands resulted in an overall decline in our stills and water segment, with volume down 6.0%, revenue down 7.0%, delivering a decrease in gross profit of 8.7%.

Other

The 'other' segment is dominated by Funkin branded products. Our Funkin business continues to perform strongly with sales growth of 9.0%. The key on-trade business, benefiting from the continued growth of the cocktail market, has grown volume and margins in each of its product segments (syrups, mixers and purées) with distribution gains and significant success through further innovation. During 2018 Funkin entered the 'with alcohol' market with the launch of batched draft cocktails. Despite its nascent nature, we believe this market segment has significant longer-term potential.

Margins

Operating margin before exceptional items reduced by 66bps to 16.4%, primarily driven by lower gross margin from adverse product and channel mix and our decision to increase our marketing investment behind both our core soft drink brands and Funkin.

Exceptional items

A pre-tax exceptional expense of £0.7m has been recorded in the year ended 26 January 2019. This reflects a past service cost in respect of the equalisation of guaranteed minimum pension ("GMP") benefits. On 26 October 2018, the High Court handed down a judgement involving Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to GMP benefits. The judgement has implications for many pension schemes, including the AG Barr defined benefit scheme. We have worked with our actuarial advisers to understand the implications of the judgement for this scheme and the £0.7m pre-tax exceptional expense reflects the best estimate of the effect on our reported pension liabilities. The Board is of the opinion that the nature of this expense, a non-routine pension cost relating to a significant legal ruling, makes it appropriate to be classified as 'exceptional'.

In the prior year, an exceptional credit of £0.8m (£1.1m post tax) was recognised. This primarily comprised the gain on the sale of our Walthamstow site, partially offset by non-recurring costs associated with our reformulation programme. Both of these activities were completed to plan during 2018.

Interest

Net finance charges, totalling £0.6m, largely comprised finance costs associated with the defined benefit pension deficit (under IAS 19). Debt facility charges remain minimal, reflecting our strong net cash position, which has continued to improve this year.

The constituent elements of the interest charge comprised:

	2019 £m	2018 £m
Interest related to Group borrowings	**(0.2)**	(0.3)
Finance costs related to pension	**(0.4)**	(0.7)
Net finance costs	**(0.6)**	(1.0)

Since the financial year end we have concluded the extension of our banking facilities. Our new arrangements are three revolving credit facilities – two £20m facilities for three year terms and one £20m facility over a five year period. These arrangements provide flexibility for short-term operational variability as well as offering optionality should acquisition opportunities be identified.

Taxation

Our reported tax expense of £8.7m (2018: £7.7m) represents an underlying effective tax rate of 19.5% (2018: 18.1%). This is marginally higher than the UK statutory rate of 19.0% (2018: 19.2%), and is primarily due to the impact of depreciation and amortisation of non-qualifying assets and certain non-allowable expenses.

The effective tax rate of 19.5% (2018: 17.2%) (after exceptional items) has increased by 230bps from the prior year. This reflects the impact of exceptional property disposals in the prior year, offset by the decreases in the main rate of corporation tax in 2018.

Cash flow and balance sheet

We remain financially strong and highly cash generative, with net cash from operating activities of £44.6m (2018: £42.2m) and net cash balances of £21.8m.

EBITDA before exceptional items increased by £1.3m to £54.6m, in line with increased profit performance and delivering an EBITDA margin of 19.6% (2018: 20.2%). EBITDA to free cash flow conversion declined from 74.9% to 65.8% delivering a free cash flow of £35.9m, down £4.0m on the prior year; a creditable performance as the prior year benefited from the one-off exceptional cash benefit from the sale of our Walthamstow Depot (£2.5m) and an element of Brexit related stockbuild. This year we supported increased inventory as we initiated a raw material stock build as a contingency against potential Brexit related disruption and incurred slightly higher capital cash outflows as part of our ongoing capital investment programme.

We remain committed to a well invested asset base and have continued to invest in line with our long-term programme of replacement and expansion. Our major project in the year has been the replacement and upgrade of our liquid to line processes within our Cumbernauld factory. Cash spend on this £13m investment was lower in 2018/19 than originally planned, due to rephasing of both operational activity and supplier payments, however the project remains on schedule with commissioning planned for early 2020. As a consequence of this re-phasing, capital expenditure in 2019/20 is anticipated to be higher than previously guided as we complete existing projects and we continue our capital replacement and optimisation strategy across all our asset base.

The Group balance sheet continues to strengthen with net assets growing £8.7m to £209.8m across the financial year. This growth, after dividends paid to shareholders of £17.9m and £10.3m of share repurchases, was delivered from a combination of continued profitable business growth and a £1.7m reduction in pension liabilities under IAS 19.

Return on capital employed (ROCE) increased from 20.5% in 2018 to 21.0% in 2019 as operating profit growth and the reduction in share capital through the share repurchase programme more than offset investment in our asset base.

Share repurchase programme

Shareholder approval for a £30m share repurchase programme was received in May 2017. During the financial year we continued to progress this programme with the purchase and cancellation of 1.5 million shares, at an average price of £6.82 and a total cost of £10.3m. This takes our share repurchase programme to date to £18.5m and 2.8m shares (representing 2.4% of the issued share capital) at an average cost of £6.53/share. Since the year end, we have continued to repurchase shares under an irrevocable mandate, and it remains our intention to complete the full £30m share repurchase during the course of 2019, albeit slightly later than the original expectation of completion by May 2019.

Pensions

The Group continues to operate two pension plans: the A.G. BARR p.l.c. (2005) Defined Contribution Pension Scheme and the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme. The latter is a defined benefit scheme based on final salary, which also includes a defined contribution section for pension provision to senior managers.

The defined benefit scheme ("the scheme") has been closed to new entrants since 5 April 2002 (and to new executive entrants since 14 August 2003) and closed to future accrual for members in May 2016. Existing and new employees have been invited to join the Company wide defined contribution scheme. The scheme triennial actuarial valuation (as at April 2017), approved by the Pension Scheme Trustee on 8 March 2018, identified a £4.8m deficit based on an agreed range of actuarial assumptions. Subsequent to the valuation, the Company and the Pension Scheme Trustee agreed a pension repayment plan intended to eliminate the deficit by 2021. This plan was submitted to and accepted by the Pension Regulator.

On an IAS 19 valuation basis, which is before the benefit of the asset backed funding arrangement, the deficit reduced from £15.2m at the end of 2017/18 to £13.5m at the balance sheet date. The deficit reduction in the current financial year is primarily as a result of a higher net discount rate used to value the scheme's liabilities in the year, the commencement of the Company repayment plan and an updating of other assumptions partially offset by the recognition of the GMP liability noted above as an exceptional item. The Company continues to work proactively with the Pension Trustee to de-risk the pension liabilities and secure the commitments to employee benefits as part of the Group's ongoing strategic risk management. The Group remains of the view that the overall pension deficit is manageable.

Brexit – our actions

The Company has had a Brexit Steering Group in place since shortly after the UK Referendum decision. This group is chaired by the Head of Group Risk with input from external advisors and representation from each relevant business area. The group monitors developments, reviews the implications of various exit scenarios and has taken action where it has considered this to be appropriate. The steering group has considered the implications both for transition disruption in the 3-4 months post an exit and for our longer-term strategy. Action has been taken to mitigate short-term transitionary issues by increasing foreign exchange coverage and inventory levels of strategic raw materials (both by the Company directly and by our supply base). Given the UK focus of our commercial activities and the largely UK sourced supply base, our current assessment is that an exit from the European Union will not have a significant strategic impact on our business and is not a principal risk. We have a well developed risk management framework in place at both functional and corporate levels of the business and we will continue to monitor closely both political and commercial developments, and react accordingly to these. As part of our corporate viability evaluations we have modelled the impact of what we consider to be a severe but possible Brexit impact. This evaluation indicated that there was no significant viability risk to the business from Brexit.

Accounting Standard changes: IFRS 15, IFRS 9, IFRS 16

We have now adopted both IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) for the accounting period starting 28 January 2018, with full retrospective application. IFRS 15 establishes a framework for determining and recognising revenue, as well as requiring certain incremental disclosures. The primary impact has been a reclassification of certain payments and customer incentives previously presented as selling and distribution costs. These amounts are now included within revenue. Adoption of the standard has had no impact on profit before tax. Full details on the IFRS 15 restatement for 2018 can be found in Note 1 to the accounts. Adoption of IFRS 9 has had no material impact on the accounts.

The adoption of Accounting Standard IFRS 16 (Leases) will commence from 27 January 2019. IFRS 16 establishes revised accounting recognition and additional disclosure requirements in respect of leases. The impact on the income statement for 2019 has been assessed as immaterial. Further details can be found on Note 1 to the accounts.

Earnings per share

Reflecting the increased profitability of the Company during the year, basic EPS before exceptional items is 32.03p (2018: 31.30p), an increase of 2.3%. The underlying performance of the business, offset by the exceptional items outlined above, leads to reported basic EPS of 31.51p (2018: 32.25p) based on a basic weighted average of 113,626,941 shares (2018: 115,336,186 shares). The reduction in the basic weighted average number of shares is predominantly due to 1.5m ordinary shares being repurchased and cancelled during the year as part of the ongoing share repurchase programme. Based on a diluted weighted average of 113,765,670 shares, diluted EPS is 31.47p.

Share price and market capitalisation

At 26 January 2019, the closing share price for A.G. BARR p.l.c. was £7.62, an increase of 21.1% on the closing January 2018 position. The Group is a member of the FTSE 250, with a market capitalisation* of £868m at the year end.

Stuart Lorimer
Finance Director

All numbers, including comparators, reflect the adoption of IFRS 15 "Revenue from Contracts with Customers". Certain amounts payable to customers, previously presented as expenses, are now shown as a deduction to revenue. Reconciliations are provided on pages 101 and 102.
* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 146 to 148.

IDENTIFYING, EVALUATING AND MANAGING RISK

Risk management approach

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness, supported by the Audit Committee and the Risk Committee. A risk management framework is in place which sets out the ongoing processes for the identification, assessment and management of risks, and for their ongoing monitoring and review. The Board has defined its risk appetite in a number of key areas for the business – this sets out the relative level of risk that the Group is prepared to seek or accept in the pursuit of its strategic objectives. The aim is to ensure that the risks taken by the Group fall within its defined risk appetite.

Effective risk management is essential to enable us to achieve our operational and strategic objectives and deliver long-term value creation. During the reporting period we have continued to focus on embedding a culture of risk management throughout the organisation which will contribute towards the successful execution of the Group's strategy.

Robust risk assessment

The risk management framework sets out a systematic approach to risk management which is designed to identify risks to the business, regardless of source. Once identified, risks are assessed according to the likelihood and impact of the risk occurring and an appropriate risk response is determined in line with the Group's risk appetite. Risks are re-assessed based on the strength of the mitigating controls implemented. The implementation of risk mitigation plans is subject to ongoing monitoring and review. A risk scoring matrix is used to ensure that a consistent approach is taken across the business at both a corporate and functional level. This risk assessment and review process is documented in the appropriate risk register. Risks are reviewed on an ongoing basis; the Group's risk register is formally reviewed by the Risk Committee every two months and by the Board and the Audit Committee twice each year.

Risk control assurance

Internal audit work is undertaken by an independent organisation which develops an annual internal audit plan having reviewed the Group's risk register and following discussions with the external auditors, management and members of the Audit Committee.

During the year the Audit Committee has reviewed reports covering the internal audit work. This has included assessment of the general control environment, identification of any control weaknesses and quantification of any associated risk, together with a review of the status of mitigating actions. The Audit Committee has also received reports from management in relation to specific risk items, together with reports from the external auditors, who consider controls to the extent necessary to form an opinion as to the truth and fairness of the financial statements.

The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The report of the Audit Committee can be found on page 52.

Principal risks and uncertainties

The Board has carried out a robust, systematic assessment of the principal risks facing the Group during the period, including those which would threaten its business model, future performance, solvency or liquidity. The table below sets out the Group's principal risks as determined by the Board, the gross risk movement from the prior year and examples of corresponding controls and mitigating actions.
This represents the Group's current risk profile and is not intended to be an exhaustive list of all risks and uncertainties that may arise.

The volatile and uncertain economic environment created by the UK's decision to leave the European Union ('EU') has continued over the past twelve months. Like many other businesses, we have continued to monitor developments in this area. Overseen by the Risk Committee, the Company's Brexit working group has continued to monitor the potential impact of Brexit on the Group and to take appropriate actions to ensure that the business is as well prepared as possible for Brexit. The Brexit working group has prepared for a range of Brexit outcomes, including "no deal". Given the continuing uncertainty regarding the outcome of Brexit, it is challenging to quantify or determine the impact of Brexit on the Group. However, given that the Group is a UK-based Group whose sales are predominantly made in the UK, our ongoing assessment is that Brexit will not have a significant impact on the Group. We do not therefore consider Brexit to be a principal risk. Key potential Brexit-related impacts on the business and mitigating actions taken are as follows:

- Brexit's impact on foreign exchange rates to which the Group is exposed through the purchase of certain commodities – this risk is closely monitored and managed by the Treasury and Commodity Committee, which has a hedging strategy in place to manage the Group's exposure to foreign currency fluctuations.
- Border disruption, which could impact the supply of certain raw materials and finished products – we are working closely with relevant suppliers to understand their Brexit plans and have increased our stock levels of key raw materials and finished products in preparation for Brexit.
- The introduction of trade tariffs for imports to the UK from the EU could impact the Group – we have assessed the Group's potential exposure to trade tariffs and expect this impact to be manageable.
- Brexit's impact on the free movement of people – working with our key third party logistics supplier, Eddie Stobart Limited, we have undertaken a detailed risk assessment of EU nationals at our key sites and do not expect this impact to be significant.
- Brexit's impact on regulation – the extent to which the UK may diverge from EU regulations post-Brexit remains unclear. We will monitor the situation ongoing and determine the likely impact on the Group in the event of specific regulatory divergence. We do not expect any related impact to be significant.

We will continue to monitor developments and adapt our strategy as the impact of Brexit becomes clear.

The gross risk movement from the prior year for each principal risk is presented as follows:

Movement No Change Increased Decreased New Risk

Principal risks and uncertainties

Risks relating to the Group

Risk	Impact	Controls and mitigating actions	Movement
Changes in consumer preferences, perception or purchasing behaviour	Consumers may decide to purchase and consume alternative brands or spend less on soft drinks.	The Group offers a broad range of branded products across a range of flavours, subcategories and markets which offer choice to the end consumer. Changing consumer attitudes and behaviours are monitored on an ongoing basis and inform our brand plans and new product development. Through increased focus and investment in both reformulation and innovation across the year we have adapted our portfolio to align with these changing consumer needs.	No Change

Risk	Impact	Controls and mitigating actions	Movement
Consumer rejection of reformulated products	Consumers may decide to purchase and consume alternative brands or spend less on soft drinks.	Over a number of years we have implemented our extensive innovation and reformulation programme, which was completed prior to the introduction of the Soft Drinks Industry Levy in April 2018. We reached the position of 99% of our Barr Soft Drinks portfolio produced by volume containing less than 5g of total sugars per 100ml. As disclosed last year, we recognised the risk of consumer rejection of our reformulated products. We continue to closely monitor consumer acceptance levels and brand performance across our total portfolio and consumer rejection of our reformulated products therefore remains a principal risk. The risk of further government intervention on sugar remains, however we do not currently consider this to be a principal risk.	⟷
Loss of product integrity	A loss of product integrity in the manufacturing supply chain could lead to a product withdrawal or recall.	Appropriate risk assessments are carried out on a regular basis and robust quality controls and processes are in place to maintain the high quality of our products. Product recall procedures are tested regularly.	⟷
Loss of continuity of supply of major raw materials	The loss of continuity of supply of major raw material ingredients and/or packaging materials could impact our ability to manufacture, with an adverse impact on the Group's sales and operating profits.	There is a robust supplier selection process in place. Supplier performance is monitored on an ongoing basis and audits are undertaken for major suppliers. Multiple sources of supply are sourced wherever possible. Last year a second supplier of carbon dioxide was appointed and additional carbon dioxide tanks were placed at Milton Keynes and Bellshill. Commodity risks are managed by the procurement team and reviewed by the Treasury and Commodity Committee. Contingency measures are in place and are tested regularly. Brexit's potential impact on the supply of certain raw materials is referred to above.	⟷
Adverse publicity in relation to the soft drinks industry, the Group or its brands	Adverse publicity in relation to the soft drinks industry, the Group or its brands could have an adverse impact on the Group's reputation, consumer consumption patterns, sales and operating profits.	Our risk management process is designed to identify and monitor events that may impact the Group as a result of adverse publicity and to ensure that controls are in place to manage these risks. Processes are in place to ensure compliance with health and safety legislation and ethical working standards and these are regularly reviewed by the Board and Management Committee. Quality standards are well defined, implemented and monitored. Corporate Social Responsibility champions are in place and we have clearly defined sustainability commitments. The Group maintains and develops ISO 9001 and 14001 systems and BRC standards which are subject to annual external audits, with any non-conformances addressed in a timely manner. Nutritional information is shown on all of our products and we have signed up to the UK Government's voluntary front-of-pack nutritional labelling scheme.	⟷

Risk	Impact	Controls and mitigating actions	Movement
Government intervention on packaging waste	Government intervention on packaging waste, e.g. the introduction of a Deposit Return Scheme or a plastics tax, could have an adverse impact on consumer consumption patterns, sales and operating profits.	This risk has been introduced as a new principal risk this year, given the increased pace of change and level of environmental lobbying in relation to packaging waste during the year, particularly in relation to single use plastic bottles. We are working constructively with the British Soft Drinks Industry, the UK and Scottish governments, and other key stakeholders in relation to potential interventions, such as the planned introduction of a Deposit Return Scheme ('DRS') in Scotland, the possible introduction of a DRS in England and Wales, and the possible introduction of a single use plastics tax. We have created a working group to proactively manage packaging related risks in a holistic manner ongoing, overseen by the Risk Committee.	NR
Failure to maintain customer relationships or take account of changing market dynamics	Failure to maintain appropriate customer relationships or a reduction in the customer base could have an adverse impact on the Group's sales and operating profits.	The Group offers a broad range of brands that it manufactures and distributes through a variety of trade channels and customers. Performance is monitored closely by the Board and Management Committee by trade channel and customer as appropriate. This includes monitoring of metrics which review brand equity strength, financial and operational performance. The Group focuses on delivering high quality products and invests heavily in building brand equity. We work closely in partnership with our customers on an ongoing basis. Members of the senior management team meet with key customers throughout the year. The ongoing consolidation in the retail grocery market has increased the level of gross risk in this area. A project commenced last year to determine the potential impact of this consolidation in the retail grocery market on the Group and to take appropriate actions; this has continued to be a focus area during the year.	↑
Inability to protect the Group's intellectual property rights	Failure to protect the Group's intellectual property rights could result in a loss of brand value.	The Group invests considerable effort in proactively protecting its intellectual property rights, for example through trademark and design registrations and vigorous legal enforcement as and when required.	↔
Failure of the Group's operational infrastructure	A catastrophic failure of the Group's major production or distribution facilities could lead to a sustained loss in capacity or capability.	Assets within the Group are proactively managed and maintained. Risk assessments are carried out on a regular basis and appropriate actions taken. Robust business continuity plans are in place and are regularly tested.	↔

Risk	Impact	Controls and mitigating actions	Movement
Failure of critical IT systems or a breach of cyber security	A failure of critical IT systems could result in a loss of key systems, business interruption, lost sales or lost production. A cyber security breach could lead to operational disruption, financial loss and reputational damage.	IT assets within the Group are proactively managed and procedures exist that support rapid and clean recovery. Robust business continuity plans and contingency measures are in place and are regularly tested. The risk of cyber attacks increases on an ongoing basis. A cyber security maturity assessment was completed during the year by our internal auditor, who concluded that our approach is generally in line with industry practice. We have continued to improve our cyber security controls and have upweighted our internal cyber security resource. Employee awareness campaigns and training continued during the year to increase employee cyber risk awareness. A new Digital Governance Group was created during the year, overseen by the Risk Committee, the purpose of which is to manage the risks related to the Group's externally facing digital properties.	↑
Financial risks	The Group's activities expose it to a variety of financial risks which include market risk (including medium term movements in exchange rates, interest rate risk and commodity price risk), credit risk and liquidity risk.	Our underlying objective is to reduce foreign currency related volatility through our cost of goods. Financial risks are reviewed and managed by the Treasury and Commodity Committee, which seeks to minimise adverse effects on the Group's financial performance through hedging known currency exposures throughout the year. Brexit's potential impact on foreign exchange rates to which the Group is exposed through the purchase of certain commodities is referred to above. The Group's finance team reviews cash flow forecasts throughout the year, with headroom against banking covenants assessed regularly. The finance team uses external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. The Group's financial control environment is subject to review by both internal and external audit. Internal audit's focus is to work with and challenge management to ensure an appropriate control environment is maintained.	↔
Third party relationships	Termination of existing partnerships or renewal on less favourable terms could result in lost brand contribution and under-recovery of supply chain infrastructure costs.	We have robust strong relationships with our various partners and proactively manage the effective building of our partners' brands.	↔

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the directors have assessed the viability of the Company over a three year period to January 2022, taking account of the Group's current financial and market position, future prospects and the Group's principal risks, as detailed in the Strategic Report.

The directors have determined that a three year period is an appropriate timeframe for the assessment given the dynamic nature of the FMCG sector and given that this is in line with the Group's strategic planning period. The starting point for the viability assessment is the strategic and financial plan which makes assumptions relating to the economic climate, market growth, input cost inflation and growth from the Group's performance drivers. The prospects of the Group have been taken into account, including the size of the current market, the strength of the Group's brands and past production capacity investment. The model was then subject to a series of theoretical "stress test" scenarios based on the materialisation of principal risks.

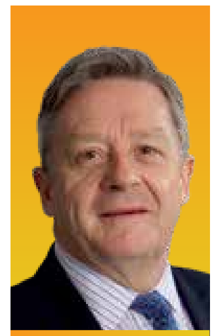
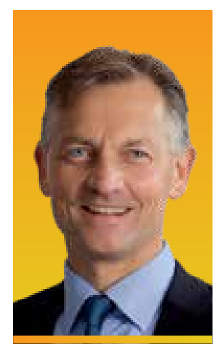
The directors have considered the impact of a number of severe but plausible scenarios associated with the principal risks, including significant changes in consumer preferences and governmental impact in relation to sugar and plastics, as well as the financial impact from a significant supply chain disruption (Brexit, technology or material supply). Within our Brexit scenario our considerations have included Supply Chain disruption and macroeconomic assumptions like FX. In addition, the directors measured the impact of a number of scenarios occurring together. These tests were then reviewed against the Group's current and projected future net cash/debt and liquidity position. Subsequent to the end of the financial year, the Group reached agreement on 18 March 2019 with its lenders to extend its current facilities, which expire in 2020 and 2022, by a further two years. This ensures the Group's facilities remain at the current level throughout the viability period. In each of the Group's downside scenarios, there is no indication that the Group will be required to obtain additional facilities above those recently extended. In addition, there is no breach of any covenants.

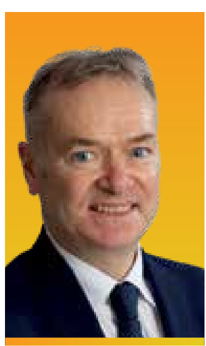
Finally a reverse "stress test" was performed, allowing the Board to assess scenarios and circumstances that would render its business model unviable.

The results of these tests were reviewed, taking into account the Group's current position, the Group's experience of managing adverse conditions in the past and mitigating actions available to the Group. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to January 2022.

By order of the Board

J.A. Barr
Company Secretary
26 March 2019

					
	John R. Nicolson B.A. (Hons) Chairman	**Roger A. White** M.A. (Hons) Chief Executive	**Stuart Lorimer** BAcc. (Hons), C.A. M.C.T. Finance Director	**Jonathan D. Kemp** B.A. (Hons) Commercial Director	**Andrew L. Memmott** BSc, MSc. Supply Chain Director
Biography	John's career was spent with ICI, Unilever, Fosters Brewing Group, Scottish & Newcastle PLC, and latterly as President Americas for Heineken NV and Deputy Chairman of CCU SA (Chile). He held various positions in Marketing and Sales before moving into Corporate Development and then General Management.	Roger is a member of the Board of Management and Executive Council and is a past President of the British Soft Drinks Association. Previously held numerous senior positions in food group Rank Hovis McDougall. Scottish PLC Chief Executive of the year in 2010. Honorary Doctorate University of Edinburgh 2014.	Stuart was with Diageo for 22 years in a range of roles and countries, ultimately as the FD for Diageo's Global Supply Operation.	Jonathan has had a successful career in various commercial roles within Procter and Gamble.	Andrew joined the Company following three years with Cooperative Wholesale Society.
Term of Office	Joined the Company in 2013 as a Non-Executive Director. Appointed Chairman January 2015.	Joined the Company in 2002 as Managing Director. Appointed Chief Executive in 2004.	Joined the Company as Finance Director in January 2015.	Joined the Company in 2003 as Commercial Director.	Joined the Company's Project Engineering Team in June 1990. Appointed Operations Director in 2008.
External Appointments	Non-Executive Director of Stocks Spirits Group PLC, Non-Executive Director of PZ Cussons PLC.	Non-Executive Director of Troy Income & Growth Trust.	None	Non-Executive Director of Cricket Scotland Ltd.	None
Committee Membership	Nomination Committee (Chair) Remuneration Committee				



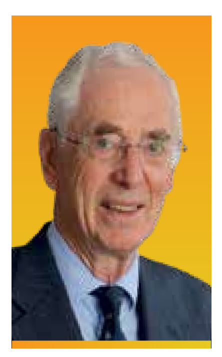
Martin A. Griffiths
L.L.B. (Hons), C.A.
Senior Independent Non-Executive Director

A Chartered Accountant, Martin is a former Chairman of the Scottish Finance Directors Group and a former Director of Troy Income & Growth Trust plc, Trainline Holdings Limited, RoadKing Infrastructure (HK) Limited and Citybus (HK) Limited. He is also a former Senior Independent Non-Executive Director of Robert Walters plc and past Chairman of Rail Delivery Group Limited and was young Scottish Finance Director of the year in 2004.

Joined the Company in 2010 as a Non-Executive Director.

CEO of Stagecoach Group, Non-Executive Co Chairman of Virgin Rail Group.

Audit Committee (Chair)
Nomination Committee
Remuneration Committee



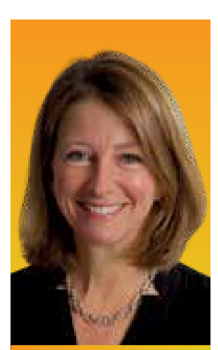
W. Robin G. Barr
C.A.
Non-Executive Director

Robin is a past President of the British Soft Drinks Association.

Joined the Company in 1960. Appointed Director in 1964 and Chairman in 1978. Retired as Chairman and appointed Non-Executive Director in 2009.

None

Audit Committee
Nomination Committee
Remuneration Committee



Pamela Powell
B.A., M.B.A.
Non-Executive Director

Pam was formerly Group Director of Strategy and Innovation at SABMiller plc, SVP Global Personal Care at Coty Beauty Inc, and VP Skincare and Global Brand Director Dove at Unilever plc.

Joined the Company in 2013 as a Non-Executive Director.

Non-Executive Director of Premier Foods plc, Non-Executive Director of Cranswick plc.

Audit Committee
Nomination Committee
Remuneration Committee

David J. Ritchie
B.A. (Hons), A.C.A.
Non-Executive Director

David is a qualified Chartered Accountant and former Chief Executive of Bovis Homes Group PLC (Bovis). He joined Bovis in 1998 from KPMG as Group Financial Controller becoming Group Finance Director in 2002 and Chief Executive in 2008.

Joined the Company in April 2015 as a Non-Executive Director.

CEO of WElink Homes UK, Exec Chair of Lucas Design Group.

Audit Committee
Nomination Committee
Remuneration Committee (Chair)

Susan V. Barratt
B.A. (Hons), A.C.A.
Non-Executive Director

Susan is a Chartered Accountant and spent the earlier part of her career in senior finance roles at Geest plc, Whitbread plc and Laurel pub company. Formerly CEO of Natures Way Foods Ltd and Eldridge Pope plc.

Joined the Company in January 2018 as a Non-Executive Director.

CEO of Institute of The Grocery Distribution, Non-Executive Director of Higgidy Ltd.

Audit Committee
Nomination Committee
Remuneration Committee

Nick B. E. Wharton
A.C.A.
Non-Executive Director

Nick was former CFO of Superdry plc and CEO of Dunelm plc and has held a number of senior roles across retail and FMCG businesses, including Halfords, Boots and Cadbury Schweppes.

Joined the Company in November 2018 as a Non-Executive Director.

Non-Executive Director of Mothercare plc.

Audit Committee
Nomination Committee

CHAIRMAN'S INTRODUCTION

John Nicolson, Chairman

Dear Shareholder,

This year's Corporate Governance Report describes our approach to governance and sets out how the main principles of the 2016 UK Corporate Governance Code have been applied during the year. Information about the operation of the Board and its committees, and an overview of the Company's system of internal controls are also included.

Two new independent non-executive directors were appointed to the Board during the financial year. Susan Barratt was appointed to the Board with effect from 28 January 2018 and brings a wealth of valuable experience in the UK customer space. Nick Wharton was appointed to the Board with effect from 1 November 2018 and brings extensive financial and commercial experience to the Board. Both these appointments will support the continued development of our Board capabilities. Otherwise there were no changes to the Board during the year.

Further details of the Board's composition are given on pages 44 and 45.

John R. Nicolson
Chairman
26 March 2019

The Board

The Company is led by a strong and experienced board of directors (the "Board") which brings a depth and diversity of expertise to the leadership of the Company. The Board is committed to ensuring that it has an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. The Nomination Committee report set out below describes how the Board achieves that aim. The Board currently has eleven members, comprising four executive directors, the non-executive Chairman, five independent non-executive directors and one non-independent non-executive director. Biographical details of the directors are set out on pages 44 and 45.

The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between those roles. The Chairman leads the Board and ensures the effective engagement and contribution of all non-executive and executive directors. The Chairman also ensures that Board meetings are underpinned by a culture of openness and challenge, with sufficient time made available to debate issues arising. The Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated from the Board. The non-executive directors support the development of the Group's strategy and provide constructive challenge to the executive directors. The senior independent non-executive director, M.A. Griffiths, is available to shareholders if they have concerns which have not been resolved via the normal channels of Chairman, Chief Executive, or the other executive directors, or where communication through such channels would be inappropriate.

The Board considers that S.V. Barratt, M.A. Griffiths, P. Powell, D.J. Ritchie and N.B.E. Wharton are independent for the purposes of provision B.1.1 of the 2016 UK Corporate Governance Code, issued by the Financial Reporting Council in April 2016 (the "Code"), and that the relationships and circumstances set out in that provision which may appear relevant to the determination of independence do not apply. The Board considers that, on appointment, the Chairman was independent for the purposes of provision A.3.1 of the Code. In addition to his role as Chairman of the Company, J.R. Nicolson is a director of Stocks Spirits Group PLC and a director of PZ Cussons PLC. During the year, J.R. Nicolson stepped down as a director of North American Breweries Inc. The Board does not consider that J.R. Nicolson's other commitments have any impact on his ability to discharge his duties as Chairman of the Company effectively. M.A. Griffiths fulfilled the role of senior independent director during the year to 26 January 2019.

The Articles require directors to retire and submit themselves for election at the first annual general meeting following appointment and to retire no later than the third annual general meeting after the annual general meeting at which they were last elected or re-elected. However, in order to comply with the Code, all directors (other than N.B.E. Wharton) will submit themselves for re-election at the AGM. N.B.E. Wharton will retire and submit himself for election at the AGM.

Details of directors' remuneration and interests in shares of the Company are given in the Directors' Remuneration Report on pages 56 to 81.

Role of the Board

The Board is responsible for the long term success of the Group, determines the strategic direction of the Group and reviews operating, financial and risk performance. There is a formal schedule of matters reserved for the Board, which is subject to annual review and includes the approval of the Group's annual business plan, the Group's strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, the financial statements, the Company's dividend policy, transactions involving the issue or purchase of Company shares, borrowing powers, appointments to the Board, alterations to the memorandum and articles of association, legal actions brought by or against the Group above certain thresholds, and the scope of delegations to Board committees, subsidiary boards and the Management Committee. Responsibility for the development of policy and strategy and operational management is delegated to the executive directors and a Management Committee, which as at the date of this report includes the executive directors and eight senior managers.

Conflicts of interest

The Articles allow the Board to authorise potential conflicts of interest that may arise from time to time, subject to certain conditions. The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

Independent professional advice

Directors can obtain independent professional advice at the Company's expense in the performance of their duties as directors. None of the directors obtained independent professional advice in the period under review. All directors have access to the advice and the services of the Company Secretary. The non-executive directors have access to senior management of the business.

Induction, training and development

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Group's businesses, the risks and strategic challenges the Group faces, and the economic, competitive, legal and regulatory environment in which the Group operates. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the Group's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

Board performance evaluation

Every year the performance and effectiveness of the Board, its committees and individual directors is evaluated. This year the evaluation was carried out internally, having last been externally facilitated during the year to January 2017. The process was led by the Chairman, who conducted a detailed and comprehensive evaluation process using written survey questionnaires. The results of the Board evaluation were shared with and discussed by the Board. Overall, the review found that the Board and its committees were functioning in an effective manner and performing satisfactorily, with no major issues identified. Follow-up actions were agreed where areas for improvement were identified.

The non-executive directors, led by the senior independent director, carried out a performance evaluation of the Chairman without the Chairman present, taking into account the views of the executive directors. It was concluded that J.R. Nicolson's performance continues to be strong and that he demonstrates effective leadership. The Chairman is pleased to confirm that, following performance evaluation of the directors, all of the directors' performances continue to be effective and all of the directors continue to demonstrate commitment to the role of director, including commitment of time for Board meetings and committee meetings and any other relevant duties.

Meetings and attendance

Board meetings are scheduled to be held seven times each year. Between these meetings, as required, additional Board meetings (and/or Board committee meetings) may be held to progress the Company's business. A part of each Board meeting is dedicated to the discussion of specific strategy matters.

In advance of all Board meetings the directors are supplied with detailed and comprehensive papers covering the Group's operating functions. Members of the management team attend and make presentations as appropriate at meetings of the Board. The Company Secretary is responsible to the Board for the timeliness and quality of information provided to it. The Chairman holds meetings with the non-executive directors during the year without the executive directors being present.

The attendance of directors at scheduled Board and committee meetings in the year to 26 January 2019 is set out below. During the year, the Board also convened two additional Board meetings in relation to a corporate development. All of the directors who were entitled to attend those Board meetings attended each Board meeting, with the exception of M.A. Griffiths, who attended one of those two meetings, and J.D. Kemp, who did not attend either of those two meetings.

	Board Maximum 9	Audit Committee Maximum 4	Remuneration Committee Maximum 5	Nomination Committee Maximum 3
Executive				
R.A. White*	9	–	5	3
S. Lorimer**	9	4	–	–
J.D. Kemp	7	–	–	–
A.L. Memmott	9	–	–	–
Non-executive				
J.R. Nicolson	9	–	4	3
W.R.G. Barr	9	4	5	3
S.V. Barratt	9	4	5	3
M.A. Griffiths	8	4	5	3
P. Powell	9	4	5	3
D.J. Ritchie	9	4	5	3
N.B.E. Wharton***	2	1	–	1

* R.A. White attended Board committee meetings during the year by invitation.
** S. Lorimer attended Audit Committee meetings during the year by invitation.
*** N.B.E. Wharton was appointed to the Board, the Audit Committee and the Nomination Committee on 1 November 2018 and could have attended a maximum of two Board meetings, one Audit Committee meeting, and one Nomination Committee meeting.

Committees of the Board

The terms of reference of the principal committees of the Board – Audit, Remuneration and Nomination – have been approved by the Board and are available on the Company's website, www.agbarr.co.uk.

Those terms of reference have been reviewed in the current year and are reviewed at least annually. The work carried out by the Nomination Committee in discharging its responsibilities is summarised below. The work carried out by the Audit Committee is described within the Audit Committee's Report on pages 52 to 55. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 56 to 81.

The Board also has a Market Disclosure Committee which comprises R.A. White, S. Lorimer and the Company Secretary. The Market Disclosure Committee meets only when required and is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules.

Nomination Committee

The Nomination Committee comprises J.R. Nicolson, W.R.G. Barr, S.V. Barratt, M.A. Griffiths, P. Powell, D.J. Ritchie and N.B.E. Wharton. The Nomination Committee is chaired by J.R. Nicolson. The Nomination Committee leads the process for making appointments to the Board and ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The remit of the Nomination Committee also includes reviewing the composition of the Board through a full evaluation of the skills, knowledge and experience of directors and ensuring plans are in place for orderly succession for appointments to the Board. The Nomination Committee makes recommendations to the Board on its membership and the membership of its committees.

The Nomination Committee is required, in accordance with its terms of reference, to meet at least once per year. The Nomination Committee met three times during the year and, amongst other matters, considered and recommended the appointment of N.B.E. Wharton to the Board, the Audit Committee and the Nomination Committee. In identifying a potential new non-executive director for this position, the Nomination Committee retained the services of Sam Allen Associates, an external search consultant. Sam Allen Associates has no other connection with the Company other than the provision of these services. S.V. Barratt was appointed to the Board and its committees at the start of the year. In identifying a potential new non-executive director for this position, the Nomination Committee retained the services of The Zygos Partnership, an external search consultant. The Zygos Partnership has no other connection with the Company other than the provision of these services.

The Board believes that building a diverse and inclusive culture is integral to the success of the Company. Diversity includes aspects such as diversity of skills, perspectives, industry experience, educational and professional background, gender, ethnicity and age. The Company's Board and Management Committee Diversity Policy ("Diversity Policy") provides that these aspects will be considered in determining the optimum composition of the Board and Management Committee, with the aim of achieving an appropriate balance. All appointments to the Board and Management Committee are made on merit, against objective criteria, and with due regard for the benefits of diversity. Whilst no formal measurable objectives have been set for female representation at Board or Management Committee level, the Company remains committed to the principles of gender diversity and intends to move towards one third female representation on the Board and Management Committee within a reasonable timeframe. The Nomination Committee is responsible for overseeing the implementation of the Diversity Policy. The Nomination Committee reviews the Diversity Policy at least annually to ensure its effectiveness, with any amendments recommended to the Board for approval. Prior to the appointment of N.B.E. Wharton, 20% of the Board were female. Following N.B.E. Wharton's appointment to the Board as a non-executive director on 1 November 2018, 18% of the Board were female. As at the date of this report, 16% of the Management Committee are female.

The disclosure relating to gender diversity within the Company is included in the Strategic Report on page 27.

Treasury Committee

The Treasury Committee consists of R.A. White, S. Lorimer and senior members of the finance, legal and procurement departments. The Treasury Committee's terms of reference are reviewed annually by the Audit Committee. The Treasury Committee reviews purchase requirements in foreign currencies and implements strategies, including the use of foreign exchange hedges, in order to reduce the risk of foreign exchange exposure and provide certainty over the value of non-domestic purchases in the short to medium term. The Treasury Committee's remit includes the ability to utilise certain financial instruments in order to hedge the Group's exposure to interest rate fluctuations. The Treasury Committee also monitors the Group's short and medium term funding requirements, provides oversight of hedge accounting and adherence to hedge accounting standards, monitors the ongoing requirements of the Company's various employee share schemes, monitors cash flow and any capital restructure programmes, and annually reviews the Company's schedule of delegated authorities.

Internal control

The Board has overall responsibility for the Group's internal control systems and annually reviews their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the executive directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, in accordance with the Code for the period from 28 January 2018 to the date of approval of this annual report. No significant failings or weaknesses were identified from this review during the year. Had any failings or weaknesses been identified then the Board would have taken the action required to remedy them.

At the Audit Committee meeting on 16 January 2019, following a review and evaluation of the Group's risk management and internal control systems in place during the year, the Audit Committee concluded that the Group's risk management and internal control systems were adequate and effective.

The Board confirms that there is an ongoing process, embedded in the Group's integrated internal control systems, allowing for the identification, evaluation and management of significant risks, as well as a reporting process to the Board. This risk management process has been in place throughout the year ended 26 January 2019 and up to the date of the approval of this annual report. The Board has carried out a robust, systematic assessment of the principal risks facing the Group during the period, including those which would threaten its business model, future performance, solvency or liquidity. Information on the Group's risk management framework, including the operation of the Group's Risk Committee, is set out in the Strategic Report on pages 38 to 42.

The three main elements of the Group's internal control system are as follows:

The Board

The Board has overall responsibility for the Group's internal control systems and exercises this through an organisational structure with clearly defined levels of responsibility and authority as well as appropriate reporting procedures.

The Board has a schedule of matters that are brought to it, or its duly authorised committees, for decision, aimed at maintaining effective control over strategic, financial, operational and compliance issues.

This structure includes the Audit Committee which, with the Finance Director, reviews the effectiveness of the internal financial and operating control environment.

Financial reporting

There is a comprehensive strategic planning, budgeting and forecasting system with an annual operating plan approved by the Board. Monthly financial information, including trading results, cash flow statement, statement of financial position and indebtedness, is reported.

The Board and the Management Committee review their business and financial performance against the prior year and against annual plans approved by the Board.

Audits and reviews

The key internal risks identified in the Group are subject to regular audits or reviews by the internal auditors. This role is fulfilled by an external professional services firm which is independent from the Board and the Group.

The review of the internal auditor's work by the Audit Committee and monitoring procedures in place ensure that the findings of the audits are acted upon and subsequent reviews confirm compliance with any agreed action plans.

The Board confirms that there has been an independent internal audit function in place for the year.

Share capital structure

The share capital structure of the Company is set out in the Directors' Report.

UK Corporate Governance Code compliance

The Company is committed to the principles of corporate governance contained in the Code. A copy of the Code is available on the Financial Reporting Council's website, www.frc.org.uk.

Each of the provisions of the Code has been reviewed and, where necessary, steps have been taken to ensure that the Company is in compliance with all of those provisions as at the date of this report.

The directors consider that the Company has complied throughout the year ended 26 January 2019 with the provisions of the Code, except as set out below.

The composition of the Board did not comply with provision B.1.2 of the Code at all times during the year to 26 January 2019 due to the fact that, during the period 28 January 2018 to 31 October 2018, less than half of the Board, excluding the chairman, comprised independent non-executive directors. During this period, the Board comprised four executive directors, the non-executive Chairman and four independent non-executive directors. In addition, W.R.G. Barr was a non-executive director during the year although he is not considered by the Board to be independent. The Board considers that, despite this non-compliance, the Board had an appropriate balance of skills, knowledge and experience to enable it to discharge its duties and responsibilities effectively. No concerns regarding the Board's non-independent majority were raised as part of the Board performance evaluation carried out during the year and referred to above. N.B.E. Wharton, an independent non-executive director, was appointed to the Board on 1 November 2018. Therefore, following N.B.E. Wharton's appointment, the composition of the Board complied with the Code in full.

Provision D.1.5 of the Code recommends that executive directors' contracts contain a maximum notice period of one year. As disclosed in the Directors' Remuneration Report, the service contracts with R.A. White, J.D. Kemp and A.L. Memmott provide for a notice period of 12 months except during the six months following either a takeover of or by the Company or a Company reconstruction. Under these conditions and certain circumstances the directors are entitled to a liquidated damages payment equal to the director's basic salary at termination plus the value of all contractual benefits for a two year period. Given the size of the Company and the sector dynamics at the time these directors were recruited, the Remuneration Committee considered this provision appropriate in order to attract and retain high calibre executive directors. As disclosed in the Directors' Remuneration Report, this provision will continue to be honoured as a contractual commitment made to these directors; however this provision was not included in S. Lorimer's service contract and will not be included in service contracts with other new executive directors appointed in future.

A copy of the financial statements has been placed on the Company's website, www.agbarr.co.uk. The maintenance and integrity of this website is the responsibility of the directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

J.A. Barr
Company Secretary
26 March 2019

Composition
During the year the Audit Committee comprised five non-executive directors: M.A. Griffiths, W.R.G. Barr, S.V. Barratt, P. Powell and D.J. Ritchie. N.B.E. Wharton was appointed to the Audit Committee with effect from 1 November 2018. The Audit Committee is chaired by M.A. Griffiths. The Board is satisfied that M.A. Griffiths has recent and relevant financial experience as required by provision C.3.1 of the Code. The Board has determined that the current composition of the Audit Committee as a whole has competence relevant to the sector in which the Company operates, to enable it to deal effectively with the matters it is required to address and to challenge management when necessary. Biographical details relating to each of the Audit Committee members are shown on page 45.

Meetings
The Audit Committee met four times during the year. The meetings are attended by the Audit Committee members and, by invitation, the Finance Director, the Group Financial Controller, the Company Secretary and representatives from the external and internal auditors. The Audit Committee regularly meets with executive directors and management, as well as privately with the external and internal auditors.

Role and responsibilities
The primary role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes:
- monitoring the integrity of the annual and interim financial statements and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgements and disclosures which they contain;
- if requested by the Board, providing advice on whether the Annual Report and Accounts are fair, balanced and understandable;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices;
- reviewing and monitoring the effectiveness of the Group's internal control and risk management systems;
- reviewing and monitoring the effectiveness of the internal audit function and management's responsiveness to any findings and recommendations;
- approving the appointment and removal of the internal auditor;
- reviewing and monitoring the Group's tax risk management policy;
- reviewing and monitoring the Group's anti-facilitation of tax evasion policy;
- reviewing and monitoring the appropriateness of the Group's "speaking up" and anti-bribery procedures;
- making recommendations to the Board in relation to the appointment and removal of the external auditor and approving its remuneration and terms of engagement;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the policy on the engagement of the external auditor to supply non-audit services; and
- reporting to the Board on how it has discharged its responsibilities.

Activities of the Audit Committee
During the period under review, the Audit Committee has:
- reviewed and discussed with the external auditor the key accounting considerations and judgements reflected in the Group's results for the six month period ended 28 July 2018;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 26 January 2019;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 26 January 2019, which included comments on its findings on internal control and key audit risks and a statement on its independence and objectivity;
- received and reviewed reports from management regarding their approach to key accounting considerations and judgements in the half year and full year financial statements;
- reviewed the half year and full year financial statements;
- received reports on the operation of the Group's Risk Committee, including reports on the operation of the Group's Brexit working group which is overseen by the Risk Committee;
- reviewed the Group's risk register and the Group's principal risks, together with the systems and processes for mitigating those risks;
- discussed and agreed the nature and scope of the work to be performed by the external and internal auditors;
- reviewed the results of this audit work and the response of management to matters raised;
- reviewed the effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and risk management controls);
- reviewed and approved the Company's viability statement;
- reviewed and approved the terms of reference for the Company's Treasury and Commodity Committee;
- reviewed and recommended the Group's tax risk management policy to the Board;
- reviewed and approved the Group's anti-facilitation of tax evasion policy;
- reviewed the appropriateness of the Group's "speaking up" procedures and reviewed and approved the Group's speaking up policy;
- reviewed the effectiveness of the Group's anti-bribery systems and controls and reviewed and approved the Group's anti-bribery and corruption policy;

- received reports from internal audit covering various aspects of the Group's operations, controls and processes;
- reviewed the Group's delegated authority limits;
- approved the reappointment of the internal auditor;
- made recommendations to the Board on the appointment and remuneration of the external auditor and monitored the performance of the auditor;
- monitored and reviewed the performance of the incumbent internal auditor and the effectiveness of the Group's internal audit activities;
- reviewed its policies on the supply of non-audit services by the external auditor and on the employment of former employees of the Group's external auditor;
- reviewed the non-audit services provided to the Group by the external auditor and monitored and assessed the independence of both the external and internal auditors;
- considered the new requirements of the 2018 UK Corporate Governance Code relevant to the Audit Committee; and
- reviewed the performance of the Audit Committee and its terms of reference.

At the request of the Board, the Audit Committee also considered whether the Annual Report and Accounts for the year ended 26 January 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Following review of management's processes in this regard and consideration of the draft Annual Report and Accounts, the Audit Committee recommended to the Board that it could make the required disclosure as set out in the Directors' Responsibilities Statement on page 87.

Significant areas

The significant matters and key accounting judgements considered by the Audit Committee during the year were:

- Revenue recognition – brand support accruals: judgement is required by management when determining the level of brand support discounts and cost accruals at the year end. During the year the Audit Committee received and considered reports from management on the level of accruals at the half year and at the year end. It also received and considered reports from the external auditor following their review of net revenue, brand support discounts and cost accruals during the period. The Audit Committee is satisfied that the estimates and judgements made by management are appropriate.
- Management override of controls: there is a risk of fraud associated with the potential override of internal controls by management. During the year, the Audit Committee received and considered a report from the external auditor which stated that its procedures, which included the use of data analytics, did not identify any errors or significant deficiencies in internal controls. The Audit Committee was content that there were no issues arising.

Other areas

Other matters considered by the Audit Committee during the year were:

- The presentation and explanation of the use of alternative performance measures.
- The adoption of IFRS 15: during the year, the Audit Committee reviewed the process undertaken by management to assess the impact of the adoption of IFRS 15 (Revenue from Contracts with Customers), and considered and was satisfied with a report received from the external auditor related to the Company's adoption of IFRS 15 for the year and the restatement of the prior year income statement.
- The impact of the Soft Drinks Industry Levy: during the year, the Audit Committee considered and was satisfied with the Company's approach to accounting for the Soft Drinks Industry Levy, which applied from April 2018 onwards.
- Assumptions used in the Company's defined benefit pension scheme: the Company operates the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme, which comprises a defined contribution section and a defined benefit section. The Company engages a third party, Hymans Robertson, to assist in the valuation of the defined benefit pension scheme liability. There is a risk related to judgements made by management in valuing the defined benefit pension scheme liability, including the appropriateness of the discount rate and inflation rate assumptions. These variables can have a material impact in calculating the quantum of the defined benefit liability. During the year the Audit Committee received and considered a report from the external auditor which stated that it had carried out a review and benchmarking exercise of the assumptions used by Hymans Robertson and concluded that they were within an acceptable range. The Audit Committee was satisfied that the assumptions used were reasonable.
- Exceptional item: the Audit Committee considered a report received from management in relation to the classification and presentation of an additional provision in the IAS19 defined benefit pension obligation in relation to the equalisation of Guaranteed Minimum Pensions for men and women as exceptional, and was satisfied with the treatment and presentation of this item which arose during the year as exceptional.

The Audit Committee receives regular presentations from members of the senior management team. During the year, the Audit Committee has considered presentations from representatives of the management team on the Company's sugar reduction programme, preparation for the introduction of IFRS 15, procedures to prevent the facilitation of tax evasion, pension schemes and health and safety processes, and a review of Funkin Limited's financial controls.

External audit

The Group's external auditor is Deloitte LLP. The current audit partner is David Sweeney, who has held the role since May 2017. The Audit Committee reviews the external auditor's performance, independence and objectivity annually. The Audit Committee ensures that procedures are in place to safeguard the external auditor's independence and objectivity. The external auditor reports regularly to the Audit Committee on the actions that it has taken to comply with professional and regulatory requirements and current best practice in order to maintain its independence and objectivity.

The Group has a policy in place which ensures that the provision of non-audit services by the external auditor does not impair the auditor's independence or objectivity. This policy states that the external auditor should not be engaged in respect of services prohibited by the FRC's Ethical Standard 2016. Any material permitted non-audit services provided must be pre-approved by the Audit Committee, unless the engagement is urgent, in which case the Finance Director can agree the work with the Chair of the Audit Committee and report thereon to the next Audit Committee meeting. For this purpose, materiality is set at a cost greater than £30,000 before VAT and expenses. This materiality level applies whether a discrete project or linked series of assignments is undertaken. Any non-material permitted non-audit services provided were deemed to have been pre-approved by the Audit Committee. With effect from 16 January 2019, this policy was amended to require the prior approval by the Finance Director and the Chair of the Audit Committee of any non-material permitted non-audit services other than audit related services. The policy was complied with during the year.

Details of the amounts paid to the external auditor during the year for audit and non-audit services are set out in Note 3 to the financial statements. The ratio of fees for non-audit services to those for audit services for the year was 0.38:1, within the 70% cap in the FRC's guidance. The Audit Committee considered the nature and level of non-audit services provided and was satisfied that the objectivity and independence of the external auditor were not affected by the non-audit work undertaken. The non-audit fees during the year related to the performance of the half year review, remuneration advisory services, advice in relation to gender pay gap reporting, an IT licence fee relating to a non-financial information technology system and prescribed other audit-related procedures relating to the certification of certain foreign sales volumes. The nature of and level of fees for the non-audit services provided were considered by Deloitte who concluded that they did not present a threat to Deloitte's independence.

Deloitte LLP was appointed as the Group's external auditor in May 2017 following a competitive tender process. There are no contractual obligations which restrict the Audit Committee's choice of external auditor. The senior statutory auditor rotates every five years to ensure independence. The Audit Committee acknowledges the requirement to tender the external audit contract at least every ten years. The Company confirms that it has complied with the provisions of the Competition and Markets Authority's Statutory Audit Services Order in respect of the financial year.

During the year, the Audit Committee reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the external audit process. The Audit Committee reviewed and approved the external auditor's plan for undertaking the half year review and the year end audit, including the scope of their work and their proposed approach to the key risk areas identified. The Audit Committee reviewed the detailed reports prepared by the external auditor setting out their findings from the half year review and the year end audit, with a particular focus on the areas of audit risk identified. The Audit Committee also received comprehensive papers from management in relation to the half year review and the year end audit. The Audit Committee held meetings with the external auditor in the absence of management to discuss the interim review and the year end audit findings and processes. The Audit Committee was satisfied with the internal processes run by management and their response to challenge by the external auditor.

The process to evaluate the effectiveness of the external auditor and the external audit process was led by the Chair of the Audit Committee, who conducted a detailed and comprehensive evaluation process using written survey questionnaires, which were completed by members of the Audit Committee, the executive directors and relevant members of senior management. The results of the evaluation were shared with the Audit Committee and the external auditor. Overall, the review found that the external audit function was performing in an effective manner, with no major issues identified.

Following these reviews and meetings, the Audit Committee was satisfied with Deloitte LLP's performance during the year, that it was objective and independent, and that the external audit process remains effective. The Audit Committee has recommended to the Board that a resolution proposing the appointment of Deloitte LLP be put to shareholders at the 2019 AGM.

Internal audit

At the beginning of each year, an internal audit plan is developed by the internal auditor following meetings with directors and senior managers within the business and with reference to the significant risks contained within the Group's risk register and identified controls. The Audit Committee approves the internal audit plan and receives updates on progress against the plan throughout the year.

The process to evaluate the effectiveness of the internal audit function was led by the Chair of the Audit Committee, who conducted a detailed and comprehensive evaluation process using written survey questionnaires, which were completed by members of the Audit Committee, the executive directors and relevant members of senior management. The results of the evaluation were shared with the Audit Committee and the internal auditor. Following this review, the Audit Committee was satisfied that the internal audit function was performing satisfactorily and that the quality, experience and expertise of the internal auditor was appropriate for the business.

Audit Committee evaluation

The process to evaluate the performance of the Audit Committee was led by the Chair of the Audit Committee, who conducted a detailed and comprehensive evaluation process using written survey questionnaires, which were circulated to members of the Audit Committee. The results of the evaluation were shared with the Audit Committee. Overall, the review found that the Audit Committee was functioning in an effective manner and performing satisfactorily, with no major issues identified.

Martin A. Griffiths
Chair of the Audit Committee
26 March 2019

Remuneration Committee – Chairman's Statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 26 January 2019, which sets out the Directors' Remuneration Policy and the Annual Report on Remuneration.

The current Directors' Remuneration Policy was approved by a binding vote at the 2017 AGM and became effective for three years from the close of that meeting. For ease of reference, we are including the Policy in this year's Directors' Remuneration Report on pages 72 to 81. The Annual Report on Remuneration on pages 58 to 71 provides details of the amounts earned in respect of the year ended 26 January 2019 and how the Policy will be operated for the year commencing 27 January 2019.

I am delighted to report on the strong level of support received from shareholders, as evidenced by the voting outcomes at the 2018 AGM. The resolution seeking approval of the Annual Report on Remuneration was supported by over 97% of the votes cast.

Notwithstanding the high level of support received, this year we have sought to provide a fuller explanation of the robust and considered target setting process carried out by the Remuneration Committee in respect of both financial and strategic objective measures for the annual bonus (see page 60), as well as increasing our disclosure on achievement against strategic objectives on page 61.

Key activities in the year

The Remuneration Committee met five times during the financial year. Key activities are shown below:

- Reviewed and set annual salaries for the executive directors consistent with the wider workforce.
- Reviewed the current Remuneration Policy to ensure it remains relevant and appropriate for the business.
- Set targets for the annual bonus (both financial and strategic objective measures) and the Long Term Incentive Plan ('LTIP').
- Reviewed achievement against targets set and determined the appropriate level of payout for the annual bonus and LTIP in the context of wider business performance.
- Reviewed and approved participation by the executive directors in the LTIP.
- Reviewed market and corporate governance updates to ensure the Remuneration Committee remained up to date on the quickly evolving governance landscape and best practice.
- Carried out a competitive tender process for the adviser to the Remuneration Committee, resulting in the appointment of Willis Towers Watson.

The terms of reference of the Remuneration Committee are available on the Company's website, www.agbarr.co.uk.

Pay for performance in 2018/19

As described in the Strategic Report on pages 2 to 43, this has been a year of external challenge for the Group. Despite this, it has still delivered strong results:

- Revenue increased by 5.6% and profit before tax excluding exceptional items increased by 2.5%.
- Strong cash conversion, with cash at year end of £21.8m after successful execution of £10.3m of share buybacks.
- Strong customer service despite external challenges related to inclement weather and external supply chain weakness.
- Success in reformulation and innovation, allowing the Group to largely eliminate the impact of the Soft Drinks Industry Levy and grow its market share of the soft drinks industry.
- Strong share price performance, closing the year at £7.62, c.18% higher than the start of the year and above the FTAS index, which declined c.10% over the same period. Over the last three years, the Company's share price has increased by c.49%.

Achievement against annual bonus targets

The executive directors were set stretching targets for profit before tax ('PBT'), which accounts for 80% of bonus opportunity for each director. The target range of £42.5m to £45.5m reflected the ambitions for growth of the business set against challenging external conditions, including the introduction of the Government's Soft Drinks Industry Levy. By meeting and overcoming these external challenges, the executive directors delivered strong growth in revenue and achieved PBT of £45.2m, towards the upper end of the target range, resulting in 74% of the PBT portion (92% of the 80% bonus opportunity allocated to PBT) of the bonus paying out.

Each of the executive directors was also set stretching individual strategic objectives tailored to their business area and responsibilities. The Remuneration Committee debated each of the directors' strategic objectives in turn, having an in-depth discussion to fully understand the extent to which each strategic objective had been achieved and which elements of any objectives remained outstanding. The Remuneration Committee attributed an individual score to each objective, resulting in between 10.0% and 17.0% of the maximum 20% attributable to strategic objectives being earned by the executive directors. Details of the strategic objectives set and achievement against them for each executive director are provided on page 61.

The above assessment resulted in 91% of maximum bonus opportunity being earned by the CEO and between 84% and 89% of maximum opportunity being earned by the other executive directors. Further details can be found on page 60.

Achievement against LTIP targets

Under the LTIP, the Remuneration Committee has in recent years used the key metric of cumulative Earnings Per Share ('EPS') to assess the long term performance of the executive directors. The cumulative EPS over the three years ended 26 January 2019 was 92.61p, which compared to the EPS target range set in April 2016 of 90.0p to 100.5p. As a result, the LTIP will vest at 39.9% for all of the executive directors. The Remuneration Committee considered the business environment over the three year vesting period compared to that expected when the targets were set and concluded that the outcome reflected a strong performance from the executive directors over these three years.

Review of outcomes in relation to wider Group performance and shareholder experience

The Remuneration Committee has reviewed the formulaic outcomes of both the annual bonus and the LTIP and is confident that these outcomes are a fair and appropriate reflection of both wider business performance and shareholder experience. The Remuneration Committee has therefore not exercised its discretion to change the formulaic outcomes under either the annual bonus or LTIP.

Looking forward

In line with the range of salary increases across the Group, an increase of 1.8% will be made to the executive directors' base salaries with effect from 1 April 2019. An increase of 1.8% will also be made to the Chairman's fee and the other non-executive directors' basic fee with effect from 1 April 2019.

No changes are proposed to the annual bonus for the year ending 25 January 2020, with awards continuing to be subject to a combination of PBT and individual strategic objectives. Details of bonus award levels and performance measure weightings are provided on page 62. Performance targets for these bonus awards will be disclosed in the Annual Report on Remuneration for the year ending 25 January 2020.

No changes are proposed to the LTIP for the year ending 25 January 2020, with awards continuing to be subject to a single EPS performance measure. EPS is a key performance indicator for the Company and shareholders, and remains a highly credible measure of long term performance. There is significant uncertainty on the horizon, therefore setting a three year forward looking cumulative EPS target is challenging. However, the Remuneration Committee is confident that the target range, which will also be disclosed in the Annual Report on Remuneration for the year ending 25 January 2020, is appropriately stretching and will help the Group drive growth in shareholder earnings. The proposed LTIP awards will be subject to a maximum of 125% of salary.

Finally, the Remuneration Committee welcomes the changes introduced by the 2018 UK Corporate Governance Code and updated remuneration reporting regulations published in the summer of 2018. Supporting our strategy, creating long-term sustainable value and independent judgement are already at the core of our Remuneration Policy. Alongside our review of the existing Remuneration Policy over the course of 2019, the Remuneration Committee will also consider the requirements of the new regulations and present a revised Remuneration Policy for shareholder approval at the 2020 AGM. I look forward to reporting next year on how the Remuneration Committee has complied with the new Code obligations.

I look forward to your support at the upcoming AGM on 31 May 2019.

David J. Ritchie
Chairman of the Remuneration Committee
26 March 2019

Annual report on remuneration

The following parts of the Remuneration Report are subject to audit, other than the elements explaining the application of the Remuneration Policy for 2019/20.

Single figure table – audited information

The aggregate remuneration provided to directors who have served as directors in the year ended 26 January 2019 is set out below, along with the aggregate remuneration provided to such directors for the year ended 27 January 2018.

Year ended 26 January 2019

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	462	36	420	351	165	1,434
S. Lorimer	273	78	243	207	–	801
J.D. Kemp	242	24	213	184	46	709
A.L. Memmott	216	24	181	164	77	662
Non-executive						
J.R. Nicolson	142	–	–	–	–	142
W.R.G. Barr	48	–	–	–	–	48
M.A. Griffiths	58	–	–	–	–	58
P. Powell	48	–	–	–	–	48
D.J. Ritchie	56	–	–	–	–	56
S.V. Barratt	48	–	–	–	–	48
N.B.E. Wharton	12	–	–	–	–	12
Total	**1,605**	**162**	**1,057**	**906**	**288**	**4,018**

Year ended 27 January 2018

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term* incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	451	33	353	148	306	1,291
S. Lorimer	267	26	209	88	75	665
J.D. Kemp	237	25	185	78	55	580
A.L. Memmott	211	26	156	69	72	534
Non-executive						
J.R. Nicolson	139	–	–	–	–	139
W.R.G. Barr	47	–	–	–	–	47
M.A. Griffiths	57	–	–	–	–	57
P. Powell	47	–	–	–	–	47
D.J. Ritchie	55	–	–	–	–	55
Total	**1,511**	**110**	**903**	**383**	**508**	**3,415**

* The long term incentives figure for the year ended 27 January 2018 has been restated to reflect the market value of the shares that vested on 16 April 2018 as at that date. The long term incentives figure for the year ended 27 January 2018 set out in the Annual Report 2017/18 used the average closing share price for the three months ended 27 January 2018 as an estimate of the market value of those shares.

The figures in the single figure table above are derived from the following

(a) Salary and fees	The amount of salary/fees received in the year. A salary sacrifice arrangement is operated by the Company. Employees who join this arrangement no longer pay contributions to the pension schemes but receive a lower taxable salary. Directors' salaries are shown gross of any salary sacrifice pension contributions.
(b) Benefits	The value of benefits received in the year. These include car allowance, fuel benefit, the value of SAYE options vesting in the year, and AESOP free and matching shares awarded in the year. SAYE: option shares are valued at the market price of the option shares at the date of vesting less the option exercise price. AESOP: free and matching shares are valued at market value at the date of award. Details of the executive directors' interests in the SAYE are set out on page 71.
(c) Bonus	A description of the annual bonus in respect of the year and Group and personal performance against which the bonus pay-out was determined is provided on page 60.
(d) Long term incentives	The value of LTIP awards that vest in respect of the year. LTIP: the shares which will vest in respect of the year have been valued based on the average market value of the shares over the three month period ended 26 January 2019. The value of the shares which vested in respect of the prior year was the market value of the shares on the vesting date. Details of the executive directors' interests in the LTIP are set out on page 70.
(e) Pension	The pension figure includes: – for individuals in the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "Scheme") defined contribution section, the Company's contributions to the defined contribution section, excluding any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement; – for individuals in the Scheme's defined benefit section, the additional value achieved in the year calculated using the HMRC method (using a multiplier of 20); and – the value of the accrued liability for the year in respect of the Company's contribution for each director participating in the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme ("URBS"). Further details of pension benefits are set out on pages 63 to 65.

Individual elements of remuneration

Base salary and fees

Base salaries for individual executive directors for the year ended 26 January 2019 and for the following year are set out in the table below:

Executive Director	Base salary for year ended 26 January 2019 £000	Base salary for year ending 25 January 2020 £000	Increase %
R.A. White	462	471	1.8%
S. Lorimer	273	278	1.8%
J.D. Kemp	242	247	1.8%
A.L. Memmott	216	220	1.8%

Details of non-executive directors' fees for the year ended 26 January 2019 and for the following year are set out in the table below:

Non-executive Director fee	Year ended 26 January 2019 £000	Year ending 25 January 2020 £000	Increase %
Chairman of the Company	142	145	1.8%
Basic fee	48	49	1.8%
Additional fee for chairing Audit Committee	8	8	0%
Additional fee for chairing Remuneration Committee	8	8	0%
Additional fee for Senior Independent Director	2	2	0%

Benefits – audited information

The benefits figure for each of the executive directors is detailed as follows:

Year ended 26 January 2019

Executive Director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Pension cash equivalent £000	Total £000
R.A. White	35	–	1	–	36
S. Lorimer	24	–	1	53	78
J.D. Kemp	23	–	1	–	24
A.L. Memmott	23	–	1	–	24
Total	**105**	**–**	**4**	**53**	**162**

Year ended 27 January 2018

Executive Director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Pension cash equivalent £000	Total £000
R.A. White	26	3	4	–	33
S. Lorimer	22	–	4	–	26
J.D. Kemp	19	2	4	–	25
A.L. Memmott	19	3	4	–	26
Total	**86**	**8**	**16**	**–**	**110**

The value of the AESOP awards is the sum of the AESOP free and matching shares awarded to the directors in the year.

As noted below S. Lorimer has elected to take employer pension contributions in cash for the year ended 26 January 2019.

Annual bonus

The maximum annual bonus award opportunity for each executive director in respect of the year ended 26 January 2019 was 100% of salary, with 80% of the bonus assessed against the achievement of profit before tax excluding exceptional items, compared against a set of profit targets and 20% based on non-financial strategic objectives. The executive directors earned a total of £1,057,000 as annual bonus for the year, representing 91% of R.A. White's salary, 89% of S. Lorimer's salary, 88% of J.D. Kemp's salary and 84% of A.L. Memmott's salary.

The target for the proportion of the annual bonus based on profit before tax and performance against that target is set out in the table below. 50% of this element of the bonus could be earned for on-target performance with zero paid for threshold performance and a broadly linear scale through to full payment of this element of the bonus for performance at or above the maximum target.

	Threshold target	On target	Maximum target	Actual performance	Maximum percentage of bonus	Actual percentage of bonus
Profit before tax excluding exceptional items	£42.5m	£44.0m	£45.5m	£45.2m	80%	74%

Non-financial strategic objectives account for 20% of the bonus and targets were set around the Company's key areas of strategic focus. Details of the strategic objectives for the year ended 26 January 2019 and the Committee's determination of performance against them is set out in the table below.

All measures are broadly equally weighted and the Remuneration Committee debated each of the directors' strategic objectives in turn, having an in-depth discussion on an objective by objective basis to fully understand the extent to which each strategic objective had been achieved and which elements of any objectives remained outstanding. The Remuneration Committee then attributed an individual score out of five to each objective. Given the commercial sensitivity surrounding the objectives we have not disclosed these individual scores rather just their cumulative total for each individual executive director. These cumulative scores are set out below with a summary of the objectives set.

Measure	Weighting	Payout
R.A. White	20%	17.0%
Develop a suitable response to key industry issues		
Deliver an objective related to diversity and inclusion		
Deliver an objective related to employee engagement		
Deliver a company organisational objective		
S. Lorimer	20%	15.0%
Deliver a financial review of certain operating areas		
Deliver a corporate development objective		
Deliver a strategic planning process objective		
Support two key commercial projects		
J.D. Kemp	20%	14.0%
Deliver a key innovation pipeline objective		
Deliver an objective related to franchise partners		
Deliver a key commercial project		
Deliver a specific key innovation initiative		
A.L. Memmott	20%	10.0%
Deliver a key supply chain capital project		
Deliver a supply chain planning objective		
Deliver a supply chain strategic objective		
Deliver a supply chain employee engagement objective		

Annual bonus for 2019/20

For the 2019/20 financial year, an element of the annual bonus (20% of basic salary) will continue to be assessed against strategic objectives to align the reward structure with key strategic priorities and to encourage behaviours which facilitate profitable growth and the future development of the business. The remainder of the annual bonus will continue to be assessed against growth in Group profit before tax excluding exceptional items. Performance targets will be set at challenging levels in a similar manner to those of previous years, with 50% of this element of the annual bonus being earned for on-target performance. The actual performance targets are not disclosed as they are considered to be commercially sensitive at this time and should therefore remain confidential to the Company. The Remuneration Committee will continue to disclose how the bonus earned relates to performance against the targets on a retrospective basis. No changes are proposed to the maximum annual bonus opportunity which will remain at 100% of salary.

Long term incentives – audited information

Awards vesting in respect of the financial period

LTIP awards granted in April 2016 were subject to the following EPS performance measure:

	% linked to award	Threshold vesting at 20% of the maximum award	Maximum vesting at 100% of the maximum award
Cumulative EPS for the period including 2016/17, 2017/18 and 2018/19	100%	90p	100.5p

There is straight-line vesting between the points and no reward below threshold performance.

The salary used in the calculation of the award is the individual director's salary at 1 April 2016.

Details of LTIP awards vesting in respect of the financial period are set out below:

Year ended 26 January 2019

Executive Director	Total shares Number	Award rate* %	Shares awarded** Number	Share price*** £	LTIP value £000
R.A. White	105,636	39.87%	44,456	7.89	351
S. Lorimer	62,416	39.87%	26,267	7.89	207
J.D. Kemp	55,394	39.87%	23,311	7.89	184
A.L. Memmott	49,339	39.87%	20,763	7.89	164
Total	**272,785**		**114,797**		**906**

* Based on cumulative EPS of 92.61p for the three years ended 26 January 2019.
** Shares vesting under the LTIP for the year ended 26 January 2019 include dividend equivalents from the award date for each director.
*** The long term incentives figure for the year ended 26 January 2019 has been valued using the average closing share price for the three months ended 26 January 2019 as an estimate of the value of the incentive, as the actual value of the award will not be finalised until the closing share price is known when the incentive vests in April 2019.

Year ended 27 January 2018

Executive Director	Total shares Number	Award rate %	Shares awarded Number	Share price at vesting* £	LTIP value £000
R.A. White	88,579	22.81%	21,381	6.94	148
S. Lorimer	52,337	22.81%	12,632	6.94	88
J.D. Kemp	46,449	22.81%	11,212	6.94	78
A.L. Memmott	41,371	22.81%	9,985	6.94	69
Total	**228,736**		**55,210**		**383**

* The long term incentives figure for the year ended 27 January 2018 has been restated to reflect the market value of the shares that vested on 16 April 2018 as at that date. The long term incentive figures for the year ended 27 January 2018 set out in the Annual Report 2017/18 used the average closing share price for the three months ended 27 January 2018 as an estimate of the market value of those shares.

Awards granted during the financial period

During the year ended 26 January 2019 the following LTIP awards were granted equating to 125% of salary.

Executive Director	Type of award	Number of shares	Market value at grant £000	% of award vesting at threshold %	Performance period Years
R.A. White	LTIP award	91,305	580	20.0	3
	ESOS award*	1,890	12	20.0	3
S. Lorimer	LTIP award	53,946	343	20.0	3
J.D. Kemp	LTIP award	47,877	304	20.0	3
	ESOS award*	1,890	12	20.0	3
A.L. Memmott	LTIP award	42,643	271	20.0	3
	ESOS award*	1,890	12	20.0	3

* ESOS awards were granted in the form of market value options under the HMRC tax-efficient section of the ESOS and are subject to the same performance measures as apply to the LTIP awards. If the ESOS awards are exercised at a gain then the LTIP awards will be scaled back to the same value to ensure that the total pre-tax value delivered to the executive directors remains unchanged.

The LTIP awards are subject to the following EPS performance measure:

	% linked to award	Threshold vesting at 20% of the maximum award	Maximum vesting at 100% of the maximum award
Cumulative EPS for the period including 2018/19, 2019/20 and 2020/21	100%	91.0p	103.0p

There is straight-line vesting between the points and no reward below threshold performance.

The salary used in the calculation of the award is the individual director's salary at 1 April 2018.

Long term incentives for 2019/20

LTIP awards granted in 2019 will be subject to cumulative EPS performance for 2019/20, 2020/21 and 2021/22. 20% of the maximum award will vest for achieving threshold performance and 100% of the maximum award will vest for achieving maximum performance. There will be straight-line vesting between the points and no vesting below threshold performance.

The EPS targets are considered commercially sensitive at this time on the basis that they give competitors insight into the Company's longer term forecasts which the Board considers confidential. The EPS targets will be disclosed in next year's Annual Report on Remuneration.

Awards made to the executive directors in 2019 will be subject to a maximum of 125% of salary.

Total pension entitlements – audited information

Executive directors are all members of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "Scheme"). The Scheme has a defined benefit section and a defined contribution section. The defined benefit section was closed to new entrants from 14 August 2003 and to future accrual from 1 May 2016. R.A. White and A.L. Memmott are members of the defined benefit section.

Company contributions (which exclude any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement) are detailed in the following table:

Year ended 26 January 2019

Executive Director	Defined benefit £000	Defined contribution £000	URBS £000	Investment return on URBS £000	Total £000
R.A. White	43	–	121	1	165
S. Lorimer	–	–	–	–	–
J.D. Kemp	–	–	46	–	46
A.L. Memmott	21	–	56	–	77
Total	**64**	**–**	**223**	**1**	**288**

Year ended 27 January 2018

Executive Director	Defined benefit £000	Defined contribution £000	URBS £000	Investment return on URBS £000	Total £000
R.A. White	41	–	131	134	306
S. Lorimer	–	–	66	9	75
J.D. Kemp	–	–	45	10	55
A.L. Memmott	8	–	55	9	72
Total	**49**	**–**	**297**	**162**	**508**

The URBS is the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme for executive directors. Please see below for further details.

Details of the entitlements accruing to the two directors who are deferred members of the defined benefit section are detailed in the table below:

	Accrued pension at 26 January 2019 £000	Normal Retirement Age
R.A. White	73	63*
A.L. Memmott	47	63*

* The normal retirement age specified in the Scheme rules for R.A. White and A.L. Memmott is age 63, however both are also entitled under the Scheme rules to retire at age 60 without an actuarial reduction to their pension benefits and without any consent required.

Early retirement can be taken at age 55 subject to Trustee consent. The accrued pension would be reduced relative to age 60 to take account of its early payment.

R.A. White ceased his accrual under the defined benefit plan on 5 April 2011. Under the terms of his service contract, R.A. White is entitled to re-valuation of his deferred benefits in line with RPI until his normal retirement date. The rules of the Scheme provide for revaluation increases in deferment in line with CPI. R.A. White elected for Fixed Protection 2012 to protect his benefits accrued under the Scheme. To enable R.A. White to continue to benefit from Fixed Protection 2012, his deferred benefits are revalued in line with CPI and, to the extent that RPI exceeds CPI in any year, a corresponding additional contribution is made to his URBS. In the years ended 27 January 2018 and 26 January 2019 this has resulted in additional accruals of £14,680 and £13,498 being included in R.A. White's URBS. These accruals form part of the URBS figures included in the pension tables above. In addition, R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a "good leaver". A.L. Memmott ceased his accrual under the defined benefit plan on 1 March 2008. His accrued benefits retain a link to his final pensionable salary.

Dependants of the executive directors are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. Where the Scheme provides a pension on a defined benefit basis, final pensionable salary is used to determine the director's pension entitlement. Where benefits are provided on a defined contribution basis, the benefits depend on the director's accumulated fund. Lump sum life assurance cover is provided at five or eight times pensionable salary dependent upon the date of joining the Scheme.

No contributions were paid to the defined contribution section of the Scheme during the years ended 26 January 2019 and 27 January 2018.

During the year ended 26 January 2019, R.A. White, S. Lorimer, J.D. Kemp and A.L. Memmott participated in the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme ("URBS") with the agreement of the Company. The URBS was approved by the Remuneration Committee and is an unfunded employer financed retirement benefits scheme. It was established to satisfy the Company's contractual obligations to provide retirement benefits for the benefit of the executive directors.

The maximum Company contribution under the URBS in respect of R.A. White is 26% of his salary.

The maximum combined Company contribution under the defined contribution section of the Scheme and the URBS in respect of the remaining executive directors is 19% of salary or 26% of salary following the executive's 50th birthday.

The URBS figures shown in the total pension entitlements table above for the directors represent a Company contribution only.

Each year, per the rules of the URBS, the directors agree the measure to be used for the purposes of calculating the notional investment return on the URBS accrual. The notional investment returns are shown in the total pension entitlements table above.

An accrued liability of £1,970,714 (2017/18: £1,860,503) is included in the closing balance sheet for the URBS. During the year S. Lorimer elected to receive the Company contributions in cash and no longer participates in the URBS scheme. The liability has been accrued in respect of the directors as follows:

Executive Director	Accrual at 26 January 2019 £	Accrual at 27 January 2018 £
R.A. White	**1,524,855**	1,374,356
S. Lorimer	**–**	170,162
J.D. Kemp	**217,474**	156,778
A.L. Memmott	**228,385**	159,207
Total URBS liability	**1,970,714**	1,860,503

Payments to past directors – audited information
There were no payments made to past directors during the year in respect of services provided to the Company as a director.

Payments for loss of office – audited information
No payments for loss of office were made during the year.

Statement of directors' shareholding and share interests – audited information
The Remuneration Committee updated its share ownership guidelines applicable from 2017/18 and the executive directors are now required to build a shareholding equal to 125% of gross basic salary. Until this guideline is met, executive directors are required to retain all vested shares and half of any bonus pay-out after tax to purchase shares in the Company. The full policy is disclosed in the Remuneration Policy approved by shareholders at the 2017 AGM and repeated in the policy section of this report.

At the year end, R.A. White, J.D. Kemp and A.L. Memmott met the 125% of gross basic salary requirement applicable for the year ended 26 January 2019. S. Lorimer was appointed to the Board on 5 January 2015 and is to build up a shareholding equal to 125% of his gross basic salary. In accordance with the Remuneration Policy, S. Lorimer retained all net shares (after tax) acquired from the exercise of share options during the year ended 26 January 2019 and half of his net bonus pay-out (after tax) to purchase shares in the Company.

The interests of each executive director of the Company as at 26 January 2019 (including those held by their connected persons) were as set out below. There were no changes to these interests between 26 January 2019 and 26 March 2019 with the exception of the following changes: an increase in R.A. White's holding of 58 shares, an increase in S. Lorimer's holding of 59 shares, an increase in A.L. Memmott's holding of 58 shares and an increase in J.D. Kemp's holding of 58 shares.

Director	Type	Owned outright	Exercised during the year	Vested but unexercised during the year	Unvested: Subject to performance conditions	Unvested: Not subject to performance conditions	Total as at 26 January 2019
Executive							
R.A. White	Shares	374,216	–	–	–	–	374,216
	LTIP shares	–	20,204	–	288,027	–	288,027
	ESOS shares	–	–	–	4,788	–	4,788
	SAYE options	–	–	–	–	3,682	3,682
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	122	–	–	517	517
S. Lorimer	Shares	6,643	–	–	–	–	6,643
	LTIP shares	–	11,937	–	170,180	–	170,180
	ESOS shares	–	–	–	5,703	–	5,703
	SAYE options	–	–	–	–	4,232	4,232
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	120	–	–	253	253
	Shares – connected persons' holding*	–	–	–	–	–	734,651
J.D. Kemp	Shares	137,278	–	–	–	–	137,278
	LTIP shares	–	10,594	–	151,034	–	151,034
	ESOS shares	–	–	–	4,788	–	4,788
	SAYE options	–	–	–	–	3,894	3,894
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	120	–	–	517	517
A.L. Memmott	Shares	111,005	–	–	–	–	111,005
	LTIP shares	–	9,436	–	134,524	–	134,524
	ESOS shares	–	–	–	4,788	–	4,788
	SAYE options	–	–	–	–	3,682	3,682
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	120	–	–	517	517
Non-executive							
W.R.G. Barr	Shares	6,033,876	–	–	–	–	6,033,876
	Shares – connected persons' holding**	–	–	–	–	–	10,968,757
M.A. Griffiths	Shares	5,400	–	–	–	–	5,400
J.R. Nicolson	Shares	11,500	–	–	–	–	11,500
P. Powell	Shares	5,000	–	–	–	–	5,000
D.J. Ritchie	Shares	1,000	–	–	–	–	1,000
S.V. Barratt	Shares	–	–	–	–	–	–
N.B.E. Wharton	Shares	–	–	–	–	–	–

* S. Lorimer's connected persons' shareholding includes shares related to his position as director of Robert Barr Ltd, the trustee of various employee benefit trusts.
** W.R.G. Barr's connected persons' shareholding includes shares related to his position as trustee of various family and charitable trusts.

The "Owned outright" shares set out in the table above are the shares owned outright by the directors. These include any AESOP free shares awarded during the year and any shares retained during the year following the exercise of LTIP awards, ESOS awards and SAYE options.

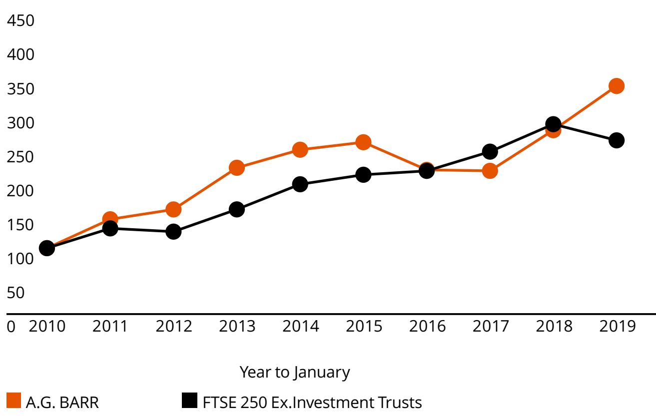
The number of AESOP free shares awarded and share options exercised under the LTIP, ESOS and SAYE in the year are included in the "Exercised during the year" column.

The following sections of the Remuneration Report are not subject to audit.

Performance graph and table

The graph below shows the Company's Total Shareholder Return ('TSR') performance against the FTSE 250 excluding investment trusts over the past ten years. In the opinion of the Board, the FTSE 250 excluding investment trusts is the most appropriate index against which the TSR of the Company should be measured because it represents a broad equity market index of which the Company is a constituent member.

Total shareholder return



CEO remuneration for previous ten years

The table below shows details of the total remuneration, annual bonus and LTIP paid out for R.A. White over the last ten financial years:

	Total remuneration £000	Annual bonus as a % of maximum opportunity	LTIP as a % of maximum opportunity
Year ended 26 January 2019	1,434	91.0%	39.9%
Year ended 27 January 2018	1,279	78.0%	22.8%
Year ended 28 January 2017	915	23.0%	40.0%
Year ended 30 January 2016	839	0.0%	37.9%
Year ended 25 January 2015	1,075	75.5%	31.9%
Year ended 26 January 2014	989	57.8%	38.2%
Year ended 27 January 2013	1,086	50.0%	68.5%
Year ended 28 January 2012	1,070	46.0%	99.3%
Year ended 29 January 2011	1,204	75.0%	92.9%
Year ended 29 January 2010	951	73.4%	45.0%

Percentage change in CEO remuneration

The table below sets out, in relation to salary, taxable benefits (car allowance, fuel benefit) and annual bonus, the increase between the pay for the year ended 27 January 2018 and the pay for the year ended 26 January 2019 for R.A. White compared to the wider workforce. For these purposes, the wider workforce includes all Group employees who were continuously employed by the Group during the two years ended 26 January 2019 but excludes executive and non-executive directors.

Percentage change	CEO	Wider workforce
Salary	2.5%	2.7%
Benefits	20.0%	0.0%
Annual bonus*	19%	15%

* R.A. White earned an annual bonus of 91% of salary in respect of the year to 26 January 2019 compared to 78% of salary in respect of the year to 27 January 2018, based on the outcome of the financial and non-financial performance measures.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation).

Percentage change	Year ended 27 January 2018 £000	Year ended 26 January 2019 £000	% change
Dividends	17,951*	18,960**	5.6%
Overall expenditure on pay	44,000	48,600	10.4%

* Dividends payable in respect of the year ended 27 January 2018.
** Dividends payable in respect of the year ended 26 January 2019.

Consideration by the Directors of matters relating to Directors' Remuneration

The following directors were members of the Remuneration Committee during the year: D.J. Ritchie (Chairman), W.R.G. Barr, S.V. Barratt, M.A. Griffiths, J.R. Nicolson and P. Powell.

The Remuneration Committee meets at least twice a year and is responsible for determining, within agreed terms of reference, all aspects of the remuneration of the executive directors and such other members of senior management as it is designated to consider. The Remuneration Committee reviews the remuneration trends, pay levels and employment conditions across the Group. The Remuneration Committee is also responsible for recommending the remuneration of the Chairman of the Company to the Board.

During the year, the Remuneration Committee received advice from R.A. White (CEO) in respect of the remuneration of the other executive directors, who was not in attendance when his own remuneration was being discussed. The Remuneration Committee received assistance from J.A. Barr (Company Secretary), who acts as secretary to the Committee, and from other members of management, who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

External adviser

During the year, the Remuneration Committee was assisted in its work by the following external consultants:

Adviser	Details of appointment	Services provided by the Adviser	Fees paid by the Company for advice to the Remuneration Committee and basis of charge	Other services provided to the Company in the year ended 26 January 2019
Deloitte LLP (Deloitte)	Appointed by the Remuneration Committee in January 2014 following a competitive tender process.	Assistance with the preparation of the FY18 Directors' Remuneration Report. Advice on market practice developments in executive pay.	£5,250 Charged on a time/cost basis.	External auditor and certain other services (see page 54 of this Annual Report and financial statements).
Willis Towers Watson	Appointed by the Remuneration Committee in December 2018 following a competitive tender process.	Assistance with the preparation of the Directors' Remuneration Report. Attendance at Committee meetings. Advice on market practice developments in executive pay.	£10,600 Charged on a time/cost basis.	Insurance broking and advisory services.

The Remuneration Committee is satisfied that all advice received was objective and independent. Deloitte and Willis Towers Watson are members of the Remuneration Consultants Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK.

Deloitte was appointed as external auditor in May 2017. Following this appointment, the Remuneration Committee has continued to review the services provided by Deloitte as adviser to the Remuneration Committee. Following consultation with the Board during the year, and consideration of the self-review, self-interest and management threats to independence, the Remuneration Committee concluded that a competitive tender should be conducted for the provision of remuneration consulting services to the Remuneration Committee. Following completion of this tender process, Willis Towers Watson was appointed as adviser to the Remuneration Committee with effect from 1 December 2018. Willis Towers Watson also provides insurance broking and advisory services to the Company; Willis Towers Watson's fees for these services in the year under review were £54,200 and were charged on a fixed fee basis.

Statement of voting at last AGM

The following table sets out actual voting in respect of the resolutions to approve the 2017/18 Annual Report on Remuneration at the Company's AGM on 30 May 2018 and the Remuneration Policy at the Company's AGM on 31 May 2017.

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve Annual Report on Remuneration	71,235,134	97.23%	2,031,964	2.77%	52,052
Approve Remuneration Policy	73,959,554	99.03%	722,177	0.97%	1,172,166

Additional information

Executive directors' interests in the LTIP

The individual interests of the executive directors under the LTIP are as follows:

LTIP Director	Date of award	At 27 January 2018 Number	Awarded Number	Vested Number	Lapsed Number	At 26 January 2019 Number	Exercisable from
R.A. White	15 April 2015	88,579	–	(20,204)	(68,375)	–	15 April 2018
	07 April 2016	105,636	–	–	–	105,636	07 April 2019
	25 April 2017	91,086	–	–	–	91,086	25 April 2020
	03 April 2018	–	91,305	–	–	91,305	03 April 2021
S. Lorimer	15 April 2015	52,337	–	(11,937)	(40,400)	–	15 April 2018
	07 April 2016	62,416	–	–	–	62,416	07 April 2019
	25 April 2017	53,818	–	–	–	53,818	25 April 2020
	03 April 2018	–	53,946	–	–	53,946	03 April 2021
J.D. Kemp	15 April 2015	46,449	–	(10,594)	(35,855)	–	15 April 2018
	07 April 2016	55,394	–	–	–	55,394	07 April 2019
	25 April 2017	47,763	–	–	–	47,763	25 April 2020
	03 April 2018	–	47,877	–	–	47,877	03 April 2021
A.L. Memmott	15 April 2015	41,371	–	(9,436)	(31,935)	–	15 April 2018
	07 April 2016	49,339	–	–	–	49,339	07 April 2019
	25 April 2017	42,542	–	–	–	42,542	25 April 2020
	03 April 2018	–	42,643	–	–	42,643	03 April 2021

Executive directors' interests in the ESOS

The individual interests of the executive directors under the ESOS are as follows:

ESOS Director	Date of award	At 27 January 2018 Number	Awarded Number	Vested Number	Lapsed Number	At 26 January 2019 Number	Exercisable from
R.A. White	25 April 2017	2,898	–	–	–	2,898	25 April 2020
	03 April 2018	–	1,890	–	–	1,890	03 April 2021
S. Lorimer	07 April 2016	5,703	–	–	–	5,703	07 April 2019
J.D. Kemp	25 April 2017	2,898	–	–	–	2,898	25 April 2020
	03 April 2018	–	1,890	–	–	1,890	03 April 2021
A.L. Memmott	25 April 2017	2,898	–	–	–	2,898	25 April 2020
	03 April 2018	–	1,890	–	–	1,890	03 April 2021

Executive directors' interests in the SAYE

The individual interests of the executive directors under the SAYE scheme are as follows:

SAYE Director	At 27 January 2018 Number	Granted Number	Exercised Number	Lapsed Number	At 26 January 2019 Number	Option price Pence	Exercisable from
R.A. White	3,682	–	–	–	3,682	567	01 October 2020
S. Lorimer	4,232	–	–	–	4,232	567	01 October 2020
J.D. Kemp	3,894	–	–	–	3,894	567	01 October 2020
A.L. Memmott	3,682	–	–	–	3,682	567	01 October 2020

Approval

This Report was approved by the Board and signed on its behalf by:

David J. Ritchie
Chairman of the Remuneration Committee
26 March 2019

Directors' Remuneration Policy

This part of the report sets out the Company's Directors' remuneration policy which was approved by shareholders at the 2017 AGM and became effective for three years from the close of that meeting. The policy for the executive directors has been determined by the Remuneration Committee. The Remuneration Committee will review the policy over the course of 2019/20 and a new policy will be taken to shareholders at the 2020 AGM.

Executive directors

The table below describes each of the elements of the remuneration package for the executive directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain directors of the calibre required for the Company.	Usually reviewed annually. Salary levels are determined by the Remuneration Committee taking into account a range of factors including: – role, experience and individual performance; – pay for other employees in the Group; – prevailing market conditions; and – external benchmarks for similar roles at comparable companies.	Although there is no overall maximum, salary increases are normally reviewed in the context of the salary increases across the wider Group. The Remuneration Committee may award salary increases above this level to take account of individual circumstances such as: – increase in scope and responsibility; – increase to reflect the executive director's development and performance in the role; or – alignment to market level.	Not applicable.
Benefits	Ensures the overall package is competitive. Purpose is to recruit and retain directors of the calibre required for the Company.	Executive directors receive benefits in line with market practice, which may include, for example, a car allowance or provision of a company car, a biennial health check, private medical insurance, life assurance and the ability to "buy" or "sell" holidays under the Company's flexible benefits plan. Other benefits may be provided based on individual circumstances. These may include, for example, relocation and travel allowances.	Whilst the Remuneration Committee has not set an absolute maximum on the levels of benefits executive directors receive, the value of the benefit is at a level which the Remuneration Committee considers appropriate against the market and provides sufficient level of benefit based on individual circumstances.	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	Rewards performance against annual targets which support the strategic direction of the Group.	Awards based on annual performance against key financial and/or strategic targets and/or the delivery of personal objectives. Pay-out levels are determined by the Remuneration Committee after the year end based on performance against those targets. The Remuneration Committee has discretion to amend the bonus pay-out if, in its judgement, any formulaic output does not produce a fair result for either the executive director or the Company, taking into account overall business performance. For up to two years following the determination of a bonus pay-out, the Remuneration Committee has the right to recover some or all of the bonus pay-out in the event of a material misstatement of the Group's financial results or if the participant has been guilty of misconduct.	Maximum bonus opportunity is 100% of base salary.	Targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 80% of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance. **Financial metrics** There is no minimum payment at threshold performance, up to 50% of the maximum potential for this element of the bonus will be paid out for on-target performance and all of the maximum potential will be paid out for maximum performance. **Non-financial or individual metrics** Payment of the non-financial or individual metrics will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which a non-financial or individual performance metric has been met.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan 2014 ("LTIP")	Incentivises executive directors over the longer term and aligns their interests with those of shareholders.	Under the LTIP, awards of conditional shares, nil cost share options or other such form as has the same economic effect may be made with vesting dependent on the achievement of performance conditions set by the Remuneration Committee, normally over a three year performance period. Awards granted over shares may be settled in cash at the election of the Remuneration Committee. As described on page 80, awards may also vest in "good leaver" circumstances or on the death of a participant or on a change of control. The Remuneration Committee has the right to reduce unvested or unexercised awards and/or delay their vesting in the event of a material misstatement of the Group's financial results or if the participant has been guilty of misconduct. For up to two years following the determination of the vesting outcome of an award, the Remuneration Committee has the right to cancel the award if it has not been exercised, or require repayment of some or all of the award in the event of a material misstatement of the Group's financial results or if the participant has been guilty of misconduct. The Remuneration Committee may make a dividend equivalent payment ("Dividend Equivalents") to reflect dividends that would have been paid over the period to vesting on shares that vest. This payment may be in the form of additional shares or a cash payment equal to the value of those additional shares. The Remuneration Committee may at its discretion structure awards as Approved Long Term Incentive Plan ("ALTIP") awards comprising both a HMRC tax-advantaged option granted under the Executive Share Option Scheme ("ESOS") and an LTIP award. ALTIP awards enable the participant and Company to benefit from HMRC tax-advantaged option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. ALTIP awards would be structured as a tax-advantaged option and a LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the tax-advantaged option. Other than to enable the grant of ALTIP awards, the Company will not grant awards to executive directors under the ESOS.	The normal maximum award is 125% of annual base salary in respect of a financial year. Under the share plan rules the overall maximum opportunity that may be granted in respect of a financial year will be 200% of annual base salary. The normal maximum award limit will only be exceeded in exceptional circumstances involving the recruitment or retention of a senior employee. These limits do not include the value of shares subject to any tax-advantaged option granted as part of an ALTIP award.	The vesting of awards is subject to the satisfaction of performance targets set by the Remuneration Committee. The performance measures are reviewed regularly to ensure they remain relevant but will be based on key financial and/or strategic and/or total shareholder return related measures. The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities. Performance measures and weightings will be set out in the Annual Report on Remuneration for the relevant financial year. For achievement of threshold performance 20% of the maximum opportunity will vest. There will usually be straight line vesting between threshold and maximum performance. Where a tax-advantaged option is granted as part of an ALTIP award, the same performance conditions will apply to the tax-advantaged option as apply to the LTIP award.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
All employee share schemes	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way.	Executive directors are entitled to participate in a HMRC tax-advantaged all-employee Savings Related Share Option Scheme ("SAYE") under which they make monthly savings over a period of three or five years linked to the grant of an option over the Company's shares with an option price which can be at a discount to the market value of shares on grant. Executive directors are also entitled to participate in a HMRC tax-advantaged All-Employee Share Ownership Plan ("AESOP"). The executive directors may participate in both sections of the AESOP, being the partnership and matching section and the free share section.	Participation limits are those set by the UK tax authorities from time to time.	No performance conditions are attached to awards in line with HMRC practice.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Retirement benefits	Purpose is to recruit and retain directors of the calibre required for the Company. Provides market competitive post-employment benefits (or cash allowance equivalent).	Executive directors are eligible to participate in the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "Scheme"), which comprises a defined contribution section and a defined benefit section. The defined benefit section was closed to new entrants from 14 August 2003 and to future accrual from 1 May 2016. Details of the entitlements accruing to the two executive directors who are deferred members of the defined benefit section are detailed in the table on page 64. The contributions paid to the defined contribution section in respect of three executive directors are disclosed on page 64. Details of accruals under the URBS are disclosed on page 65. Executive directors may participate in the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme ("URBS") with the agreement of the Company. The URBS was established to satisfy the Company's contractual obligations to provide retirement benefits for the benefit of the executive directors where either the annual or lifetime allowance has been exceeded whilst those individuals were members of the Scheme. Benefits will be receivable in certain circumstances, including on retirement, death, change of control or cessation of employment in accordance with the rules of the URBS. In appropriate circumstances, executive directors may take a cash supplement instead of contributions into a pension plan.	R.A. White ceased his accrual under the defined benefit section on 5 April 2011. For R.A. White, the Company's maximum contribution under the URBS is equal to 26% of salary plus any contractual entitlement in respect of a shortfall in R.A. White's deferred pension revaluation as a consequence of Fixed Protection 2012. The maximum combined Company contribution under the defined contribution section and the URBS in respect of the remaining executive directors is 19% of salary (as defined in the Scheme rules) rising to 26% of salary following the executive's 50th birthday. The Remuneration Committee has discretion to vary the delivery mechanism for retirement benefits, however the exercise of this discretion will not exceed the above limits for the provision of executive directors' retirement benefits. The Company has closed the defined benefit section of the Scheme to new members but the two executive directors who are deferred members will continue to receive benefits in accordance with the terms of the Scheme, subject to separately agreed contractual arrangements, including those summarised below: R.A. White's deferred pension will be re-valued in line with RPI until his normal retirement date. In addition, R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a "good leaver", as set out in his service contract. A.L. Memmott's accrued benefits retain a link to his final pensionable salary.	Not applicable.

Chairman and non-executive directors

The table below sets out an overview of the remuneration of non-executive directors:

Purpose and link to strategy	Approach of the Company
Sole element of non-executive director remuneration, set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and expertise.	Fees are normally reviewed annually. The remuneration of the Chairman is determined by the Remuneration Committee. Fees are set at a level which reflects the skill, knowledge and experience of the individual, whilst taking into account appropriate market data. The Board is responsible for setting the fees of the other non-executive directors. Fees may include a basic fee and additional fees for further responsibilities (for example, chairmanship of Board committees and senior independent directorship). Fees are set taking into account several factors, including the size and complexity of the business, appropriate market data and the expected time commitment and contribution for the role. Non-executive directors do not participate in any of the Company's share schemes or bonus schemes nor do they receive any pension contributions. Non-executive directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate. Actual fee levels are disclosed in the Directors' annual remuneration report for the relevant financial year.

Explanation of performance metrics chosen and the target setting process

Performance measures are selected that are aligned to the Company's strategy. Stretching performance targets are set each year for the annual bonus and LTIP awards. When setting these performance targets, the Remuneration Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the market environment. Full payment or vesting will only occur for what the Remuneration Committee considers to be stretching performance.

The annual bonus performance targets have been selected to provide an appropriate balance between incentivising directors to meet financial targets for the year and achieving strategic and/or personal objectives.

The LTIP performance targets reflect the Company's strategic objectives and therefore the financial and strategic decisions which ultimately determine the success of the Company. The LTIP performance measures may be based on key financial and/or strategic and/or total shareholder return related measures. LTIP performance is currently based solely on Earnings Per Share, which is a key measure of the Company's profitability.

The Remuneration Committee retains the ability to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Remuneration Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the scheme rules.

Policy for the remuneration of employees generally

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of the business strategy and should be sufficient to attract and retain high calibre talent.

Under the rules of the ESOS and the LTIP, certain managers are eligible to participate in the ESOS and the LTIP; however there has been no such participation to date and there is no current intention to invite managers to do so. The annual bonus arrangements for the senior management team are similar to those for the executive directors in that targets are set annually dependent on financial and/or non-financial performance metrics. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking account of the seniority of employees.

Approach to recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new director, the Remuneration Committee seeks to ensure that arrangements are in the best interests of the Company and in line with market practice.

The Remuneration Committee will take into consideration a number of relevant factors, which may include the calibre of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

The Remuneration Committee will typically seek to align the remuneration package with the Company's Remuneration Policy (as set out in the policy table). The maximum level of variable remuneration which may be granted (excluding buy-out awards referred to below) is 300% of salary (in line with this policy). Subject to this overall maximum variable remuneration, incentive awards will only be granted above the normal maximum annual award opportunities where the Remuneration Committee considers there to be a commercial rationale, which may include but is not limited to circumstances where an executive director is recruited at a time in the year when it would be inappropriate to provide a bonus and/or LTIP award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis. The Remuneration Committee will ensure that any such awards are linked to the achievement of appropriate and challenging performance targets and will be forfeited if performance or continued employment conditions are not achieved. The Remuneration Committee may also alter the performance measures, performance period and vesting period of the bonus and/or LTIP award, if the Remuneration Committee determines that the circumstances of the recruitment merit such alteration. The rationale would be clearly explained in the Directors' Remuneration Report following grant. The individual will move over time onto a remuneration package that is consistent with the normal maximum annual bonus and LTIP award opportunities set out in the policy table.

The Remuneration Committee retains discretion to include other remuneration components or awards which are outside the specific terms of the policy (but subject to the limit on variable remuneration) to facilitate the hiring of candidates of an appropriate calibre, where the Remuneration Committee believes there is a need to do so in the best interests of the Company. The Remuneration Committee would ensure that awards within the 300% of salary variable remuneration limit are linked to the achievement of appropriate and challenging performance measures. The Remuneration Committee will not use this discretion to make a non-performance related incentive payment (for example a "golden hello").

In some circumstances, the Remuneration Committee may make payments or awards to recognise or "buy-out" remuneration arrangements forfeited on leaving a previous employer. The Remuneration Committee will normally aim to do so broadly on a like-for-like basis, taking into account a number of relevant factors regarding the forfeited arrangements which may include the form of award, any performance conditions attached to the awards and the time at which they would have vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above, however the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, such payments or awards will be liable to "malus" and/or "clawback" on early departure.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as currently permitted under the Listing Rules which allow for the grant of awards to facilitate, in exceptional circumstances, the recruitment of an executive director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

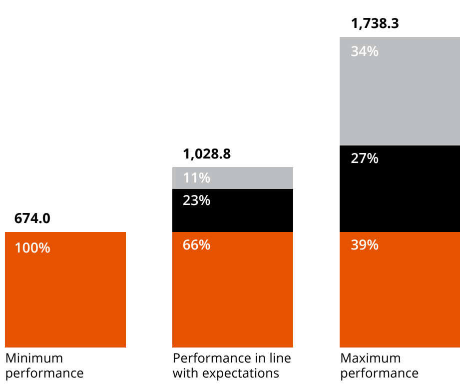
Where necessary, the Company will pay appropriate relocation, travel and subsistence costs. The Remuneration Committee will seek to ensure that no more is paid than is necessary.

Fees payable to a newly-appointed Chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

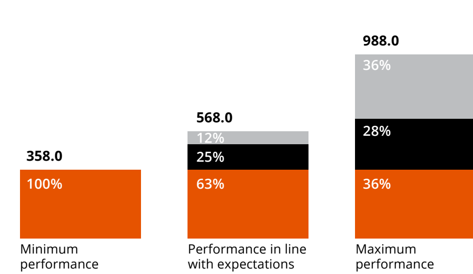
Illustrations of application of Remuneration Policy

The charts below set out an illustration of the Remuneration Policy for 2019/20 in line with the Remuneration Policy above and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of the Remuneration Policy and the value of each component.

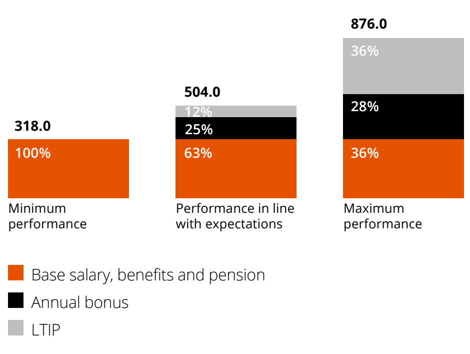
R.A. White total remuneration (£000)



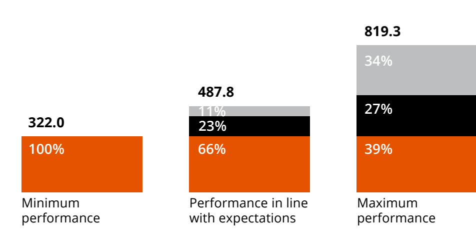
S. Lorimer total remuneration (£000)



J.D. Kemp total remuneration (£000)



A.L. Memmott total remuneration (£000)



Three scenarios have been illustrated for each executive director:

	Fixed pay	Annual Bonus	LTIP
Minimum performance	Fixed elements of remuneration – base salary, benefits and pension only.	No bonus.	No LTIP vesting.
Performance in line with expectations		50% of salary awarded for achieving target performance.	20% of maximum award vesting (i.e. 25% of salary for achieving target performance).
Maximum performance	Base salary is the latest known salary (i.e. the salary effective from 1 April 2019) and the value for benefits has been calculated as per the single figure table on page 58.	100% of salary awarded for achieving maximum performance.	100% of maximum award vesting (i.e. 125% of salary for achieving maximum performance).

LTIP awards are included in the scenarios above at face value with no share price movement included.

Service contracts

Executive directors' contracts are on a rolling basis and may be terminated on 12 months' notice by the Company or on 6 months' notice by the executive. Service contracts for new directors will generally be limited to 12 months' notice by the Company.

In line with the Remuneration Policy approved at the 2014 AGM, service contracts entered into prior to this date provide for a notice period of 12 months except during the 6 months following either a takeover of or by the Company or a Company reconstruction. Under these conditions and certain circumstances the executive directors are entitled to a liquidated damages payment equal to the executive director's basic salary at termination plus the value of all contractual benefits for a two year period. In the event this liquidated damages payment is triggered, the executive director will also be deemed to be a "good leaver" for the purposes of the Company's share schemes. Given the size of the Company and the sector dynamics at the time the directors were recruited, the Remuneration Committee considered this provision appropriate in order to attract and retain high calibre executive directors. The Remuneration Committee is cognisant of the fact that these provisions do not reflect best practice. It has therefore previously considered the alternatives available to exit these contractual arrangements, including contractual buy-out. However, the Remuneration Committee concluded that it was not feasible to place a value on these rights, in order to remove them from the contracts, which would be acceptable to both parties. It therefore determined that the most appropriate approach would be to maintain the legacy provisions, however for all future appointments after the approval of the 2014 Remuneration Policy these provisions have not and will not apply. S. Lorimer's service contract does not therefore include the legacy provisions.

Non-executive directors are appointed for an initial period of three years, subject to annual re-election by shareholders in accordance with the Code. Their appointments are terminable by either the Company or the directors themselves upon three months' notice without compensation.

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	Payments to executive directors upon termination of their service contracts will be equal to 12 months' base salary or the highest annual rate earned by the executive during the preceding three years, whichever is higher (plus benefits in kind and pension contributions at the discretion of the Remuneration Committee).
Annual Bonus	This will be at the discretion of the Remuneration Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent upon a number of factors, including the circumstances of the individual's departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will typically be pro-rated for time in service to termination and will, subject to performance, be paid at the usual time.
LTIP	The extent to which any award under the LTIP will vest would be determined based on the leaver provisions contained within the LTIP rules. The Remuneration Committee shall determine when awards vest in accordance with those provisions. Awards will normally lapse if the participant leaves employment before vesting. However, awards may vest in "good leaver" circumstances, including death, disability, ill-health, injury, sale of the participant's employer, or any other reason determined by the Remuneration Committee. Any "good leaver" awards will vest at the date of cessation of employment unless the Remuneration Committee decides they should vest at the normal vesting date. In either case, the extent to which an award vests will be determined by the Remuneration Committee taking into account the extent to which the performance conditions have been satisfied and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed from the date of grant to the date of cessation of employment. The Remuneration Committee may vest the award on any other basis if it believes there are exceptional circumstances which warrant that. Options are exercisable for six months from leaving employment or six months from the normal vesting date as appropriate.
Change of control	Awards under the LTIP will generally vest early on a takeover, merger or other corporate reorganisation. The Remuneration Committee will determine the level of vesting taking account of performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time, where applicable. Alternatively, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company. Awards under all employee share schemes will be expected to vest on a change of control and those which have to meet specific requirements to benefit from permitted tax benefits will vest in accordance with those requirements.
Mitigation	The executive directors' service contracts do not provide for any reduction in payments for mitigation or for early payment.
Other payments	Payments may be made under the Company's all employee share plans which are governed by HMRC tax-advantaged plan rules and which cover certain leaver provisions. There is no discretionary treatment of leavers under these plans. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment. In doing so, the Remuneration Committee will recognise and balance the interests of shareholders and the departing executive director, as well as the interests of the remaining directors.

Where the Remuneration Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the director's departure and performance.

Statement of consideration of employment conditions elsewhere in the Company

The Remuneration Committee generally considers pay and employment conditions elsewhere in the Company when considering the executive directors' remuneration. When considering base salary increases, the Remuneration Committee reviews overall levels of base pay increases offered to other employees. Employees are not actively consulted on directors' remuneration. The Company has regular contact with union bodies on matters of pay and remuneration for employees covered by collective bargaining or consultation arrangements.

Existing contractual arrangements

The Remuneration Committee retains discretion to make any remuneration payments and payments for loss of office outside the policy in this report:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration of the individual becoming a director of the Company; or
- to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, the term "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

The Remuneration Committee may make minor changes to this policy which do not have a material advantage to directors, to aid in its operation or implementation, taking into account the interests of shareholders but without the need to seek shareholder approval.

Statement of consideration of shareholder views

The Remuneration Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on executive and non-executive directors' remuneration.

Shareholder guidelines

In order to further align the executive directors' long term interests with those of shareholders, the Remuneration Committee has updated its share ownership guidelines applicable from 2017/18. The guidelines require that, with effect from 2017/18, executive directors retain all shares acquired under Company sponsored share plans and retain half of any bonus pay-out after tax to purchase shares in the Company until the value of their shareholding is equal to 125% of gross basic salary. Until this shareholding is acquired, the executive directors may not, without Remuneration Committee approval, sell shares other than to finance any tax liabilities arising from the vesting of LTIP awards.

Payments in relation to existing remuneration arrangements

The Remuneration Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Remuneration Policy set out above where the terms of the payment were agreed:

i. before the date of the 2014 AGM (the date the Company's first shareholder-approved Remuneration Policy came into effect);
ii. after the date of the 2014 AGM and before the Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or
iii. at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The directors present their report and the audited consolidated financial statements of the Group for the 52 weeks (2018: 52 weeks) ended 26 January 2019.

Strategic Report

The Companies Act 2006 requires the directors to present a review of the business during the year to 26 January 2019 and of the position of the Group at the end of the financial year, together with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 1 to 43 and is incorporated by reference into this Directors' Report.

Corporate Governance Statement

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 46 to 51 and is incorporated by reference into this Directors' Report.

Results and dividends

The Group's profit after tax for the financial year ended 26 January 2019 attributable to equity shareholders amounted to £35.8m (2018: £37.2m).

An interim dividend for the current year of 3.90p (2018: 3.71p) per ordinary share was paid on 26 October 2018. In line with its progressive dividend policy, the Board has proposed a final dividend of 12.74p (2018 final dividend: 11.84p) per ordinary share, which will be paid on 7 June 2019 if approved at the Company's annual general meeting on 31 May 2019 ("AGM").

The directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented an income statement for the Company. The Company's profit for the year was £116.9m (2018: £26.2m).

Directors

The following were directors of the Company during the financial year ended 26 January 2019 and to the date of this report:

- J.R. Nicolson
- R.A. White
- S. Lorimer
- J.D. Kemp
- A.L. Memmott
- W.R.G. Barr
- S.V. Barratt
- M.A. Griffiths
- P. Powell
- D.J. Ritchie
- N.B.E. Wharton (appointed 1 November 2018)

Subject to the Company's Articles of Association (the "Articles") and any relevant legislation, the directors may exercise all of the powers of the Company and may delegate their power and discretion to committees. The powers of the directors to issue or repurchase ordinary shares are set by resolution at a general meeting of shareholders.

The Articles give the directors power to appoint and remove directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. The Articles require directors to retire and submit themselves for election at the first annual general meeting following appointment and to retire no later than the third annual general meeting after the annual general meeting at which they were last elected or re-elected. However, in order to comply with the UK Corporate Governance Code, all directors will submit themselves for re-election at the AGM. Biographical details of the Board are set out on pages 44 to 45 of this report.

Directors' interests

Information regarding the directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on pages 65 to 67. No director has any other interest in any shares or loan stock of any Group company.

Other than service contracts, no director had a material interest in any contract to which any Group company was a party during the year.

There have been the following changes notified in the directors' shareholdings between 26 January 2019 and 26 March 2019: an increase in R.A. White's holding of 58 shares, an increase in S. Lorimer's holding of 59 shares, an increase in A.L. Memmott's holding of 58 shares and an increase in J.D. Kemp's holding of 58 shares.

Directors' indemnity provisions

As at the date of this report, indemnities are in force between the Company and each of its directors under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out their role as a director of the Company. The directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim in relation to the Company or brought by a regulator as they are incurred, provided that where the defence is unsuccessful the director must repay those defence costs to the Company. The Company's total liability under each indemnity is limited to £5.0m for each event giving rise to a claim under that indemnity. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year and has renewed that policy.

As at the date of this report, indemnities are in force between the Company and each of the directors of the corporate trustee of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred in connection with the corporate trustee's activities as a trustee of such scheme.

Research and development

The Group undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the year on research and development amounted to £1.1m (2018: £1.4m).

Political donations and political expenditure

No Group company made any political donations or incurred any political expenditure in the year (2018: £nil).

Post balance sheet events

Relevant post balance sheet events requiring disclosure are included in Note 30 to the accounts.

Employee involvement

The Group is committed to engaging employees at all levels regarding matters which affect them and the performance of the Group. This is achieved in a number of ways, including the use of regular briefing procedures, which twice yearly include a report on trading results. Regular communication meetings are held to keep employees up to date with Group performance. Consultation meetings also take place when the Company is making decisions that are likely to affect employees' interests, at which employee representatives' views are taken into account. In addition to this, the Group's intranet site provides up-to-date information regarding the Group's activities. Further information on employee engagement is included in the Strategic Report on page 25. All qualifying employees are entitled to join the Savings Related Share Option Scheme ("SAYE") and the All-Employee Share Ownership Plan ("AESOP"). Details of these share schemes are provided below.

AESOP

The AESOP is HMRC approved and the executive directors participate in both sections of the scheme, which is open to all qualifying employees.

The partnership share element provides that for every two shares a participant purchases in the Company, up to a current maximum contribution of £150 per month, the Company will purchase one matching share. The matching shares purchased are held in trust in the name of the individual.

There are various rules as to the period of time that the shares must be held in trust but after five years the shares can be released tax free to the participant.

The free share element allows participants to receive shares to the value of a common percentage of their earnings, related to the performance of the Group. The maximum value of any annual award is currently £3,600 and the shares awarded are held in trust for five years. Under the terms of the AESOP rules, any award of free shares to employees is made by the Trustee of the AESOP subject to the Company's consent.

Under the terms of this scheme, unless they are a good leaver the matching shares will be forfeited if the participant leaves the employment of the Company within three years of the award. All partnership, matching and free shares must be removed from the trust if employment with the Company ceases.

SAYE

The SAYE is HMRC approved and is available to all qualifying employees, including executive directors. It is based on a three or five year savings contract which provides the participant with an option to purchase shares after three or five years at a discounted price fixed at the time the contract is taken out, or earlier as provided by the scheme rules. No performance conditions require to be met by any participant in order to exercise their option under the SAYE.

Employment of disabled persons

Applications for employment by disabled persons are always fully and fairly considered bearing in mind the qualifications and abilities of the applicants concerned. In the event of employees becoming disabled every effort is made to ensure that their employment will continue. The Group's policy is that the training, career development and promotion of disabled persons are, as far as possible, identical to those of other employees.

Substantial shareholdings

As at 26 January 2019, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interests in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Lindsell Train Limited (discretionary clients)	13,958,474	12.13	Direct
Caledonia Investments plc	5,512,716	4.815	Direct
Troy Asset Management	6,516,311	5.58	Direct

As at 26 March 2019, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interest in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Lindsell Train Limited (discretionary clients)	16,379,097	14.39	Direct and indirect

Otherwise, the position remains the same as at 26 March 2019 as it did at 26 January 2019.

Relations with shareholders

The Company has regular discussions with and briefings for analysts, investors and institutional shareholders. The Chief Executive and Finance Director normally meet with major shareholders twice annually in order to develop an understanding of their views and brief the next Board meeting on their discussions. All directors have the opportunity to attend these meetings. At the AGM, all shareholders, including private investors, have an opportunity to participate in questions and answers with the Board on matters relating to the Company's operation and performance.

Share capital

As at 26 January 2019 the Company's issued share capital comprised a single class of ordinary shares of 4 1/6 pence each. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attaching to the shares are set out in the Articles. Note 25 to the financial statements contains details of the ordinary share capital.

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of AGM gives full details of deadlines for exercising voting rights in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting. Subject to the relevant statutory provisions and the Articles, shareholders are entitled to a dividend where declared and paid out of profits available for such purposes.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- those which may from time to time be applicable under existing laws and regulations (for example, insider trading laws); and
- pursuant to the Company's Share Dealing Codes and applicable regulations, whereby directors and certain employees of the Company require approval to deal in the Company's ordinary shares and are prohibited from dealing during closed periods.

The Company's share repurchase programme continued during the year. By resolution passed at the 2018 AGM the Company was authorised to make market purchases of up to 11,464,814 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2019 AGM. A total of 1,497,635 ordinary shares of 4 1/6 pence each were purchased in the year to 26 January 2019 for a total consideration of £10.25 million. Since the commencement of the Company's share repurchase programme in spring 2017, the Company has purchased a total of 2,824,135 ordinary shares of 4 1/6 pence each for a total consideration of £18.45 million. All shares purchased under the share repurchase programme have been cancelled.

The directors will seek authority from shareholders at the forthcoming AGM for the Company to purchase up to a maximum of 10% of its issued ordinary share capital, as detailed in the Notice of AGM.

At 26 January 2019 Robert Barr Limited, as trustee of the General Employee Benefit Trust, the Savings Related Benefit Trust and the All-Employee Share Ownership Plan Trust (the "RBL Trustee"), held 0.63% of the issued share capital of the Company in trust for the benefit of the executive directors and employees of the Group. As at 26 January 2019, Equiniti Share Plan Trustees Limited (the "AESOP Trustee") held 0.98% of the issued share capital of the Company in trust for participants in the AESOP.

A dividend waiver is in place in respect of the RBL Trustee's holdings under the Savings Related Benefit Trust. A dividend waiver is in place in respect of shares held by the AESOP Trustee and the RBL Trustee under the AESOP which have not been appropriated to participants.

The voting rights in relation to the RBL Trustee's shareholdings are exercised by the RBL Trustee, who may vote or abstain from voting the shares as it sees fit in respect of shares which are unvested or have not been appropriated to employees.

Under the rules of the AESOP, eligible employees are entitled to acquire shares in the Company. Details of the AESOP are set out above. AESOP shares which have been appropriated to participants are held in trust for those participants by the AESOP Trustee. Voting rights in respect of shares which have been appropriated to participants are exercised by the AESOP Trustee on receipt of participants' instructions. If a participant does not submit an instruction to the AESOP Trustee, no vote is registered in respect of those shares. In addition, the AESOP Trustee does not vote any unappropriated shares held under the AESOP as surplus assets.

The Executive Share Option Scheme ("ESOS") was approved by shareholders at the 2010 AGM. Approved Long Term Incentive Plan ("ALTIP") awards comprising both a tax-approved option granted under the ESOS and a Long Term Incentive Plan award have been granted to executive directors. ALTIP awards enable the participant and the Company to benefit from HMRC tax-approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. Other than to enable the grant of ALTIP awards, the Company has not granted awards to executive directors under the ESOS. Details of the ALTIP awards granted to executive directors are set out on page 70.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Change of control

As disclosed in the Directors' Remuneration Report, under certain conditions the notice period for R.A. White, J.D. Kemp and A.L. Memmott may increase from one year to two years in the event of a takeover of or by the Company or a Company reconstruction.

All of the Company's share incentive plans contain provisions relating to a change of control of the Company. The Company's banking facilities may, at the discretion of the lender, be repayable upon a change of control.

Articles of association

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the 2019 AGM.

Greenhouse gas emissions

Disclosures regarding greenhouse gas emissions required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included in the Strategic Report on page 28. This information is incorporated by reference into this Directors' Report.

Financial risk management

Information on the exposure of the Group to certain financial risks and on the Group's objectives and policies for managing each of the Group's main financial risk areas is detailed in the financial risk management disclosure in Note 23.

Contracts of significance

There were no contracts of significance as defined by Listing Rule 9.8 in existence during the financial year.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 43. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 32 to 37.

After making the appropriate enquiries, the directors have concluded that the Group will be able to meet its financial obligations for the foreseeable future and therefore have a reasonable expectation that the Company and the Group overall have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this annual report) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Company's viability statement is set out on page 43 of the Strategic Report.

Directors' statement as to disclosure of information to auditor

So far as each director is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware. Each director has taken all steps that ought to be taken by a director to make themselves aware of and to establish that the auditor is aware of any relevant audit information.

Auditor

The Audit Committee has responsibility delegated from the Board for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor.

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution to appoint Deloitte LLP as auditor of the Company and its subsidiaries, and to authorise the Audit Committee to fix their remuneration, will be proposed at the 2019 AGM.

Annual General Meeting

The Company's AGM will be held at 11.00 a.m. on 31 May 2019 at the offices of Ernst & Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY. The Notice of the AGM is set out on pages 149 to 151 of this report. A description and explanation of the resolutions to be considered at the 2019 AGM is set out on pages 152 to 157 of this report.

Recommendation to shareholders

The Board considers that all the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of them.

By order of the Board

J.A. Barr
Company Secretary
26 March 2019

Statement of Directors' Responsibilities
in respect of the annual report and the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of the consolidated profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the parent Company and the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

A copy of the Group and parent Company financial statements has been placed on the Company's website, www.agbarr.co.uk. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the disclosure and transparency rules

Each of the directors, whose names and functions are set out on pages 44 to 45 of this report, confirm that, to the best of their knowledge:
- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and parent Company and of the consolidated profit;
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group; and
- they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

R.A. White
Chief Executive
26 March 2019

S. Lorimer
Finance Director

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of A.G. Barr p.l.c. (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 26 January 2019 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements;
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: – Completeness and valuation of brand support discounts and cost accruals – Within this report, any key audit matters which are the same as the prior year are identified with ».
Materiality	The materiality that we used for the group financial statements was £2,250,000 which was determined on the basis of 5 per cent of profit before tax and exceptional items.
Scoping	Our audit covered 94% of the Group's revenue, 98% of the Group's net assets, and 95% of the Group's profit before tax.
Significant changes in our approach	Our prior year audit report included the valuation of pension scheme liabilities as a key audit matter. Through the understanding gained during our prior year testing of the methodology used by management's actuary, and benchmarking of rates used by management, we no longer consider this to be a key audit matter in the current year.

Conclusions relating to going concern, principal risks and viability statement

Going concern
We have reviewed the directors' statement in Note 28 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group and parent company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement
Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group and the parent company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:
- the disclosures on pages 38 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 43 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness and valuation of brand support discounts and cost accruals

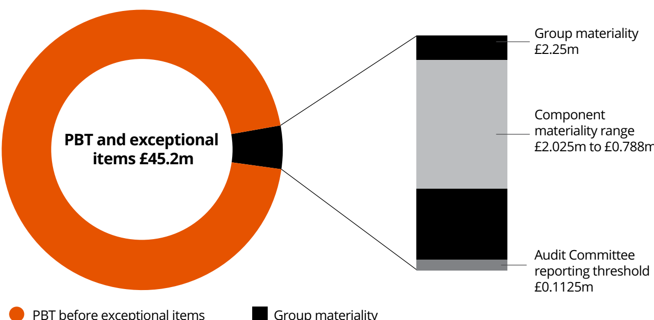
Key audit matter description	**Brand support discounts and cost accruals, £11.5m (2018: £13.9m) and total customer investment spend (discounts and costs) of £54.1m (2018: £51.3m)** The Group incurs significant costs in agreeing sales discounts to support and develop its brands. Judgement is required in determining the level of closing accrual for such sales discounts and costs where promotions and brand support campaigns span the year-end and where settlement has not been fully agreed at year-end, or where prior year claims arise, as the year-end accrual can depend on information not yet made available by the customer. Due to the high level of judgements involved, we have determined there is a potential for fraud through possible manipulation of this balance. Brand support discounts and cost accruals are included within Note 19. The Audit and Risk Committee's consideration in respect of the risk is included on page 53.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: – Assessing the design and implementation and operating effectiveness of brand support accrual controls; – Meeting with the commercial teams to understand and challenge the brand support discounts in place; – Testing a sample of customers with characteristics of audit interest (customers receiving material brand support investment, customers with material open promotions at year end, and flagship UK customers) and developing a detailed understanding of their spend in the year, assessing and challenging the accuracy of current year accruals, and performing a lookback on judgements made in the previous year. – Reviewing a sample of key commercial contracts and joint business plans to assess whether the composition of the accrual is in line with the underlying commercial agreement. – Requesting confirmations directly from customers for a sample of open accruals. In cases where no confirmation reply is received, perform alternative procedures on the accrual. – Selecting a sample of settlements made after the year-end to determine the accuracy of the accrual.
Key observations	We concluded that the assumptions made by management in determining the valuation and completeness of brand support accruals were reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£2.25m (2018: £2.15m)	£2.025m (2018: £1.935m)
Basis for determining materiality	5% (2018: 5%) of profit before tax and exceptional items.	1% (2018: 1%) of revenue, capped at 90% (2018: 90%) of Group materiality.
Rationale for the benchmark applied	We have used profit before tax and exceptional items as the benchmark for our determination of materiality as we consider this to be a critical performance measure for the Group on the basis that it is a key metric to analysts and investors and has substantial prominence in the Annual Report. The exceptional item in the year was the GMP equalisation charge which is a non-routine pension cost associated with a significant legal ruling and therefore does not occur on an annual basis.	We have used revenue as the benchmark for our determination of materiality as we consider this to be the key driver of the business. As statutory materiality would be higher than component materiality, we have capped materiality to be 90% of group materiality being £2.025m. 90% is deemed to be appropriate based on the company only contribution to the Group.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £112,500 (2018: £107,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment through discussions with finance, IT, commercial and supply teams and performing walkthroughs of processes across these areas, including Group wide controls, and assessing the risks of material misstatement at a Group level.

The significant component to the Group is A.G. Barr p.l.c., which is also the entity in which the trading transactions relating to the brand owned by Rubicon Drinks Limited flows through.

This component was subject to a full scope audit performed by the Group audit team. Our audit work on these components was executed at levels of materiality applicable to the entity, which was lower than Group materiality at £2.025m.

This provided audit coverage of over 94% (2018: 94%) of the Group's revenue, 98% (2018: 98%) of the Group's net assets and 95% (2018: 94%) of the Group's profit.

An overview of the scope of our audit continued

The other components to the Group are as follows:

Funkin Limited
Funkin USA Limited
A.G. BARR General Partners Limited
A.G. BARR Capital Partners Limited

Funkin Limited was subject to specified audit procedures based on the materiality of individual balances. The remaining non-significant components were subject to analytical reviews. Our audit work on these components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality at £0.788m.

At the parent entity level, we also tested the consolidation process.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report (including the strategic report, corporate governance report, directors' report, audit committee report and directors' remuneration report, directors' responsibilities statement), other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, and the audit and risk committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in relation to brand support discounts and cost accruals given the judgement involved in determining the level of closing accrual;
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included The Companies Act 2006, The UK Corporate Governance Code, The Listing Rules, and Tax law.

Audit response to risks identified

As a result of performing the above, we identified completeness and accuracy of brand support discounts and cost accruals as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit and risk committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 group and the parent 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

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – 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	**We have nothing to report in respect of these matters**

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Other matters

Auditor tenure

Following the recommendation to the audit committee, we were appointed on 31 May 2017 to audit the financial statements for the year ending 27 January 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 27 January 2018 to 26 January 2019.

Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

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.

David Sweeney, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
26 March 2019

Consolidated Income statement
for the year ended 26 January 2019

	Note	2019 Before exceptional items £m	2019 Exceptional items** £m	2019 Total £m	2018 Restated* Before exceptional items £m	2018 Exceptional items** £m	2018 Total £m
Revenue	2	**279.0**	**–**	**279.0**	264.1	–	264.1
Cost of sales		**(156.5)**	**–**	**(156.5)**	(146.5)	(0.5)	(147.0)
Gross profit	2	**122.5**	**–**	**122.5**	117.6	(0.5)	117.1
Operating expenses	5, 6	**(76.7)**	**(0.7)**	**(77.4)**	(72.5)	1.3	(71.2)
Operating profit		**45.8**	**(0.7)**	**45.1**	45.1	0.8	45.9
Finance costs	7	**(0.6)**	**–**	**(0.6)**	(1.0)	–	(1.0)
Profit before tax		**45.2**	**(0.7)**	**44.5**	44.1	0.8	44.9
Tax on profit	8	**(8.8)**	**0.1**	**(8.7)**	(8.0)	0.3	(7.7)
Profit attributable to equity holders		**36.4**	**(0.6)**	**35.8**	36.1	1.1	37.2

Earnings per share (p)

	Note	2019	2018
Basic earnings per share	9	**31.51**	32.25
Diluted earnings per share	9	**31.47**	32.24
Earnings per share before exceptional items	9	**32.03**	31.30

* An explanation of the restatement is provided in Note 1.
** An explanation of exceptional items is provided in Note 6.

Statements of Financial Position
as at 26 January 2019

	Note	Group 2019 £m	Group 2018 restated* £m	Company 2019 £m	Company 2018 restated* £m
Non-current assets					
Intangible assets	11	**103.1**	104.5	**16.4**	17.6
Property, plant and equipment	12	**95.3**	94.3	**95.2**	94.1
Investment in subsidiary undertakings	14	**–**	–	**84.1**	84.3
Retirement benefit surplus	24	**–**	–	**4.5**	3.4
		198.4	198.8	**200.2**	199.4
Current assets					
Inventories	16	**20.4**	18.0	**19.4**	17.3
Trade and other receivables	17	**57.7**	56.2	**57.4**	55.0
Cash and cash equivalents	15	**21.8**	15.0	**17.0**	11.3
		99.9	89.2	**93.8**	83.6
Total assets		**298.3**	288.0	**294.0**	283.0
Current liabilities					
Loans and other borrowings	18	**–**	0.1	**1.3**	1.3
Trade and other payables	19	**56.9**	54.1	**55.9**	136.2
Derivative financial instruments	13	**0.4**	0.4	**0.4**	0.4
Provisions	20	**0.4**	0.4	**0.4**	0.4
Current tax liabilities		**4.0**	3.6	**2.5**	0.8
		61.7	58.6	**60.5**	139.1
Non-current liabilities					
Loans and other borrowings	18	**–**	–	**18.4**	18.9
Deferred tax liabilities	21	**13.3**	13.1	**4.8**	4.5
Retirement benefit obligations	24	**13.5**	15.2	**–**	–
		26.8	28.3	**23.2**	23.4
Capital and reserves attributable to equity holders					
Share capital	25	**4.7**	4.8	**4.7**	4.8
Share premium account		**0.9**	0.9	**0.9**	0.9
Share options reserve		**2.4**	1.6	**2.4**	1.6
Other reserves		**(0.2)**	(0.2)	**(0.2)**	(0.2)
Retained earnings		**202.0**	194.0	**202.5**	113.4
		209.8	201.1	**210.3**	120.5
Total equity and liabilities		**298.3**	288.0	**294.0**	283.0

The Company reported a profit for the financial year ended 26 January 2019 of £116.9m (year ended 27 January 2018: £26.2m).

* The Group and Company Statement of Financial Position have been restated to reflect the adoption of IFRS 15. Refer to Note 1 for further explanation.

Company Number: SC005653
The financial statements on pages 95 to 144 were approved by the Board of directors and authorised for issue on 26 March 2019 and were signed on its behalf by:

Roger White
Chief Executive

Stuart Lorimer
Finance Director

Statement of Comprehensive Income
for the year ended 26 January 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Profit for the year		**35.8**	37.2	**116.9**	26.2
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit pension plans	24	**0.6**	10.8	**0.6**	10.8
Deferred tax movements on items above	21	**(0.1)**	(1.9)	**(0.1)**	(1.9)
Current tax movements on items above	8	**(0.1)**	–	**(0.1)**	–
Items that will be or have been reclassified to profit or loss					
Cash flow hedges:	13				
Losses arising during the period		**(0.4)**	(0.4)	**(0.4)**	(0.4)
Less: reclassification adjustments for gains included in profit or loss		**0.3**	0.2	**0.3**	0.2
Deferred tax movements on items above	21	**–**	0.1	**–**	0.1
Other comprehensive income for the year, net of tax		**0.3**	8.8	**0.3**	8.8
Total comprehensive income attributable to equity holders of the parent		**36.1**	46.0	**117.2**	35.0

Statement of Changes in Equity
for the year ended 26 January 2019

Group	Note	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings as restated £m	Total as restated £m
At 27 January 2018		**4.8**	**0.9**	**1.6**	**(0.2)**	**194.0**	**201.1**
Profit for the year		**–**	**–**	**–**	**–**	**35.8**	**35.8**
Other comprehensive income		**–**	**–**	**–**	**(0.1)**	**0.4**	**0.3**
Total comprehensive income for the year		**–**	**–**	**–**	**(0.1)**	**36.2**	**36.1**
Company shares purchased for use by employee benefit trusts	25	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Proceeds on disposal of shares by employee benefit trusts		**–**	**–**	**–**	**–**	**0.1**	**0.1**
Recognition of share-based payment costs	26	**–**	**–**	**1.1**	**–**	**–**	**1.1**
Transfer of reserve on share award		**–**	**–**	**(0.4)**	**–**	**0.4**	**–**
Deferred tax on items taken direct to reserves	21	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Repurchase and cancellation of shares	25	**(0.1)**	**–**	**–**	**0.1**	**(10.3)**	**(10.3)**
Dividends paid	10	**–**	**–**	**–**	**–**	**(17.9)**	**(17.9)**
At 26 January 2019		**4.7**	**0.9**	**2.4**	**(0.2)**	**202.0**	**209.8**
At 28 January 2017		4.9	0.9	1.8	(0.2)	172.8	180.2
Impact of IFRS 15		–	–	–	–	(0.8)	(0.8)
At 28 January 2017 restated		4.9	0.9	1.8	(0.2)	172.0	179.4
Profit for the year		–	–	–	–	37.2	37.2
Other comprehensive income		–	–	–	(0.1)	8.9	8.8
Total comprehensive income for the year		–	–	–	(0.1)	46.1	46.0
Company shares purchased for use by employee benefit trusts	25	–	–	–	–	(3.2)	(3.2)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	2.9	2.9
Recognition of share-based payment costs	26	–	–	1.0	–	–	1.0
Transfer of reserve on share award		–	–	(1.3)	–	1.3	–
Deferred tax on items taken direct to reserves	21	–	–	(0.1)	–	–	(0.1)
Current tax on items taken direct to reserves		–	–	0.2	–	–	0.2
Repurchase and cancellation of shares	25	(0.1)	–	–	0.1	(8.2)	(8.2)
Dividends paid	10	–	–	–	–	(16.9)	(16.9)
At 27 January 2018		4.8	0.9	1.6	(0.2)	194.0	201.1

Statement of Changes in Equity
for the year ended 26 January 2019

Company	Note	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings as restated £m	Total as restated £m
At 27 January 2018		**4.8**	**0.9**	**1.6**	**(0.2)**	**113.4**	**120.5**
Profit for the year		**–**	**–**	**–**	**–**	**116.9**	**116.9**
Other comprehensive income		**–**	**–**	**–**	**(0.1)**	**0.4**	**0.3**
Total comprehensive income for the year		**–**	**–**	**–**	**(0.1)**	**117.3**	**117.2**
Company shares purchased for use by employee benefit trusts	25	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Proceeds on disposal of shares by employee benefit trusts		**–**	**–**	**–**	**–**	**0.1**	**0.1**
Recognition of share-based payment costs	26	**–**	**–**	**1.1**	**–**	**–**	**1.1**
Transfer of reserve on share award		**–**	**–**	**(0.4)**	**–**	**0.4**	**–**
Deferred tax on items taken direct to reserves	21	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Repurchase and cancellation of shares	25	**(0.1)**	**–**	**–**	**0.1**	**(10.3)**	**(10.3)**
Dividends paid	10	**–**	**–**	**–**	**–**	**(17.9)**	**(17.9)**
At 26 January 2019		**4.7**	**0.9**	**2.4**	**(0.2)**	**202.5**	**210.3**
At 28 January 2017		4.9	0.9	1.8	(0.2)	103.2	110.6
Impact of IFRS 15		–	–	–	–	(0.8)	(0.8)
At 28 January 2017 restated		4.9	0.9	1.8	(0.2)	102.4	109.8
Profit for the year		–	–	–	–	26.2	26.2
Other comprehensive income		–	–	–	(0.1)	8.9	8.8
Total comprehensive income for the year		–	–	–	(0.1)	35.1	35.0
Company shares purchased for use by employee benefit trusts	25	–	–	–	–	(3.2)	(3.2)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	2.9	2.9
Recognition of share-based payment costs	26	–	–	1.0	–	–	1.0
Transfer of reserve on share award		–	–	(1.3)	–	1.3	–
Deferred tax on items taken direct to reserves	21	–	–	(0.1)	–	–	(0.1)
Current tax on items taken direct to reserves		–	–	0.2	–	–	0.2
Repurchase and cancellation of shares	25	(0.1)	–	–	0.1	(8.2)	(8.2)
Dividends paid	10	–	–	–	–	(16.9)	(16.9)
At 27 January 2018		4.8	0.9	1.6	(0.2)	113.4	120.5

Cash Flow Statements

for the year ended 26 January 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Operating activities					
Profit before tax		**44.5**	44.9	**124.0**	30.9
Adjustments for:					
Interest and dividends receivable		**–**	–	**(85.0)**	(2.6)
Interest payable	7	**0.6**	1.0	**1.4**	1.8
Investment write off		**–**	–	**0.2**	–
Depreciation of property, plant and equipment	12	**7.4**	6.7	**7.3**	6.6
Amortisation of intangible assets	11	**1.4**	1.5	**1.2**	1.2
Share-based payment costs		**1.1**	1.0	**1.1**	1.0
Loss/(gain) on sale of property, plant and equipment		**0.1**	(2.5)	**0.1**	(2.5)
Operating cash flows before movements in working capital		**55.1**	52.6	**50.3**	36.4
Increase in inventories		**(2.4)**	(0.5)	**(2.1)**	(0.4)
Increase in receivables		**(1.5)**	(5.2)	**(2.4)**	(4.2)
Increase in payables		**3.1**	4.0	**3.0**	14.6
Difference between employer pension contributions and amounts recognised in the income statement		**(1.5)**	(2.1)	**(1.5)**	(2.1)
Cash generated by operations		**52.8**	48.8	**47.3**	44.3
Tax paid		**(8.2)**	(6.6)	**(5.4)**	(3.2)
Net cash from operating activities		**44.6**	42.2	**41.9**	41.1
Investing activities					
Acquisition of subsidiary		**–**	(4.5)	**–**	(4.5)
Purchase of property, plant and equipment		**(8.9)**	(10.8)	**(8.8)**	(10.7)
Proceeds on sale of property, plant and equipment		**–**	4.2	**–**	4.2
Interest received		**–**	–	**0.7**	0.7
Net cash used in investing activities		**(8.9)**	(11.1)	**(8.1)**	(10.3)
Financing activities					
New loans received		**21.0**	15.0	**21.0**	15.0
Loans repaid		**(21.0)**	(15.0)	**(21.0)**	(15.0)
Bank arrangement fees paid		**–**	(0.2)	**–**	(0.2)
Finance lease payments		**(0.1)**	(0.1)	**(0.5)**	(0.5)
Purchase of Company shares by employee benefit trusts	25	**(0.5)**	(3.2)	**(0.5)**	(3.2)
Proceeds from disposal of Company shares by employee benefit trusts	25	**0.1**	2.9	**0.1**	2.9
Repurchase of own shares	25	**(10.3)**	(8.2)	**(10.3)**	(8.2)
Dividends paid		**(17.9)**	(16.9)	**(17.9)**	(16.9)
Dividends received		**–**	–	**2.0**	1.9
Interest paid		**(0.2)**	(0.1)	**(1.0)**	(0.9)
Net cash used in financing activities		**(28.9)**	(25.8)	**(28.1)**	(25.1)
Net increase in cash and cash equivalents		**6.8**	5.3	**5.7**	5.7
Cash and cash equivalents at beginning of year		**15.0**	9.7	**11.3**	5.6
Cash and cash equivalents at end of year	15	**21.8**	15.0	**17.0**	11.3

Non-cash transactions

During the year the Company received a £82.8m dividend from Rubicon Drinks Limited, another Group company. This was satisfied by way of a dividend in specie using the intercompany balance due by the Company to Rubicon Drinks Limited.

Notes to the accounts

1 Accounting Policies

General information

A.G. BARR p.l.c. ("the Company") and its subsidiaries (together "the Group") manufacture, distribute and sell soft drinks and cocktail solutions. The Group has manufacturing sites in the UK and sells mainly to customers in the UK with some international sales.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in Scotland. The address of its registered office is Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

The financial year represents the 52 weeks ended 26 January 2019 (prior financial year 52 weeks ended 27 January 2018).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated and parent Company financial statements of A.G. BARR p.l.c. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. They have been prepared under the historical cost accounting rules except for the derivative financial instruments and the assets of the Group pension scheme which are stated at fair value and the liabilities of the Group pension scheme which are valued using the projected unit credit method. The directors have adopted the going concern basis in preparing these accounts for the reasons set out in Note 28.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 110.

The directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented a separate income statement or statement of comprehensive income for the Company.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 *Financial Instruments, and*
- IFRS 15 *Revenue from Contracts with Customers*

The impact of the changes in accounting policies on the financial statements have been summarised in the table below:

Extract Statement of Financial Position – Group

	As per Annual Report and Accounts 27 January 2018 £m	IFRS 15 restatement £m	Restated balance sheet as at 27 January 2018 £m
Inventories	17.8	0.2	18.0
Trade and other receivables	56.6	(0.4)	56.2
Trade and other payables	53.5	0.6	54.1
Retained earnings	194.8	(0.8)	194.0

1 Accounting Policies continued

Changes in accounting policy and disclosures continued

Extract Statement of Financial Position – Company

	As per Annual Report and Accounts 27 January 2018 £m	IFRS 15 restatement £m	Restated balance sheet as at 27 January 2018 £m
Inventories	17.1	0.2	17.3
Trade and other receivables	55.4	(0.4)	55.0
Trade and other payables	135.6	0.6	136.2
Retained earnings	114.2	(0.8)	113.4

Extract Income and Comprehensive Income Statement

	As per Annual Report and Accounts 27 January 2018 £m	IFRS 15 restatement £m	Restated income statement for year to 27 January 2018 £m
Revenue	277.7	(13.6)	264.1
Operating expenses	(86.1)	13.6	(72.5)

IFRS 15 was adopted by the Group from the beginning of this financial year with all comparatives restated. IFRS 15 applies to all revenues arising from contracts with customers and replaces all other IFRS in this regard unless the contract falls within the scope of other IFRS. The main impact of the standard is to reclassify certain amounts payable to customers, previously presented as expenses, as deductions to revenue.

IFRS 9 did not have a material impact on the results for the current and prior reporting periods.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 28 January 2018 and not adopted early

A number of new standards and amendments to standards and interpretations are effective for future year ends, and have not been applied in preparing these financial statements. These standards and amendments are listed in the table below.

International Accounting Standards and Interpretations	Financial year beginning which standard becomes effective
IFRS 16 Leases	27 January 2019
IFRS 17 Insurance Contracts	31 January 2021
Amendments to IFRS 9 Prepayment Features with Negative Compensation	27 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	27 January 2019
Annual Improvements to IFRS Standards 2015 – 2017 cycle	27 January 2019
Amendments to IAS 19 Employee Benefits	27 January 2019
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	27 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	27 January 2019

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 – Leases. IFRS 16 provides a model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance in IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 27 January 2019. The Group has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16:C5(b) and will recognise the cumulative effect of applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of the transition. Consequently the Group will not restate comparatives. The Group will apply the practical expedients for leases previously classified as operating leases. During the year ended 26 January 2019 management have carried out a detailed review of the current recognition criteria for leases. It is expected that IFRS 16 will materially affect the consolidated financial statements. As at the reporting date, the Group has non-cancellable operating lease commitments of £6.6m (Refer to Note 22), the vast majority of which relate to production equipment held at the Milton Keynes facility. Management have performed an analysis of these leases to assess the expected impact of IFRS 16. If IFRS 16 was implemented in the year ended 26 January 2019, its effect would be to increase the net book value of property, plant and equipment by £9.0m, with a corresponding finance lease liability of £9.2m. The net impact on retained earnings for the year ended 26 January 2019 would be a charge of £0.2m. The impact on the income statement for the year would be immaterial. To date, £12.8m of operating lease rentals have been recognised in respect of the assessed leases. Under IFRS 16, £12.0m of depreciation would have been charged, plus a further £1.0m of interest charges.

There have been no changes in accounting policies in the year to 26 January 2019 other than for IFRS 15 and IFRS 9.

Consolidation – subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date over which control commences until the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group (and for acquisitions prior to 1 July 2009 costs directly attributable to the acquisition). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Currently, there are no non-controlling interests in any of the entities within the Group.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired less liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as a credit in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in net assets are also eliminated. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Revenue recognition

Revenue is recognised when control of the goods has passed to the buyer and the amount can be measured reliably. All revenue is recognised on a point of time basis. None of the Group's contractual arrangements lead to revenue being recognised over time. Sales related discounts and rebates are calculated based on the expected amounts necessary to meet the claims of the Group's customers in respect of these discounts and rebates. Brand support accruals are included in the statement of financial position in respect of these.

Revenue is the net invoiced sales value, after deducting promotional sales related discounts invoiced by customers, including brand support costs; customer incentives; and exclusive of value added tax of goods and services supplied to external customers during the year. Brand support costs are investments in customer promotional activities. Sales are recorded based on the price specified in the sales invoices, net of any agreed discounts and rebates.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. Segment results that are reported to the Management Committee (as chief operating decision maker) include items directly attributable to a segment as well as those which can be allocated on a consistent basis.

1 Accounting Policies continued

Foreign currency translation

(a) Functional and presentation currency

Functional and presentation currency items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in £ Sterling which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the same line in which the transaction is recorded.

Exceptional items

As permitted by IAS 1 Presentation of financial statements, an item is treated as exceptional if it is considered unusual by its nature or scale, and is of such significance that separate disclosure is required for the financial statements to be properly understood. In determining whether an item is sufficiently unusual or significant so as to be classified as exceptional, management will consider where the item fits in the context of the financial statements as a whole, as well as the likelihood and previous history of recurrence. For further details refer to Note 6.

Intangible assets

Goodwill

Goodwill represents the excess of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment charges. Impairment charges on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Brands

Separately acquired brands are recognised at cost at the date of purchase. Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands acquired separately or through a business combination are assessed at the date of acquisition as to whether they have an indefinite life. The assessment includes whether the brand name will continue to trade, and the expected lifetime of the brand. All brands acquired to date have been assessed as having an indefinite life as they are expected to continue to contribute to the long term future of the Group. The brands are reviewed annually for impairment, being carried at cost less accumulated impairment charges.

The fair value of a brand at the date of acquisition is based on the Relief from Royalties method, which is a valuation model based on discounted cash flows.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

The closing balance in the current year represents the carrying value of the customer relationships acquired during the acquisitions of Rubicon Drinks Limited and Funkin Limited.

The fair value of the customer relationships at the acquisition date was based on the Multiple Excess Earnings Method ("MEEM") which is a valuation model based on discounted cash flows. The useful lives of customer relationships are based on the churn rate of the acquired portfolio and are up to 10 years corresponding to a yearly amortisation of between 10% and 33%. The useful lives of all intangible assets are reviewed annually and amended, as required, on a prospective basis.

Internally generated software development costs

Internally generated software development costs comprise internal and third party consultancy costs incurred in relation to the Business Process Redesign project. Amortisation is charged from the date the software is available for use. This is calculated using the straight-line method over the expected useful life of the software, which is 10 years.

Property, plant and equipment

Land and buildings comprise mainly factories, distribution sites and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. The purchase price of an asset will include the fair value of the consideration paid to acquire the asset. Borrowing costs directly attributable to acquisition, construction and/or production of assets that take a substantial time to complete are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation is charged from the date that assets, other than land, are available for use. It is calculated using the straight-line method to allocate the cost to the residual values of the related assets using the following rates:

Buildings – 1%
Leasehold buildings – Term of lease
Plant, equipment and vehicles – 10% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the recoverable amount may be less than the carrying value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised on disposal or where no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within administration costs in the income statement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has four heritable properties held under operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The leases are secured on the leased assets.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1 Accounting Policies continued

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that is based on current market assessments of the time value of money and risks specific to the asset for which the future cash flow estimates have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised although any reversal cannot result in a carrying amount that would exceed the carrying amount that would have been recognised, net of depreciation, had no impairment loss been recognised in prior years.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade payables.

Trade and other receivables

Trade and other receivables are recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less an allowance for expected credit losses ('ECL'). The amount of the expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivable. In assessing whether the credit risk on trade and other receivables has increased significantly since initial recognition, the Group compares the risk of a default occurring on the receivable at the reporting date with the risk of a default occurring on the receivable at the date of original recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost and effort. The Group always recognises lifetime ECL for trade and other receivables. The expected credit loss on these financial assets are estimated using a provision matrix based on the Group'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. The carrying amount of the asset is reduced by the allowance for expected credit losses and the amount of the loss is recognised in the income statement within administration costs.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments

Investments in subsidiaries are carried at cost less impairment in the parent Company accounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks using foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 13.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The gain or loss on re-measurement is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. The impact of hedging on the Group's financial position is disclosed in Note 13. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedges

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges including hedges of foreign exchange risk on firm commitments.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship. (The Group does not consider credit risk to be material but will monitor on an ongoing basis); and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instruments for all of its hedging relationships.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within administration costs. Amounts accumulated in equity are recycled through the income statement in the period when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completing production and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their primary distribution location and condition. This includes direct labour costs and an appropriate share of overheads based on normal operating activity.

Company shares held by employee benefit trusts

Company shares are purchased on behalf of employee benefit trusts to satisfy the liability of various employee share schemes. The amount of the consideration paid, including directly attributable costs, is recognised as a charge in equity. Purchased shares are classified as Company shares held by employee benefit trusts, and presented as a deduction from retained earnings.

1 Accounting Policies continued

Current and deferred income tax

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is charged in the income statement except where it relates to tax on items recognised directly in equity, in which case it is charged to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the consolidated financial statements.

The following temporary differences are not provided for:
- the initial recognition of goodwill; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Retirement benefit plans

The Group operates two pension schemes as detailed in Note 24. The schemes are generally funded through payments to trustee-administered funds. The Group has both defined benefit and defined contribution plans.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Obligations for contributions are recognised as an expense in the income statement as they fall due. The Group has no further payment obligations once the contributions have been paid.

Defined benefit pension plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability/surplus recognised in the statement of financial position in respect of defined benefit pension plans is the present value of plan assets less the fair value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

The Group's defined benefit plan was closed to future accrual on 1 May 2016.

Share-based compensation

The Group grants equity settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non market-based vesting conditions) at the grant date. The fair value of the equity settled share-based payment determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model.

The Group also provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value through payroll.

The Group records as an expense the fair value of the discount on the shares purchased by the employee as a charge to the income statement and a credit to the share options reserve.

At each year end date, the entity revises its estimates of the number of options that are expected to vest based on the non market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the share options reserve.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for various bonuses based on formulae that take into consideration the profit attributable to the Company's shareholders after certain adjustments.

The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Provisions

A provision is recognised if, as the result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan which has been either announced or has commenced. Future operating costs are not provided for.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share repurchase programme

In the year ended 27 January 2018, a share repurchase programme commenced and is still in progress. The adopted accounting policy was to cancel the repurchased shares and replace the permanent capital through creation of a Capital Redemption Reserve. The Capital Redemption Reserve is included in "Other reserves" within equity. Refer to Note 25.

Alternative performance measures

Alternative performance measures ("APMs") are tracked by management to assess the Group's operating performance and to inform financial, strategic and operating decisions. These are therefore presented within the Annual Report and Accounts. Definitions of APMs and reconciliation to GAAP measures can be found in the Glossary on page 146.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. Due to the nature of estimation, the actual outcomes may well differ from these estimates. No significant judgements have been made.

1 Accounting Policies continued

Key sources of estimation uncertainty continued

The principal estimates that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Retirement benefit obligations key source of estimation uncertainty

The determination of any defined benefit pension scheme surplus/obligation is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. The material estimations are those for which a sensitivity analysis is provided in Note 24. The directors consider that those sensitivities provided in Note 24 represent reasonable sensitivities which could occur.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash generating units to which the goodwill/intangible has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further details are given in Note 11.

Sales related rebates and discounts

The Group agrees to pay customers various amounts in the form of sales related rebates and discounts. Accruals are made for each individual promotion or rebate based on the specific terms and conditions of the customer agreement. Management make estimates on an ongoing basis to assess customer performance and sales volume to calculate the total amounts earned to be deducted from revenue.

2 Segment reporting

The Group's Management Committee has been identified as the chief operating decision maker. The Management Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Management Committee has determined the operating segments based on these reports.

The Management Committee considers the business from a product perspective. This has led to the operating segments identified in the table below: there has been no change to the segments during the year (after aggregation). The performance of the operating segments is assessed by reference to their gross profit before exceptional items.

Year ended 26 January 2019

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	**213.6**	**49.0**	**16.4**	**279.0**
Gross profit	**100.1**	**14.7**	**7.7**	**122.5**

Year ended 27 January 2018

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Revenue				
Total revenue for year ended 27 January 2018 as reported	206.4	54.7	16.6	277.7
IFRS 15 adjustments	(10.3)	(2.0)	(1.3)	(13.6)
Total revenue for year ended 27 January 2018* restated	196.1	52.7	15.3	264.1
Gross profit before exceptional items				
Gross profit before exceptional items for year ended 27 January 2018 as reported	104.3	18.1	8.8	131.2
IFRS 15 adjustments	(10.2)	(2.0)	(1.4)	(13.6)
Gross profit before exceptional items for year ended 27 January 2018* restated	94.1	16.1	7.4	117.6

* Refer to Note 1.

There are no intersegment sales. All revenue is in relation to product sales, which is recognised at point in time, upon delivery to the customer.

"Other" segments represent income from the sale of Funkin cocktail solutions and other soft drink related items.

The gross profit from the segment reporting is stated before exceptional costs.

The gross profit before exceptional items from the segment reporting is reconciled to the total profit before income tax, as shown in the consolidated income statement.

All of the assets and liabilities of the Group are managed by the Management Committee on a central basis rather than at a segment level. As a result no reconciliation of segment assets and liabilities to the statement of financial position has been disclosed for either of the periods presented.

Included in revenues arising from Carbonates, Still drinks and water and Other are revenues of approximately £47m which arose from sales to the Group's largest customer. No other single customers contributed 10 per cent or more to the Group's revenue in either 2018 or 2019.

No customer contributed 10 per cent or more to the Group's revenue in the year to 27 January 2018.

All of the segments included within "Carbonates" and "Still drinks and water" meet the aggregation criteria set out in IFRS 8 Operating Segments.

Geographical information

The Group operates predominantly in the UK with some worldwide sales. All of the operations of the Group are based in the UK.

Revenue	2019 £m	2018 as reported £m	IFRS 15 adjustments £m	2018 £m
UK	**267.6**	266.8	(13.2)	253.6
Rest of the world	**11.4**	10.9	(0.4)	10.5
	279.0	277.7	(13.6)	264.1

The Rest of the world revenue includes sales to the Republic of Ireland and wholesale export houses.

All of the assets of the Group are located in the UK.

3 Profit before tax

The following items have been included in arriving at profit before tax before exceptional items:

	2019 £m	2018 £m
Depreciation of property, plant and equipment	**7.4**	6.7
Loss/(gain) on disposal of property, plant and equipment	**0.1**	(2.5)
Research and development costs	**1.1**	1.4
Impairment of inventories	**1.0**	1.0
Amortisation of intangible assets	**1.4**	1.5
Cost of inventories charged in cost of sales	**156.5**	146.5
Operating lease rentals payable – property	**0.4**	0.3
Operating lease rentals payable – motor vehicles	**0.9**	0.8
Operating lease rentals payable – plant	**2.5**	2.0
Trade receivables impairment movement	**(0.1)**	0.3
Foreign exchange (gains)/losses recognised	**(0.1)**	0.1
Staff costs (Note 4)	**53.2**	48.3

3 Profit before tax continued

The cost of inventories charged in cost of sales in 2018 does not include £0.5m of inventory impairments in relation to the exceptional sugar reduction and reformulation programme (see Note 6). This is included within "Impairment of inventories" above.

Included within administration costs (Note 5) is the auditor's remuneration, including expenses for audit and non-audit services.

The cost includes services from the Company's auditor and its associates:

	2019 £'000	2018 £'000
Statutory audit services		
Fees payable to the auditor of the parent Company and consolidated accounts	**107**	95
Fees payable to the auditor for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**15**	15
Non-audit services		
Audit-related assurance services	**24**	20
Other services	**22**	31

4 Employees and directors

	2019	2018
Average monthly number of people employed by the Group (including executive directors)		
Production and distribution	**725**	717
Administration	**274**	259
	999	976

Staff costs for the Group for the year

	2019 £m	2018 £m
Wages and salaries	**42.5**	38.8
Social security costs	**4.6**	4.3
Share-based payments	**1.1**	1.0
Pension costs – defined contribution plans	**3.8**	3.4
Pension costs – defined benefit plans*	**1.2**	0.8
	53.2	48.3

The prior year figures have been updated to include staff costs recorded in the income statement which had not previously been captured.

The expense incurred in relation to redundancy related items in the prior year has been shown separately in Note 6.

* The defined benefit plan costs include £0.7m of exceptional items for GMP equalisation as per Note 6.

5 Net operating expenses

	2019			2018 restated		
	Before exceptional items £m	Exceptional items* £m	Total £m	Before exceptional items £m	Exceptional items* £m	Total £m
Distribution costs (including selling costs)	**49.3**	**–**	**49.3**	45.1	0.9	46.0
Administration costs	**27.4**	**0.7**	**28.1**	27.4	(2.2)	25.2
	76.7	**0.7**	**77.4**	72.5	(1.3)	71.2

* Refer to Note 6.

6 Exceptional items

During the period the following item has been classified as exceptional. The Group identifies items as exceptional where the nature or scale of the item requires to be separately presented in order to better understand trading performance.

The items that have been included in exceptional items have been analysed in the table below:

	2019 £m	2018 £m
GMP pension equalisation	**0.7**	–
Gain on sale of distribution site	**–**	(2.5)
Sugar reduction and reformulation programme costs	**–**	1.4
Redundancy costs for business reorganisation	**–**	0.1
Other costs relating to business reorganisation	**–**	0.2
Total exceptional net debit/(credit)	**0.7**	(0.8)

	2019 £m	2018 £m
Items included in cost of sales		
Sugar reduction and reformulation programme costs	**–**	0.5
Total included in cost of sales	**–**	0.5

	2019 £m	2018 £m
Items included in selling and distribution costs		
Sugar reduction and reformulation programme costs	**–**	0.9
Total included in selling and distribution costs	**–**	0.9
Items included in administration costs		
GMP pension equalisation	**0.7**	–
Gain on sale of distribution site	**–**	(2.5)
Redundancy costs for business reorganisation	**–**	0.1
Other costs relating to business reorganisation	**–**	0.2
Total included in administration costs	**0.7**	(2.2)
Total exceptional net debit/(credit) included in operating expenses	**0.7**	(1.3)
Total exceptional net debit/(credit)	**0.7**	(0.8)

In the year to 26 January 2019 a charge of £0.7m has been included for the past service cost in respect of the equalisation of guaranteed minimum pensions ("GMP") benefits. On 26 October 2018, the High Court handed down a judgement involving Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to GMP benefits. The judgement has implications for many pension schemes, including the AG Barr defined benefit schemes. The £0.7m expense reflects the best estimate of the effect on our reported pension liabilities. Management believe that the nature of this expense, a non-routine pension cost relating to a significant legal ruling, makes it appropriate to be classified as exceptional.

In the year to 27 January 2018, a £2.5m gain on sale was made on disposal of the Walthamstow distribution site, £1.4m of costs had been incurred as part of the ongoing sugar reduction and reformulation programme, and £0.3m of costs were incurred primarily increasing the redundancy provision and further recruitment costs as a result of the Company-wide restructure announced in the year ended 28 January 2017. Due to their nature, management believed that these were required to be separately presented in trading performance so as not to mislead the users of the financial statements.

7 Finance costs

	2019 £m	2018 £m
Interest payable	**(0.2)**	(0.2)
Finance costs relating to defined benefit pension plans (Note 24)	**(0.4)**	(0.7)
Amortisation of loan arrangement fees	**–**	(0.1)
	(0.6)	(1.0)

8 Taxation

	2019			2018		
Group	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Charge/(credit) to the income statement						
Current tax on profits for the year	**8.7**	**(0.1)**	**8.6**	8.3	(0.3)	8.0
Adjustments in respect of prior years	**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)
Total current tax expense/(credit)	**8.6**	**(0.1)**	**8.5**	8.0	(0.3)	7.7
Deferred tax						
Origination and reversal of:						
Temporary differences	**0.1**	**–**	**0.1**	0.1	–	0.1
Adjustments in respect of prior years	**0.1**	**–**	**0.1**	(0.1)	–	(0.1)
Total deferred tax expense (Note 21)	**0.2**	**–**	**0.2**	–	–	–
Total tax expense/(credit)	**8.8**	**(0.1)**	**8.7**	8.0	(0.3)	7.7

In addition to the above movements in deferred tax, a deferred tax charge of £0.1m (2018: charge of £1.8m) has been recognised in other comprehensive income and a credit of £0.1m (2018: a charge of £0.1m) has been taken direct to reserves (Note 21).

A current tax credit of £0.1m (2018: £nil) has been recognised in other comprehensive income.

The tax on the Group's profit before tax differs from the amount that would arise using the tax rate applicable to the consolidated profits of the Group as follows:

	2019 £m	2019 %	2018 £m	2018 %
Profit before tax	**44.5**		44.9	
Tax at 19.0% (2018: 19.2%)	**8.5**	**19.0**	8.6	19.2
Tax effects of:				
Items that are not deductible/(chargeable) in determining taxable profit	**0.4**	**0.9**	(0.4)	(0.9)
Current tax adjustment in respect of prior years	**(0.1)**	**(0.2)**	(0.3)	(0.7)
Deferred tax adjustment in respect of prior years	**0.1**	**0.2**	(0.1)	(0.2)
Other differences	**(0.2)**	**–**	(0.1)	–
Total tax expense	**8.7**	**19.5**	7.7	17.2

The weighted average tax rate was 19.5% (2018: 17.2%).

As announced in the Autumn Budget on 23 November 2016, the main rate of corporation tax was reduced to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020, therefore future charges will reduce accordingly. Finance No.2 Bill 2017 was enacted on 16 November 2017. The deferred tax liability at 26 January 2019 has therefore been calculated having regard to the rate of 17% enacted at the balance sheet date.

9 Earnings per share

Basic earnings per share has been calculated by dividing the earnings attributable to equity holders of the parent by the weighted average number of shares in issue during the year, excluding shares held by the employee share scheme trusts.

	2019	2018
Profit attributable to equity holders of the Company (£m)	**35.8**	37.2
Weighted average number of ordinary shares in issue	**113,626,941**	115,336,186
Basic earnings per share (pence)	**31.51**	32.25

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2019	2018
Profit attributable to equity holders of the Company (£m)	**35.8**	37.2
Weighted average number of ordinary shares in issue	**113,626,941**	115,336,186
Adjustment for dilutive effect of share options	**138,729**	63,028
Diluted weighted average number of ordinary shares in issue	**113,765,670**	115,399,214
Diluted earnings per share (pence)	**31.47**	32.24

The EPS figure before exceptional items is calculated by using Profit attributable to equity holders before exceptional items:

	2019	2018
Profit attributable to equity holders of the Company before exceptional items (£m)	**36.4**	36.1
Weighted average number of ordinary shares in issue	**113,626,941**	115,336,186
Basic earnings per share before exceptional items (pence)	**32.03**	31.30

This measure has been included in the financial statements as it provides a closer guide to the underlying financial performance as the calculation excludes the effect of exceptional items.

10 Dividends

Dividends paid in the financial year were as follows:

	2019 per share	2018 per share	2019 £m	2018 £m
Final dividend	**11.84p**	10.87p	**13.5**	12.6
Interim dividend paid	**3.90p**	3.71p	**4.4**	4.3
	15.74p	14.58p	**17.9**	16.9

The directors have proposed a final dividend in respect of the year ended 26 January 2019 of 12.74p per share. It will be paid on 7 June 2019 to all shareholders who are on the Register of Members on 10 May 2019.

Dividends payable in respect of the financial year were as follows:

	2019 per share	2018 per share
Final dividend proposed in respect of financial year	**12.74p**	11.84p
Interim dividend paid	**3.90p**	3.71p
	16.64p	15.55p

11 Intangible assets

Group	Goodwill £m	Brands £m	Customer relationships £m	Water rights £m	Software development costs £m	Total £m
Cost						
At 28 January 2017	39.0	57.1	3.9	0.7	11.9	112.6
At 27 January 2018	39.0	57.1	3.9	0.7	11.9	112.6
At 26 January 2019	**39.0**	**57.1**	**3.9**	**0.7**	**11.9**	**112.6**
Amortisation and impairment losses						
At 28 January 2017	0.4	0.3	3.2	0.7	2.0	6.6
Amortisation for the year	–	–	0.3	–	1.2	1.5
At 27 January 2018	0.4	0.3	3.5	0.7	3.2	8.1
Amortisation for the year	–	–	0.2	–	1.2	1.4
At 26 January 2019	**0.4**	**0.3**	**3.7**	**0.7**	**4.4**	**9.5**
Carrying amounts						
At 26 January 2019	**38.6**	**56.8**	**0.2**	**–**	**7.5**	**103.1**
At 27 January 2018	38.6	56.8	0.4	–	8.7	104.5

The goodwill and brands recognised relate primarily to the acquisition of the Strathmore Water business, Rubicon Drinks Limited and Funkin Limited. The software development costs represent internally generated software development costs and third party consultancy costs incurred in relation to the Business Process Redesign project.

The opening customer relationships balance represents intangible assets recognised on the acquisition of the Strathmore Water business, Rubicon Drinks Limited and Funkin Limited. The amortisation charge represents the spreading of the cost over the assets' expected useful lives. The Strathmore and Rubicon customer relationships are fully amortised. The Funkin asset has six years remaining.

These amortisation periods have been reviewed at the statement of financial position date and remain appropriate.

The amortisation costs for the year to 26 January 2019 have been included in the income statement as administration costs.

Company	Goodwill £m	Brands £m	Customer relationships £m	Water rights £m	Software development costs £m	Total £m
Cost						
At 28 January 2017	1.9	7.3	1.0	0.7	11.9	22.8
At 27 January 2018	1.9	7.3	1.0	0.7	11.9	22.8
At 26 January 2019	**1.9**	**7.3**	**1.0**	**0.7**	**11.9**	**22.8**
Amortisation and impairment losses						
At 28 January 2017	–	0.3	1.0	0.7	2.0	4.0
Amortisation for the year	–	–	–	–	1.2	1.2
At 27 January 2018	–	0.3	1.0	0.7	3.2	5.2
Amortisation for the year	–	–	–	–	1.2	1.2
At 26 January 2019	**–**	**0.3**	**1.0**	**0.7**	**4.4**	**6.4**
Carrying amounts						
At 26 January 2019	**1.9**	**7.0**	**–**	**–**	**7.5**	**16.4**
At 27 January 2018	1.9	7.0	–	–	8.7	17.6

The goodwill and brands recognised in the Company relate to the acquisition of the Strathmore Water business. The software development costs represent internally generated software development costs and third party consultancy costs incurred in relation to the Business Process Redesign project.

11 Intangible assets continued

Impairment tests for goodwill and brands

For impairment testing, goodwill and brands are allocated to the cash-generating unit ("CGU") representing the lowest level at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each CGU are:

At 26 January 2019	Goodwill £m	Brands £m	Customer relationships £m	Total £m
Rubicon operating unit	**21.0**	**43.0**	**–**	**64.0**
Funkin operating unit	**15.7**	**6.8**	**0.2**	**22.7**
Strathmore operating unit	**1.9**	**7.0**	**–**	**8.9**
Total	**38.6**	**56.8**	**0.2**	**95.6**

At 27 January 2018	Goodwill £m	Brands £m	Customer relationships £m	Total £m
Rubicon operating unit	21.0	43.0	0.2	64.2
Funkin operating unit	15.7	6.8	0.2	22.7
Strathmore operating unit	1.9	7.0	–	8.9
Total	38.6	56.8	0.4	95.8

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial forecasts approved by management which cover a three year period. Cash flows beyond the three years are extrapolated using the growth rates and other key assumptions as stated below:

Key assumptions

	2019			2018		
	Gross margin %	Growth rate %	Discount rate %	Gross margin %	Growth rate %	Discount rate %
Rubicon operating unit	**48.2**	**2.5**	**11.1**	39.1	2.3	11.1
Funkin operating unit	**54.0**	**2.5**	**11.1**	51.6	2.3	11.1
Strathmore operating unit	**33.5**	**2.5**	**11.1**	30.7	2.3	11.1

The budgeted gross margin is based on past performance and management's expectation of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used for both years is the pre-tax rate. This is consistent with the cash flows applied.

The discount rate reflects management's estimate of pre-tax cost of capital adjusted for the specific risks impacting on each operating unit. The estimated pre-tax cost of capital is a market participant benchmark provided by an independent third party to the Group.

Advertising and promotional costs are included in the analysis, using latest annual budgets for the year to 25 January 2020 and projected costs thereafter.

Sensitivity analysis was carried out on the above calculations to review possible levels of impairment after adjusting discount rates. At a pre-tax rate of 12%, none of the CGUs were impaired. Whilst cash flow projections used within the impairment reviews are subject to inherent uncertainty, changes within reason to the key assumptions applied in assessing the value in use calculation would not result in a change in the impairment conclusions reached.

12 Property, plant and equipment

Group	Land and buildings Freehold £m	Land and buildings Long leasehold £m	Plant, equipment and vehicles £m	Assets under construction £m	Total £m
Cost or deemed cost					
As at 28 January 2017	62.3	0.4	90.9	3.7	157.3
Additions	0.3	–	2.4	9.3	12.0
Transfer from assets under construction	–	–	0.1	(0.1)	–
Disposals	(0.7)	–	(12.8)	–	(13.5)
At 27 January 2018	61.9	0.4	80.6	12.9	155.8
Additions	0.1	–	3.8	4.6	8.5
Transfer from assets under construction	0.2	–	9.0	(9.2)	–
Disposals	–	–	(1.8)	–	(1.8)
At 26 January 2019	**62.2**	**0.4**	**91.6**	**8.3**	**162.5**
Depreciation					
At 28 January 2017	5.3	0.4	62.2	–	67.9
Amount charged for year	0.6	–	6.1	–	6.7
Disposals	(0.4)	–	(12.7)	–	(13.1)
At 27 January 2018	5.5	0.4	55.6	–	61.5
Amount charged for year	0.6	–	6.8	–	7.4
Disposals	–	–	(1.7)	–	(1.7)
At 26 January 2019	**6.1**	**0.4**	**60.7**	**–**	**67.2**
Net book value					
As at 26 January 2019	**56.1**	**–**	**30.9**	**8.3**	**95.3**
As at 27 January 2018	56.4	–	25.0	12.9	94.3

Plant, equipment and vehicles includes the following amounts where the Group and Company is a lessee under a finance lease:

	2019 £m	2018 £m
Cost-capitalised finance lease	**0.3**	0.3
Accumulated depreciation	**(0.2)**	(0.2)
Net book value	**0.1**	0.1

12 Property, plant and equipment continued

Company	Land and buildings Freehold £m	Land and buildings Long leasehold £m	Plant, equipment and vehicles £m	Assets under construction £m	Total £m
Cost or deemed cost					
At 28 January 2017	62.0	0.3	90.3	3.7	156.3
Additions	0.3	–	2.3	9.3	11.9
Transfer from assets under construction	–	–	0.1	(0.1)	–
Disposals	(0.4)	–	(12.8)	–	(13.2)
At 27 January 2018	61.9	0.3	79.9	12.9	155.0
Additions	0.1	–	3.8	4.6	8.5
Transfer from assets under construction	0.2	–	9.0	(9.2)	–
Disposals	0.3	–	(1.8)	–	(1.5)
At 26 January 2019	**62.5**	**0.3**	**90.9**	**8.3**	**162.0**
Depreciation					
At 28 January 2017	5.0	0.3	61.8	–	67.1
Amount charged for year	0.6	–	6.0	–	6.6
Disposals	(0.1)	–	(12.7)	–	(12.8)
At 27 January 2018	5.5	0.3	55.1	–	60.9
Amount charged for year	0.6	–	6.7	–	7.3
Disposals	0.3	–	(1.7)	–	(1.4)
At 26 January 2019	**6.4**	**0.3**	**60.1**	**–**	**66.8**
Net book value					
As at 26 January 2019	**56.1**	**–**	**30.8**	**8.3**	**95.2**
As at 27 January 2018	56.4	–	24.8	12.9	94.1

At 26 January 2019, the Group and the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8.6m (2018: £3.6m).

Property, plant and equipment includes the following amounts where the Company is a lessee under a finance lease. £19.8m (2018: £20.0m) is included in freehold property, with a further £0.1m (2018: £0.1m) included in property, plant and vehicles.

	2019 £m	2018 £m
Cost-capitalised finance lease	**23.5**	23.5
Accumulated depreciation	**(3.6)**	(3.4)
Net book value	**19.9**	20.1

13 Derivative financial instruments

Derivative financial liabilities	2019 £m	2018 £m
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	**0.4**	0.4

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated purchase transactions out to 18 months. For working capital purchases this is hedged on a sliding scale basis where the nearer the time of the purchase, the greater the amount hedged will be. Capital purchases will be hedged in full.

On transition to IFRS 9 all derivatives qualified for hedge accounting under IAS 39 and IFRS 9 and so were treated as continuing hedges.

For the hedges of highly probable forecast purchases, as the critical terms (i.e. the notional amount, life and underlying contracts) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. The Group assesses the effectiveness by comparing past changes in the fair value of the foreign exchange forward contracts with changes in the fair value of a hypothetical derivative.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. This is not considered to be material to the Group. No other sources of ineffectiveness emerged from these hedge relationships.

The following table details the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or as liabilities) within the statement of financial position. All of the currency forward contracts are designated as cash flow hedges.

	Average exchange rate		Notional value: Foreign currency		Notional value: Local currency		Carrying amount of the hedging instruments liabilities	
	2019	2018	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Buy EUR								
Less than 3 months	**1.12**	1.08	**7.2**	1.0	**6.4**	0.9	**(0.2)**	–
3 to 6 months	**1.13**	1.08	**5.2**	3.7	**4.6**	3.4	**(0.1)**	(0.2)
6 to 12 months	**1.12**	1.07	**6.0**	2.0	**5.4**	1.9	**(0.1)**	(0.1)
over 12 months	**1.10**	–	**0.7**	–	**0.6**	–	**–**	–
Buy USD								
Less than 3 months	**1.32**	1.34	**2.1**	0.7	**1.6**	0.5	**–**	–
3 to 6 months	**–**	1.35	**–**	0.7	**–**	0.5	**–**	–
6 to 12 months	**1.34**	1.40	**0.2**	1.9	**0.1**	1.4	**–**	(0.1)
							(0.4)	(0.4)

13 Derivative financial instruments continued

Group and company

Fair value hierarchies 1 to 3 are based on the degree to which fair value is observable:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of the forward foreign exchange contracts is determined using forward exchange rates at the date of the statement of financial position, with the resulting value discounted accordingly as relevant.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				
Group At 26 January 2019	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets					
Trade receivables	**–**	**54.5**	**–**	**–**	**54.5**
Cash and cash equivalents	**–**	**21.8**	**–**	**–**	**21.8**
	–	**76.3**	**–**	**–**	**76.3**
Financial liabilities					
Foreign exchange contracts used for hedging	**0.4**	**–**	**–**	**–**	**0.4**
Trade payables	**–**	**–**	**–**	**20.2**	**20.2**
	0.4	**–**	**–**	**20.2**	**20.6**

	Carrying amount				
Group At 27 January 2018	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets					
Trade receivables	–	53.3	–	–	53.3
Cash and cash equivalents	–	15.0	–	–	15.0
	–	68.3	–	–	68.3
Financial liabilities					
Foreign exchange contracts used for hedging	0.4	–	–	–	0.4
Finance lease liabilities	–	–	–	0.1	0.1
Trade payables	–	–	–	17.8	17.8
	0.4	–	–	17.9	18.3

Company At 26 January 2019	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
	Carrying amount				
Financial assets					
Trade and other receivables and amounts due from subsidiary companies	**–**	**54.2**	**–**	**–**	**54.2**
Cash and cash equivalents	**–**	**17.0**	**–**	**–**	**17.0**
	–	**71.2**	**–**	**–**	**71.2**
Financial liabilities					
Foreign exchange contracts used for hedging	**0.4**	**–**	**–**	**–**	**0.4**
Finance lease liabilities	**–**	**–**	**–**	**19.7**	**19.7**
Trade payables and amounts due to other subsidiary companies	**–**	**–**	**–**	**20.8**	**20.8**
	0.4	**–**	**–**	**40.5**	**40.9**

Company At 27 January 2018	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
	Carrying amount				
Financial assets					
Trade and other receivables and amounts due from subsidiary companies	–	52.3	–	–	52.3
Cash and cash equivalents	–	11.3	–	–	11.3
	–	63.6	–	–	63.6
Financial liabilities					
Foreign exchange contracts used for hedging	0.4	–	–	–	0.4
Finance lease liabilities	–	–	–	20.2	20.2
Trade payables and amounts due to other subsidiary companies	–	–	–	101.2	101.2
	0.4	–	–	121.4	121.8

All financial instruments at fair value sit within Level 2 of the fair value hierarchy.

The Group and Company had no open options at the year end (2018: option to purchase 7.0m euros which expired on 27 March 2018 with a fair value of £nil at 27 January 2018).

Cash and cash equivalents held by the Group have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

The fair value of the current trade and other receivables and the current trade and other payables approximates to their book value as none of the balances are interest bearing.

The cumulative amount of gains and losses on effective hedging instruments are held within the cash flow hedge reserve.

14 Investment in subsidiaries

	Company	
	2019 £m	2018 £m
Opening investment in subsidiaries	**84.3**	84.3
Write off of investment in Findlay's Limited	**(0.2)**	–
Closing investment in subsidiaries	**84.1**	84.3

During the year to 26 January 2019 the following dormant subsidiary company was dissolved:

Findlay's Limited

During the year to 27 January 2018 the following dormant subsidiary company was dissolved:

Groupe Rubicon Limited

The principal subsidiaries are as follows:

Principal subsidiary	Principal activity	Country of incorporation	Country of principal operations
Funkin Limited	Distribution and selling of cocktail solutions	England	UK
Funkin USA Limited	Distribution and selling of cocktail solutions	England	USA
Rubicon Drinks Limited	Manufacture, distribution and selling of soft drinks	England	UK

A.G. BARR p.l.c. holds 100% of the equity and votes of the subsidiaries. The subsidiaries have the same year end as A.G. BARR p.l.c. and have been included in the Group consolidation with the exception of Funkin Limited and Funkin USA Limited which have a year end of 31 January 2019. This is historical on acquisition and the difference in reporting dates does not have a material impact on the Group's results. Refer to Note 29 for a full list of subsidiary companies.

15 Cash and cash equivalents

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash and cash equivalents	**21.8**	15.0	**17.0**	11.3

Cash and cash equivalents in the table above are included in the cash flow statements.

The credit quality of the holder of the Cash at bank is A2 rated (2018: A2 rated).

16 Inventories

	Group		Company	
	2019 £m	2018 restated* £m	2019 £m	2018 restated* £m
Materials	**9.6**	7.2	**9.8**	7.2
Finished goods	**10.8**	10.8	**9.6**	10.1
	20.4	18.0	**19.4**	17.3

* Refer to Note 1 for details of restatement.

17 Trade and other receivables

	Group		Company	
	2019 £m	2018 restated* £m	2019 £m	2018 restated* £m
Trade receivables	**55.1**	54.0	**52.0**	51.5
Less: loss allowance	**(0.6)**	(0.7)	**(0.5)**	(0.6)
Trade receivables – net	**54.5**	53.3	**51.5**	50.9
Prepayments	**3.2**	2.9	**3.2**	2.7
Amounts due by subsidiary companies	**–**	–	**2.7**	1.4
	57.7	56.2	**57.4**	55.0

* Refer to Note 1 for details of restatement.

Trade receivables

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 90 days past due in the year because historic experience, adjusted for an uplift for economic factors, has indicated that these receivables are generally not recoverable. In the prior year a 80.2% loss allowance was made against all receivables over 90 days past due based on historical experience at that time.

In the prior year a provision for impairment of trade receivables was established when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision was the difference between the asset's carrying amount and the estimated cash flows. There is no difference between the amount of provision for impairment of receivables disclosed in the prior year and the expected credit losses shown below.

The level of loss allowance has remained fairly constant at 1% of receivables in aggregate over both financial years.

The Group writes off a trade receivable when there is information 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 proceeding. None of the trade receivables that have been written off are subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The Group's and Company's most significant customer, a UK major customer, accounts for £8.9m of the trade receivables carrying amount at 26 January 2019 (27 January 2018: £5.6m).

17 Trade and other receivables continued

Group – 26 January 2019	Not past due £m	Trade receivables – days past due <30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	**0.2%**	**4.1%**	**55.8%**	**90.3%**	**100.0%**	
Expected total gross carrying amount at default	**44.9**	**0.2**	**0.1**	**–**	**0.5**	
Lifetime ECL	**0.1**	**–**	**–**	**–**	**0.5**	**0.6**

Group – 27 January 2018	Not past due £m	Trade receivables – days past due <30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	0.2%	3.7%	26.2%	54.5%	80.2%	
Expected total gross carrying amount at default	43.7	1.6	0.3	0.1	0.5	
Lifetime ECL	0.1	–	0.1	–	0.5	0.7

Company – 26 January 2019	Not past due £m	Trade receivables – days past due <30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	**0.2%**	**4.1%**	**55.8%**	**90.3%**	**100.0%**	
Expected total gross carrying amount at default	**42.1**	**0.1**	**–**	**–**	**0.4**	
Lifetime ECL	**0.1**	**–**	**–**	**–**	**0.4**	**0.5**

Company – 27 January 2018	Not past due £m	Trade receivables – days past due <30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	0.2%	3.7%	26.2%	54.5%	80.2%	
Expected total gross carrying amount at default	42.5	0.1	–	–	0.6	
Lifetime ECL	0.1	–	–	–	0.5	0.6

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The maximum exposure for both the Group and the Company to credit risk for trade receivables at the reporting date by type of customer was:

	Group 2019 £m	Group 2018 restated* £m	Company 2019 £m	Company 2018 restated* £m
Other customers	**52.3**	51.2	**49.2**	48.7
Direct sales customers	**2.8**	2.8	**2.8**	2.8
Total	**55.1**	54.0	**52.0**	51.5

The carrying amount of the Group and Company's external trade and other receivables are denominated in the following currencies:

	Group 2019 £m	Group 2018 restated* £m	Company 2019 £m	Company 2018 restated* £m
UK Sterling	**56.8**	55.5	**53.8**	52.9
Euro	**0.9**	0.7	**0.9**	0.7
	57.7	56.2	**54.7**	53.6

* Refer to Note 1.

18 Borrowings

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current				
Finance lease liabilities	–	0.1	**1.3**	1.3
Non-current				
Finance lease liabilities	–	–	**18.4**	18.9
Total borrowings	–	0.1	**19.7**	20.2

All of the Group's borrowings are denominated in UK Sterling.

During the year to 27 January 2018 the Group entered into three revolving credit facilities over periods of 3-5 years with Royal Bank of Scotland plc, Bank of Scotland plc and HSBC Bank plc. These facilities provide £60m of sterling debt facilities to February 2020, reducing to £20m from February 2020 to February 2022. The Group has reached agreement with its lenders, on 18 March 2019 to extend its current facilities, due to expire in 2020 and 2022, to 2022 and 2024. These facilities are on the same terms and quantum as currently enjoyed by the Group. Details are included in Note 30.

A total arrangement fee of £0.2m was incurred and is being amortised over the life of the loan facilities.

The amortisation charge is included in the finance costs line in the income statement.

During the year to 26 January 2014 certain property assets were transferred into A.G. BARR Scottish Limited Partnership and are being leased back to the Company under a 21 year lease agreement. Further details are included within Note 24.

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Finance lease liability payable within one year	–	0.1	**1.3**	1.3
Current loans and other borrowings disclosed in the statement of financial position	–	0.1	**1.3**	1.3

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Finance lease liability payable after more than one year	–	–	**18.4**	18.9
Non-current loans and other borrowings disclosed in the statement of financial position	–	–	**18.4**	18.9

18 Borrowings continued

The movements in the Group borrowings are analysed as follows:

	2019 £m	2018 £m
Opening borrowings balance	**–**	0.4
Borrowings made	**21.0**	15.0
Repayments of borrowings	**(21.0)**	(15.0)
Bank overdrafts repaid	**–**	(0.4)
Closing borrowings balance	**–**	–

Reconciliation to net funds:

	2019 £m	2018 £m
Cash and cash equivalents (Note 15)	**21.8**	15.0
Net funds	**21.8**	15.0

The undrawn facilities at 26 January 2019 were as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facility – three years, expires February 2020	**20.0**	**–**	**20.0**
Revolving credit facility – three years, expires February 2020	**20.0**	**–**	**20.0**
Revolving credit facility – five years, expires February 2022	**20.0**	**–**	**20.0**
Overdraft	**5.0**	**–**	**5.0**
	65.0	**–**	**65.0**

The undrawn facilities as at 27 January 2018 were as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facility – three years, expires February 2020	20.0	–	20.0
Revolving credit facility – three years, expires February 2020	20.0	–	20.0
Revolving credit facility – five years, expires February 2022	20.0	–	20.0
Overdraft	10.0	–	10.0
	70.0	–	70.0

The gross value of finance lease liabilities for the Group is as follows:

	2019 £m	2018 £m
Gross finance lease liabilities – minimum lease payments:		
Less than one year	**–**	0.1
	–	0.1
Future finance charges on finance lease liabilities	**–**	–
Present value of finance lease liabilities	**–**	0.1

The present value of finance lease liabilities for the Group is as follows:

	2019 £m	2018 £m
Less than one year	**–**	0.1
	–	0.1

The Group leases certain IT assets under a finance lease agreement. The lease term is 5 years.

The gross value of finance lease liabilities for the Company is as follows:

	2019 £m	2018 £m
Gross finance lease liabilities – minimum lease payments:		
Less than one year	**1.3**	1.3
Two to five years	**5.6**	5.4
Later than five years	**20.3**	21.9
	27.2	28.6
Future finance charges on finance lease liabilities	**(7.5)**	(8.4)
Present value of finance lease liabilities	**19.7**	20.2

The present value of finance lease liabilities for the Company is as follows:

	2019 £m	2018 £m
Less than one year	**1.3**	1.3
Two to five years	**5.1**	4.9
Later than five years	**13.3**	14.0
	19.7	20.2

As well as the IT assets noted within the Group, the Company leases certain property assets under a finance lease agreement. The lease term is 21 years and further details can be found within Note 24.

19 Trade and other payables

	Group		Company	
	2019 £m	2018 restated* £m	2019 £m	2018 restated* £m
Trade payables	**20.2**	17.8	**18.4**	16.5
Other taxes and social security costs	**6.2**	6.2	**6.2**	6.2
Accruals	**30.5**	30.1	**28.9**	28.8
Amounts due to subsidiary companies	**–**	–	**2.4**	84.7
	56.9	54.1	**55.9**	136.2
Non-current	**–**	–	**–**	–
Current	**56.9**	54.1	**55.9**	136.2
	56.9	54.1	**55.9**	136.2

* Refer to Note 1.

The tables below analyse the Group and Company's financial liabilities into the relevant maturity groupings based on the remaining period to the contractual maturity date as at the statement of financial position date. The amounts disclosed in the table below are the contractual undiscounted cash flows:

Group As at 26 January 2019	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	**–**	**–**	**20.2**	**–**	**20.2**
	–	**–**	**20.2**	**–**	**20.2**

As at 27 January 2018	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	–	0.1	17.8	–	17.9
	–	0.1	17.8	–	17.9

As trade payables are not interest bearing, their fair value is taken to be the book value.

Disclosures relating to borrowings are included in Note 18.

Company At 26 January 2019	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	**–**	**0.7**	**18.2**	**–**	**18.9**
7 to 12 months	**–**	**0.6**	**–**	**–**	**0.6**
1 to 2 years	**–**	**1.3**	**–**	**–**	**1.3**
2 to 5 years	**–**	**4.3**	**–**	**–**	**4.3**
5+ years	**–**	**20.3**	**–**	**–**	**20.3**
	–	**27.2**	**18.2**	**–**	**45.4**

At 27 January 2018	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	–	0.7	16.5	–	17.2
7 to 12 months	–	0.6	–	–	0.6
1 to 2 years	–	1.3	–	–	1.3
2 to 5 years	–	4.1	–	–	4.1
5+ years	–	21.9	–	–	21.9
	–	28.6	16.5	–	45.1

As trade payables are not interest bearing, their fair value is taken to be the book value.

Disclosures relating to borrowings are included in Note 18.

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes.

Group	27 January 2018 £m	Financing cash flows £m	Fair value hedges £m	26 January 2019 £m
Finance lease liabilities (Note 18)	0.1	(0.1)	–	**–**
Derivative financial instruments	0.4	(0.4)	0.4	**0.4**
Total liabilities from financing activities	0.5	(0.5)	0.4	**0.4**

Company	27 January 2018 £m	Financing cash flows £m	Fair value hedges £m	Other changes £m	26 January 2019 £m
Finance lease liabilities (Note 18)	28.6	(1.3)	–	(0.1)	**27.2**
Derivative financial instruments	0.4	(0.4)	0.4	–	**0.4**
Total liabilities from financing activities	29.0	(1.7)	0.4	(0.1)	**27.6**

20 Provisions

Group and Company	2019 £m	2018 £m
Opening provision	**0.4**	0.9
Provision created during the year	**0.2**	0.1
Provision utilised during the year	**(0.2)**	(0.6)
Closing provision	**0.4**	0.4

The closing provision relates to the redundancy costs noted below together with a provision for a manufacturing asset review.

The provisions are expected to be utilised within 12 months from the balance sheet date.

The prior year closing provision related to redundancy costs resulting from the business reorganisation that took place in the year ended 27 January 2018 (see Note 6). This was originally planned to be utilised in the year ended 26 January 2019 but will now complete in the next 12 months.

21 Deferred tax assets and liabilities

Group	Retirement benefit obligations £m	Share-based payments £m	Foreign exchange contract hedge £m	Total deferred tax asset £m	Retirement benefit obligations £m	Share-based payments £m	Foreign exchange contract hedge £m	Accelerated tax depreciation £m	Total deferred tax liability £m	Net deferred tax liability £m
At 28 January 2017	1.2	–	–	1.2	–	–	–	(12.4)	(12.4)	(11.2)
(Charge)/credit to the income statement (Note 8)	(0.2)	–	–	(0.2)	–	–	–	0.2	0.2	–
(Charge)/credit to other comprehensive income	(1.9)	–	–	(1.9)	–	–	0.1	–	0.1	(1.8)
Transfer between asset and liability categories	0.9	–	0.1	1.0	(0.9)	–	(0.1)	–	(1.0)	–
Charge to other reserves	–	–	–	–	–	(0.1)	–	–	(0.1)	(0.1)
At 27 January 2018	–	–	0.1	0.1	(0.9)	(0.1)	–	(12.2)	(13.2)	(13.1)
(Charge)/credit to the income statement (Note 8)	**–**	**–**	**–**	**–**	**(0.2)**	**0.1**	**–**	**(0.1)**	**(0.2)**	**(0.2)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Transfer between asset and liability categories	**–**	**0.1**	**–**	**0.1**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**
Credit to other reserves	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**	**0.1**
At 26 January 2019	**–**	**0.1**	**0.1**	**0.2**	**(1.2)**	**–**	**–**	**(12.3)**	**(13.5)**	**(13.3)**

Company	Retirement benefit obligations £m	Share-based payments £m	Foreign exchange contract hedge £m	Total deferred tax asset £m	Retirement benefit obligations £m	Share-based payments £m	Foreign exchange contract hedge £m	Accelerated tax depreciation £m	Total deferred tax liability £m	Net deferred tax liability £m
At 28 January 2017	1.2	–	–	1.2	–	–	–	(3.7)	(3.7)	(2.5)
(Charge)/credit to the income statement	(0.2)	–	–	(0.2)	–	–	–	0.1	0.1	(0.1)
(Charge)/credit to other comprehensive income	(1.9)	–	–	(1.9)	–	–	0.1	–	0.1	(1.8)
Transfer between asset and liability categories	0.9	–	0.1	1.0	(0.9)	–	(0.1)	–	(1.0)	–
Charge to other reserves	–	–	–	–	–	(0.1)	–	–	(0.1)	(0.1)
At 27 January 2018	–	–	0.1	0.1	(0.9)	(0.1)	–	(3.6)	(4.6)	(4.5)
(Charge)/credit to the income statement	**–**	**–**	**–**	**–**	**(0.2)**	**0.1**	**–**	**(0.2)**	**(0.3)**	**(0.3)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Transfer between asset and liability categories	**–**	**0.1**	**–**	**0.1**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**
Credit to other reserves	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**	**0.1**
At 26 January 2019	**–**	**0.1**	**0.1**	**0.2**	**(1.2)**	**–**	**–**	**(3.8)**	**(5.0)**	**(4.8)**

No deferred tax asset is recognised in the statement of financial position for unused capital losses within the Company of £4.0m (2018: £4.0m).

22 Lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows for the Group and Company:

	2019 £m	2018 £m
No later than one year	**3.2**	3.1
More than one year but not more than five years	**3.4**	5.2
Total lease commitments	**6.6**	8.3

23 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Board has delegated its responsibility for the Group's overall financial risk management programme to the Treasury and Commodity Committee; this risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out in accordance with policies approved by the Board of directors. Management identifies, evaluates and manages financial risks in close co-operation with the Group's business units. The Board provides guidance on overall market risk management, including use of derivative financial instruments and investment of excess liquidity.

In addition the Treasury and Commodity Committee deals with a range of other treasury matters, details of which are provided in the Corporate Governance Report.

Market risk

Foreign exchange risk

The Group operates internationally. The Group primarily buys and sells in sterling but does make purchases and sales denominated in US dollars and euros. Due to the hedging arrangements that have been in place for the year ended 26 January 2019, if sterling had weakened/strengthened by 10% against the US dollar or euro, with all other variables held constant, there would have been an immaterial effect on post-tax profit (year ended 27 January 2018: immaterial impact on post-tax profit).

The Group periodically enters into forward option contracts to purchase foreign currencies for known purchases where the value and volume of trading purchases is known. The Treasury and Commodity Committee assesses whether hedge accounting should be applied for each forward option contract.

Price risk

The Group is not exposed to equity securities price risk because no such investments are held by the Group other than within Pension Scheme assets.

The Group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities, including sugar, plastic, aluminium and mango, is managed through the use of forward physical supply contracts, primarily to convert floating or indexed prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the Group's risk management policies and is continually monitored by the Treasury and Commodity Committee. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the Group's overall pricing strategy.

All of the Group's commodity derivatives are treated as "own use" contracts, which are outside the scope of IFRS 9, since they are both entered into, and continue to be held, for the purposes of the Group's ordinary operations, and are not net settled (the Group takes physical delivery of the commodity concerned). "Own use" contracts do not require accounting entries until the commodity purchase actually crystallises.

The majority of the Group's forward physical contracts and commodity derivatives have original maturities of less than one year.

As all of the commodity contracts qualify for the "own use" treatment, no sensitivity analysis has been carried out.

23 Financial risk management continued

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates.

For the year ended 26 January 2019, if interest rates on sterling-denominated borrowings at that date had been 0.5% higher/lower, with all other variables held constant, there would have been an immaterial change in the post-tax profit for the year (year ended 27 January 2018: immaterial impact on post-tax profit).

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to major and direct to store customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. If major customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control processes assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by senior management based on internal or external ratings. The utilisation of credit limits is regularly monitored. Sales to direct to store customers are largely settled in cash in order to manage credit risk from smaller, independent stores.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining sufficient cash reserves and the availability of borrowing facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. This is carried out at a Group level and involves projecting forward cash flows and considering the level of liquid assets necessary to meet excesses of expenditure relative to income.

Capital risk management

The Group defines "capital" as being net debt plus equity.

The Group's objective when managing capital is to maintain an appropriate capital structure to balance the needs of the Group, whilst operating within its bank covenants.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group has a number of options available to it, including modifying dividend payments to shareholders, returning capital to shareholders or issuing new shares. In this way, the Group balances returns to shareholders between long term growth and current returns whilst maintaining capital discipline in relation to investing activities and taking any necessary action on costs to respond to the current environment.

The Group monitors existing equity in issuance on the basis of the net debt/EBITDA (before exceptional items) ratio. Net debt is calculated as being the net of cash and cash equivalents, interest-bearing loans and borrowings. The net debt position is discussed in the Financial Review on pages 32 to 37. The net debt/EBITDA (before exceptional items) ratio enables the Group to plan its capital requirements in the medium term. The Group uses this measure to provide useful information to financial institutions and investors. The Group believes that the current net debt/ EBITDA (before exceptional items) ratio together with existing shares in issuance provides an efficient capital structure and an acceptable level of financial flexibility.

For the year ended 26 January 2019, there was a net cash surplus of £21.8m (year ended 27 January 2018: net cash surplus of £15.0m).

The Group monitors capital efficiency on the basis of the return on capital employed ratio ("ROCE"). In the financial year ended 26 January 2019, ROCE increased to 21.0% from 20.5% (2018 restated).

24 Retirement benefit obligations

During the year the Company operated two pension schemes, the A.G. BARR p.l.c. (2005) Defined Contribution Scheme and the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme. The latter is a funded defined benefit scheme based on final salary which also includes a defined contribution section for the pension provision of new executive entrants. Under the defined benefit scheme, the employees are entitled to retirement benefits based on final pensionable pay. No other post-retirement benefits are provided.

Defined benefit scheme: actuarial valuation

The assets of the schemes are held separately from those of the Company and are invested in managed funds. A full valuation of the defined benefit scheme was conducted as at 5 April 2017 using the attained age method and a deficit of £4.8m was determined at that date.

The defined benefit scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and market investment risk.

Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the board of trustees. The board of trustees is composed of representatives from the Company scheme members as set out in the plan's rules.

Defined benefit scheme: IAS 19 information

The full actuarial valuation carried out at 5 April 2017 was updated to 26 January 2019 by a qualified independent actuary.

The valuation used for the defined benefit schemes has been based on market conditions as at the Company year end.

The amounts recognised in the statement of financial position are as follows:

	Group		Company	
Group and Company	2019 £m	2018 £m	2019 £m	2018 £m
Present value of funded obligations	**(115.1)**	(120.5)	**(115.1)**	(120.5)
Fair value of scheme assets	**101.6**	105.3	**101.6**	105.3
Deficit recognised under IAS 19	**(13.5)**	(15.2)	**(13.5)**	(15.2)
Company contribution made to pension scheme in the year to 26 January 2014	**–**	–	**18.0**	18.6
(Deficit)/surplus recognised in the statement of financial position	**(13.5)**	(15.2)	**4.5**	3.4

24 Retirement benefit obligations continued

The movement in the defined benefit obligation over the year is as follows:

Group and Company	Fair value of plan assets £m	Present value of obligation £m	Total £m
At 27 January 2018	**105.3**	**(120.5)**	**(15.2)**
Current service cost	**–**	**(0.1)**	**(0.1)**
Past services cost	**–**	**(0.7)**	**(0.7)**
Interest income/(expense)	**2.7**	**(3.1)**	**(0.4)**
Total cost recognised in income statement	**2.7**	**(3.9)**	**(1.2)**
Remeasurements			
– changes in demographic assumptions	**–**	**0.7**	**0.7**
– changes in financial assumptions	**–**	**2.3**	**2.3**
– actuarial return on assets excluding amounts recognised in net interest	**(2.4)**	**–**	**(2.4)**
Total remeasurements recognised in other comprehensive income	**(2.4)**	**3.0**	**0.6**
Cashflows			
Employer contributions	**2.3**	**–**	**2.3**
Benefits paid	**(6.3)**	**6.3**	**–**
Total cash outflow	**(4.0)**	**6.3**	**2.3**
At 26 January 2019	**101.6**	**(115.1)**	**(13.5)**

This table excludes the Company contribution made to the pension scheme through the asset backed funding arrangement as described below and reconciled in the table above.

In the year to 26 January 2019 a charge of £0.7m has been included for the past service cost in respect of the equalisation of guaranteed minimum pensions ("GMP") benefits. On 26 October 2018, the High Court handed down a judgement involving Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to GMP benefits. The judgement has implications for many pension schemes, including the AG Barr defined benefit schemes. The £0.7m expense reflects the best estimate of the effect on our reported pension liabilities. This has been included as an exceptional cost within administration costs in Note 6.

On 1 May 2016 the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme was closed to future accrual following a negotiated agreement between the Company and the board of Trustees.

The company made additional £1.0m contributions to the scheme in May 2016, May 2017 and May 2018, and will make a further contribution of £1.0m in May 2019.

The movement in the defined benefit obligation in the year to 27 January 2018 was as follows:

Group and Company	Fair value of plan assets £m	Present value of obligation £m	Total £m
At 28 January 2017	111.8	(139.2)	(27.4)
Current service cost	–	(0.1)	(0.1)
Interest income/(expense)	3.1	(3.8)	(0.7)
Total cost recognised in income statement	3.1	(3.9)	(0.8)
Remeasurements			
– changes in demographic assumptions	–	13.8	13.8
– changes in financial assumptions	–	(5.8)	(5.8)
– actuarial return on assets excluding amounts recognised in net interest	2.8	–	2.8
Total remeasurements recognised in other comprehensive income	2.8	8.0	10.8
Cashflows			
Employer contributions	2.2	–	2.2
Benefits paid	(14.6)	14.6	–
Total cash outflow	(12.4)	14.6	2.2
At 27 January 2018	105.3	(120.5)	(15.2)

This table excludes the Company contribution made to the pension scheme through the asset backed funding arrangement as described below and reconciled in the table above.

Asset backed funding arrangement

During the year to 26 January 2014 the Company established the A.G. BARR Scottish Limited Partnership ('the Partnership') and through the Partnership has entered into a long term pension funding arrangement with the Pension Scheme.

Under this arrangement certain property assets were transferred into the Partnership and are being leased back to A.G. BARR p.l.c under a 21 year lease agreement, generating an income stream of £1.1m per annum for the pension scheme, increasing annually in line with inflation.

The Partnership is controlled by A.G. BARR p.l.c. and its results are consolidated by the Group. The value of the properties transferred into the Partnership remains included on the Group's and Company's balance sheet at carrying values at the date of transfer with the Group and Company retaining full operational control over these properties.

At the end of the term of the relevant lease, or earlier if the Scheme becomes fully funded to the extent that the members' benefits can be secured with an insurance company, the Company has the option to repurchase the properties in the Partnership for an agreed fixed price.

A "structured entity" is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. As outlined above, during a prior year, certain freehold properties were transferred to a limited partnership (a structured entity) established by the Group, the main purpose of which is to lease these properties to a Group company and, as a result, to provide the Group's pension scheme with a distribution of the profits of the Partnership.

The distribution is subject to discretion exercisable by the Group in certain circumstances however, given that the Group has the ability to control the limited Partnership by making an additional contribution into the Scheme, it is the view of the directors that the Group controls the limited Partnership and therefore it is treated as a consolidated entity.

24 Retirement benefit obligations continued

The carrying value of the properties sold to the Partnership and leased back to the Company remain included on the Group's and Company's balance sheet and continued to be depreciated in line with the Group's and Company's accounting policies with the Group and Company retaining full operational control over these properties.

The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the Partnership are not required to be, and have not been, filed at UK Companies House.

As part of the funding arrangement the Company made a one off payment to the Pension Scheme of £20.4m to allow it to invest in the Partnership and in prior years this has been treated as a reduction in the carrying value of the retirement benefit obligation.

As the Partnership results are consolidated within the Group results no balances are recognised in the consolidated statement of financial position.

Financial assumptions

	2019	2018
Discount rate	**2.7%**	2.6%
Inflation assumption	**3.4%**	3.5%

Mortality assumptions

	2019	2018
Average future life expectancy (in years) for a male pensioner aged 65	**23**	23
Average future life expectancy (in years) for a female pensioner aged 65	**25**	25
Average future life expectancy (in years) at age 65 for a male non-pensioner aged 45	**25**	25
Average future life expectancy (in years) at age 65 for a female non-pensioner aged 45	**27**	27

The mortality tables adopted in finalising the fair value of the liabilities are the 2016 VITA tables based on the member's year of birth. This assumes that the expected age at death for males is 88 to 90 and for females is 90 to 93 depending on their age at 26 January 2019.

The fair value of scheme assets at the year end dates is analysed as follows:

	2019		2018	
	Quoted* £m	Unquoted £m	Quoted* £m	Unquoted £m
Equities	**29.7**	**–**	30.0	–
Bonds	**24.8**	**–**	28.0	–
Debt	**8.1**	**–**	–	9.4
Property	**–**	**–**	–	–
Cash	**–**	**8.2**	–	6.3
Buy-in policy	**–**	**30.8**	–	31.6
Total market value of scheme assets	**62.6**	**39.0**	58.0	47.3

* Quoted prices for identical assets or liabilities in active markets.

Sensitivity review

The sensitivity of the overall pension liability to changes in the principal assumptions is:

Year ended 26 January 2019	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.5%	Decreases/increases liabilities by £10.8m
Rate of inflation	Increase/decrease by 0.5%	Increases/decreases liabilities by £3.8m
Life expectancy	Increase/decrease by 1 year	Increases/decreases liabilities by £4.6m

Year ended 27 January 2018	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.5%	Decreases/increases liabilities by £11.9m
Rate of inflation	Increase/decrease by 0.5%	Increases/decreases liabilities by £4.2m
Life expectancy	Increase/decrease by 1 year	Increases/decreases liabilities by £4.9m

Methods and assumptions used in preparing the sensitivity analyses

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Scheme's liabilities. They have been calculated consistently with last period's disclosures, however these change over time with financial conditions and assumptions.

Risks to which the Scheme exposes the Company

The nature of the Scheme exposes the Company to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

– Asset volatility

The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields in line with the requirements of IAS 19R. If the Scheme assets underperform this yield, this will create a deficit. The plan holds investments in a portfolio of equity and bonds which are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.

The Trustees have made a number of steps to control the level of investment risk within the Scheme. The Trustee and the Company agreed in April 2016 to purchase an annuity policy with Canada Life to cover all future pension payments to certain members of the scheme. This policy was purchased at a cost of £34.7m and secures the total amount of future pension payments for 100 of the Scheme's pensioner members. The Trustees will continue to review the risk exposures in light of the longer term objectives of the Scheme.

– Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities. In the event of a reduction in the corporate bond yields there will be an increase in the value of the Scheme's bond holdings.

– Inflation risk

The Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the Scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.

– Life expectancy

The Scheme's obligation is to provide benefits for the life of the members. An increase in life expectancy will result in an increase in the Scheme's liabilities.

Policy for recognising gains and losses

The Company recognises actuarial gains and losses immediately, through the remeasurement of the net defined benefit liability.

Asset-liability matching strategies used by the Scheme or the Company

The Scheme does not currently use any specific asset-liability matching strategies. The Trustees' current investment strategy, having consulted with the Company, is to invest circa 50% of the Scheme's assets in growth assets and return seeking income focussed assets, with the remaining 50% in liability matching bonds and insurance policies, in order to strike a balance between:

- maximising the returns on the Scheme's assets; and
- minimising the risks associated with the lower than expected returns on the Scheme's assets.

24 Retirement benefit obligations continued

Description of funding arrangements and funding policy that affect future contributions

The Schedule of Contributions dated March 2018 sets out the current contributions payable by the Company to the Scheme to eliminate the Scheme deficit. This is in addition to the rental income stream from the asset backed funding arrangement which is a commitment which will offset the requirement for future deficit contributions.

Expected contributions over the next accounting period

A.G. BARR p.l.c. expects to contribute £1.0m to the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme for the year to 25 January 2020 in respect of commitments in relation to the Schedule of Contributions, and the Scheme expects to receive further contributions of approximately £1.3m from the asset backed funding arrangement in which the Scheme holds an interest.

The weighted average duration of the defined benefit obligation is 19 years.

The expected maturity analysis of the undiscounted defined benefit pension benefit, estimated on the Scheme's funding is as follows:

	Less than one year	One to two years	Two to five years	Greater than five years
Proportion of total pension benefits to be paid as at 5 April 2018	**1%**	**2%**	**5%**	**92%**
Proportion of total pension benefits to be paid as at 5 April 2017	1%	1%	5%	93%

Note the above disclosure is given as at the date of the last signed financial statements for the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme, and for the comparative year.

Defined contribution scheme

The pension costs for the defined contribution schemes are as follows:

	2019 £m	2018 £m
Defined contribution costs	**3.8**	3.4

25 Share capital

	2019		2018	
Group and Company	Shares	£m	Shares	£m
Authorised, issued and fully paid	**113,944,643**	**4.7**	115,442,278	4.8

The Company has one class of ordinary shares which carry no right to fixed income. The shares have a nominal value of 4 1/6p.

During the year to 26 January 2019 the Company's employee benefit trusts purchased 81,774 (2018: 505,663) shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 26 January 2019 the shares held by the Company's employee benefit trusts represented 804,843 (2018: 819,031) shares at a purchased cost of £4.8m (2018: £4.9m).

Share repurchase programme

During the year ended 27 January 2018 the Group commenced a share repurchase programme of up to £30m, which is expected to complete within 24 months of initiation. In the year ended 26 January 2019 a total of 1,497,635 shares (2018: 1,326,500) have been repurchased and cancelled, at a cost of £10.3m (2018: £8.2m). The permanent capital has been replaced through the creation of a Capital Redemption Reserve, which is included in "Other reserves" within equity. The nominal value of the shares repurchased at 26 January 2019 is £62,401.

The cash flow hedge reserve is also included in "Other reserves" in equity and records the effective portion of movements in the fair value of forward foreign exchange contracts that have been designated as part of a cash flow hedge relationship.

26 Share-based payments

As disclosed in the Directors' Remuneration Report the Group runs a number of share award plans and share option plans:
– Savings Related Share Option Scheme which is open to all employees
– LTIP and ESOS options which are granted to executive directors
– AESOP awards that are available to all employees

Share-based payment costs and related deferred and current tax charges are recognised within the share option reserve.

Savings Related Share Option Scheme ("SAYE")

All SAYEs outstanding at 26 January 2019 and 27 January 2018 have no performance criteria attached other than the requirement for the employee to remain in the employment of the Company and to continue contributing to the plan. Options granted under the SAYE must be exercised within six months of the relevant award vesting date.

The SAYE is open to all qualifying employees in employment at the date of inception of the scheme. Options are normally exercisable after three or five years from the date of grant. The price at which options are offered is not less than 80% of the average of the middle-market price of the five dealing days immediately preceding the date of invitation.

The movements in the number of share options outstanding and their related weighted average exercise prices determined using the Black-Scholes valuation model are as follows:

	2019		2018	
	Options	Average exercise price in pence per share	Options	Average exercise price in pence per share
At start of the year	**522,690**	**563p**	1,203,393	469p
Granted in the year	**245,041**	**620p**	–	–p
Forfeited	**(53,517)**	**581p**	(160,098)	359p
Exercised	**(26,035)**	**480p**	(520,605)	360p
At end of the year	**688,179**	**585p**	522,690	563p

The weighted average fair value of the share awards made during the period was determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

Date of grant	SAYE 3 April 2018
Number of share awards granted	245,041
Share price at date of grant	680p
Contractual life in years	3
Dividend yield	2.28%
Expected outcome of meeting performance criteria (at grant date)	70%
Fair value determined at grant date	93p

None of the options listed above were exercisable at the respective year end dates. The outstanding options at the year end had exercise prices of £5.67 and £6.20 (2018: £3.58 and £5.67).

The weighted average share price on the dates that options were exercised in the year to 26 January 2019 was £7.13.

The weighted average remaining contractual life of the outstanding share options at the year end is 2 years (2018: 2 years).

26 Share-based payments continued

LTIP/ESOS

During the year, an award of shares was made to the executive directors as disclosed in the Directors' Remuneration Report.

The weighted average fair value of the share awards made during the period was determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

Date of grant	LTIP 3 April 2018	ESOS 3 April 2018
Number of share awards granted	235,771	5,670
Share price at date of grant	635p	635p
Contractual life in years	3	3
Dividend yield	2.25%	2.25%
Expected outcome of meeting performance criteria (at grant date)	50%	50%
Fair value determined at grant date	594p	63p

AESOP

As described in the Directors' Remuneration Report, there are two elements to the AESOP.

The partnership share element provides that for every two shares (year to 27 January 2018: three shares) that a participant purchases in A.G. BARR p.l.c., up to a maximum contribution of £150 per month, the Company will purchase one matching share. The matching shares purchased are held in trust in the name of the individual. There are various rules as to the period of time that the shares must be held in trust but after five years, the shares can be released tax free to the participant.

The second element of free shares allows participants to receive shares to the value of a common percentage of their earnings, related to the performance of the Group. The maximum value of the annual award is £3,600 and the shares awarded are held in trust for five years.

Under the terms of the AESOP rules, any award of free shares to employees is made by the Trustee of the AESOP subject to the Company's consent.

27 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and related parties are as follows:

	Sales of goods and services		Purchase of goods and services	
	2019 £m	2018 £m	2019 £m	2018 £m
Rubicon Drinks Limited	**–**	44.3	**4.9**	57.6
Funkin Limited	**–**	0.9	**–**	–

The amounts disclosed in the table below are the amounts owed to and due from subsidiary companies that are trading subsidiaries. In the year to 26 January 2019 new trade terms were agreed between the Company and Rubicon Drinks Limited ('RDL'). The purchase and sale of goods and services with RDL has now been replaced with a royalty agreement for the use of the RDL trademarks.

The balances are unsecured and are due on demand. The difference between the total of these balances and the amounts disclosed as amounts due by (Note 17) and to subsidiary companies (Note 19) are balances due by and due to dormant subsidiary companies.

	Amounts owed by related parties		Amounts due to related parties	
	2019 £m	2018 £m	2019 £m	2018 £m
Rubicon Drinks Limited	**–**	–	**2.4**	82.8
Funkin Limited	**0.4**	0.2	**–**	–

Compensation of key management personnel

The remuneration of the executive directors and other members of key management (the Management Committee) during the year was as follows:

	2019 £m	2018 £m
Salaries and short term benefits	**5.3**	4.2
Post employment benefits	**0.5**	0.6
Share-based payments	**–**	0.1
	5.8	4.9

The Directors' Remuneration Report can be found on pages 56 to 81.

Retirement benefit plans

The Group's retirement benefit plans are administered by an independent third party service provider. During the year the service provider charged the Group £0.4m (2018: £0.4m) for administration services in respect of the retirement benefit plans. At the year end £nil (2018: £nil) was outstanding to the service provider on behalf of the retirement benefit plans.

28 Going concern

The directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements. The statement of financial position shows consolidated net assets of £209.8m (2018 restated: £201.1m) and the Company has sufficient reserves to continue making dividend payments. Further the Group's net cash position has increased from a surplus of £15.0m at 27 January 2018 to a surplus of £21.8m at 26 January 2019.

As discussed in Note 18, the Group has three revolving credit facilities providing £60m of sterling debt facilities.

Refer also to the viability statement on page 43.

29 Subsidiaries

The Group's subsidiaries at 26 January 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Address	Ownership interest held by the Group 2019 %	2018 %	Principal activities
Funkin Limited	U.K.	Milton Keynes	**100**	100	Distribution and selling of cocktail solutions
Funkin USA Limited	USA	Milton Keynes	**100**	100	Distribution and selling of cocktail solutions
Rubicon Drinks Limited	U.K.	Milton Keynes	**100**	100	Manufacturing, distribution and selling of exotic soft drinks
A.G. BARR Capital Partner Limited	U.K.	Milton Keynes	**100**	100	Investment holding company
A.G. BARR General Partner Limited	U.K.	Cumbernauld	**100**	100	Investment holding company
A.G. BARR Pension Trustee Limited	U.K.	Cumbernauld	**100**	100	Investment holding company
A.G. BARR Scottish Limited Partnership	U.K.	Cumbernauld	**100**	100	Investment holding company
Robert Barr Limited	U.K.	Cumbernauld	**100**	100	Non-trading entity
Mandora St Clements Limited	U.K.	Milton Keynes	**100**	100	Non-trading entity
Taut (UK) Ltd	U.K.	Milton Keynes	**100**	100	Non-trading entity
Tizer Limited	U.K.	Milton Keynes	**100**	100	Non-trading entity

The full address for Cumbernauld is: Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

The full address for Milton Keynes is: Crossley Drive, Magna Park, Milton Keynes, England, MK17 8FL.

30 Subsequent events

Since the financial year end we have concluded the extension of our banking facilities. Our new arrangements are three revolving credit facilities – two £20m facilities for three year terms and one £20m facility over a five year period. These arrangements provide flexibility for short-term operational variability as well as offering optionality should acquisition opportunities be identified.

Review of Trading Results

	2019 £m	2018 restated £m	2017 £m	2016 £m	2015 £m
Revenue	**279.0**	264.1	257.1	258.6	260.9
Cost of sales	**(156.5)**	(146.5)	(136.4)	(137.5)	(141.0)
Gross profit	**122.5**	117.6	120.7	121.1	119.9
Other income	**–**	–	0.7	–	0.7
Distribution costs (including selling costs)	**(49.3)**	(45.1)	(57.6)	(57.3)	(57.2)
Administration costs	**(27.4)**	(27.4)	(20.7)	(21.7)	(21.3)
Operating expenses	**(76.7)**	(72.5)	(77.6)	(79.0)	(77.8)
Operating profit before exceptional items	**45.8**	45.1	43.1	42.1	42.1
Exceptional items	**(0.7)**	0.8	0.7	–	(3.3)
Operating profit after exceptional items	**45.1**	45.9	43.8	42.1	38.8
Finance income	**–**	–	–	0.1	0.1
Finance expense	**(0.6)**	(1.0)	(0.7)	(0.9)	(0.3)
Net finance expense	**(0.6)**	(1.0)	(0.7)	(0.8)	(0.2)
Profit before tax	**44.5**	44.9	43.1	41.3	38.6
Tax on profit	**(8.7)**	(7.7)	(7.5)	(7.0)	(8.6)
Profit after tax	**35.8**	37.2	35.6	34.3	30.0
Earnings per share on issued share capital (pence)	**31.42**	32.22	30.49	29.37	25.69
Dividends recognised as an appropriation in the year (pence)	**15.74**	14.58	13.50	12.37	11.30
Closing share price	**7.62**	6.29	5.02	5.28	6.25

Glossary

Non-GAAP measures are provided because they are tracked by management to assess the Group's operating performance and to inform financial, strategic and operating decisions.

Definition of non-GAAP measures used are provided below:

Capital expenditure is a non-GAAP measure and is defined as the cash purchases of property, plant and equipment and is disclosed in the consolidated cash flow statement.

EBITDA is a non-GAAP measure and is defined as operating profit before exceptional items, depreciation and amortisation.

EBITDA margin is a non-GAAP measure and is calculated as EBITDA divided by revenue.

EBITDA to free cash flow conversion is a non-GAAP measure and is calculated as free cash flow divided by EBITDA.

Basic earnings per share before exceptional items is a non-GAAP measure calculated by dividing profit attributable to equity holders before exceptional items by the weighted average number of shares in issue.

Expansionary capex is a non-GAAP measure and is defined as the purchase of property, plant and equipment that is not the normal replacement of property, plant and equipment that has come to the end of its useful life. Maintenance capex is a non-GAAP measure and is defined as the purchase of property, plant and equipment that is the normal replacement of property, plant and equipment that has come to the end of its useful life. Expansionary capex and maintenance capex add together to the value of purchase of property, plant and equipment that appears in the consolidated cash flow statement.

Free cash flow is a non-GAAP measure and is defined as the net cash flow as per the cash flow statement excluding the movements in borrowings, expansionary capex, the net cash flow on the purchase and sale of shares by employee benefit trusts, dividend payments and non-cash exceptional items.

Full year dividend per share is a non-GAAP measure calculated as the sum of all interim dividends declared during the reporting period plus any proposed dividend payable in respect of that reporting period.

Gross margin is a non-GAAP measure calculated by dividing gross profit by revenue.

Gross margin before exceptional items is a non-GAAP measure calculated by dividing gross profit before exceptional items by revenue.

Market capitalisation is a non-GAAP measure and is defined as the closing share price at the end of a reporting period multiplied by the number of issued and fully paid shares of the Company.

Net asset growth is a non-GAAP measure and is defined as the increase in net assets from one reporting period to another. Net assets is a non-GAAP measure and is defined as total assets less current liabilities less non-current liabilities.

Operating margin is a non-GAAP measure calculated by dividing operating profit by revenue.

Operating margin before exceptional items is a non-GAAP measure calculated by dividing operating profit before exceptional items by revenue.

Operating profit before exceptional items is a non-GAAP measure calculated as operating profit less any exceptional items. This figure appears on the income statement.

Profit before tax and exceptional items is a non-GAAP measure calculated as profit before tax less any exceptional items. This figure appears on the income statement.

Revenue growth is a non-GAAP measure calculated as the difference in revenue between two reporting periods divided by the revenue of the earlier reporting period.

ROCE is a non-GAAP measure and is defined as profit before tax and exceptional items as a percentage of invested capital. Invested capital is a non-GAAP measure defined as period end non-current plus current assets less current liabilities excluding all balances relating to any provisions, financial instruments, interest-bearing liabilities and cash or cash equivalents.

Reconciliation of non-GAAP measures

Gross margin

	2019 £m	2018 restated £m
Revenue	**279.0**	264.1
Reported gross profit	**122.5**	117.1
Gross margin	**43.9%**	44.3%

Gross margin before exceptional items

	2019 £m	2018 restated £m
Revenue	**279.0**	264.1
Gross profit before exceptional items	**122.5**	117.6
Gross margin before exceptional items	**43.9%**	44.5%

Operating margin

	2019 £m	2018 restated £m
Revenue	**279.0**	264.1
Reported operating profit	**45.1**	45.9
Operating margin	**16.2%**	17.4%

Operating margin before exceptional items

	2019 £m	2018 restated £m
Revenue	**279.0**	264.1
Operating margin before exceptional items	**45.8**	45.1
Operating margin before exceptional items	**16.4%**	17.1%

EBITDA

	2019 £m	2018 £m
Operating profit before exceptional items	**45.8**	45.1
Depreciation and amortisation	**8.8**	8.2
EBITDA	**54.6**	53.3

EBITDA margin

	2019 £m	2018 restated £m
Revenue	**279.0**	264.1
EBITDA	**54.6**	53.3
EBITDA margin	**19.6%**	20.2%

EBITDA to free cash flow conversion

	2019 £m	2018 £m
Free cash flow	**35.9**	39.9
EBITDA	**54.6**	53.3
EBITDA to free cash flow conversion	**65.8%**	74.9%

Reconciliation of non-GAAP measures continued

Free cash flow

	2019 £m	2018 £m
Net increase in cash and cash equivalents	**6.8**	5.3
Expansionary capex	**0.4**	4.4
Dividends	**17.9**	16.9
Finance lease payments	**0.1**	0.1
Acquisition of subsidiary	**–**	4.5
Purchase of Company shares by employee benefit trusts	**0.5**	3.2
Proceeds from disposal of Company shares by employee benefit trusts	**(0.1)**	(2.9)
Repurchase of own shares	**10.3**	8.2
New loans received	**(21.0)**	(15.0)
Loans repaid	**21.0**	15.0
Bank arrangement fees paid	**–**	0.2
Free cash flow	**35.9**	39.9

Expansionary capex

	2019 £m	2018 £m
Expansionary capex	**0.4**	4.4
Maintenance capex	**8.5**	6.4
Capex per cash flow statement	**8.9**	10.8

ROCE

	2019 £m	2018 restated £m
Profit before tax	**44.5**	44.9
Exceptional items	**0.7**	(0.8)
Profit before tax and exceptional items	**45.2**	44.1
Intangible assets	**103.1**	104.5
Property, plant and equipment	**95.3**	94.3
Inventories	**20.4**	18.0
Trade and other receivables	**57.7**	56.2
Current tax	**(4.0)**	(3.6)
Trade and other payables	**(56.9)**	(54.1)
Invested capital	**215.6**	215.3
ROCE	**21.0%**	20.5%

Notice of Annual General Meeting

THE FOLLOWING INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any matter referred to in this report or as to the action you should take, you should seek your own personal financial advice from: (i) a stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom; or (ii) another appropriately authorised independent financial adviser if you are not resident in the United Kingdom.

If you have sold or otherwise transferred all of your shares in A.G. BARR p.l.c., please pass this report, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the one hundred and fifteenth annual general meeting of A.G. BARR p.l.c. (the **"Company"**) will be held at the offices of Ernst and Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY on Friday 31 May 2019 at 11.00 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions and Resolutions 17 and 18 will be proposed as special resolutions.

1. To receive and approve the audited accounts of the group and the Company for the year ended 26 January 2019 together with the directors' and auditor's reports thereon.

2. To receive and approve the annual statement by the chairman of the remuneration committee and the directors' remuneration report (other than the part containing the director's remuneration policy) as set out on pages 56 and 57, and pages 58 to 81 of the Company's annual report and accounts for the year ended 26 January 2019.

3. To declare a final dividend of 12.74 pence per ordinary share of 4 1/6 pence for the year ended 26 January 2019.

4. To re-elect Mr John Ross Nicolson as a director of the Company.

5. To re-elect Mr Roger Alexander White as a director of the Company.

6. To re-elect Mr Stuart Lorimer as a director of the Company.

7. To re-elect Mr Jonathan David Kemp as a director of the Company.

8. To re-elect Mr Andrew Lewis Memmott as a director of the Company.

9. To re-elect Mr William Robin Graham Barr as a director of the Company.

10. To re-elect Ms Susan Verity Barratt as a director of the Company.

11. To re-elect Mr Martin Andrew Griffiths as a director of the Company.

12. To re-elect Ms Pamela Powell as a director of the Company.

13. To re-elect Mr David James Ritchie as a director of the Company.

14. To elect Mr Nicholas Barry Edward Wharton as a director of the Company.

15. To re-appoint Deloitte LLP as the Company's auditor, to hold office until the conclusion of the next general meeting at which accounts are laid, and to authorise the audit committee of the board of directors of the Company to fix their remuneration.

16. THAT the board of directors of the Company (the **"Board"**) be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the **"2006 Act")** to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

    (a) up to an aggregate nominal amount of £1,580,620.04; and

    (b) up to a further aggregate nominal amount of £1,580,620.04 provided that: (i) they are equity securities (within the meaning of section 560 of the 2006 Act); and (ii) they are offered by way of a rights issue in favour of the holders of shares (excluding the Company in its capacity as a holder of treasury shares) on the register of members of the Company on a date fixed by the Board where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective numbers of shares held by them on that date subject to such exclusions or other arrangements as the Board deem necessary or expedient to deal with: (a) equity securities representing fractional entitlements; (b) treasury shares; or (c) legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange or any other matter whatsoever,

    provided that this authority shall expire on the earlier of 31 July 2020 and the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

17. THAT, subject to the passing of resolution 16 set out in the notice of the annual general meeting of the Company convened for 31 May 2019 (**"Resolution 16"**), the board of directors of the Company (the "Board") be and is hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the **"2006 Act"**), to allot equity securities (within the meaning of section 560 of the 2006 Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 4 1/6 pence each in the capital of the Company (**"Ordinary Shares"**)), wholly for cash either pursuant to the authority conferred on them by Resolution 16 or by way of a sale of treasury shares (within the meaning of section 560(3) of the 2006 Act) as if section 561(1) of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    (a) the allotment of equity securities, for cash, in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares (excluding the Company in its capacity as a holder of treasury shares) on the register of members of the Company on a date fixed by the Board where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective numbers of Ordinary Shares held by them on that date subject to such exclusions or other arrangements in connection with the rights issue, open offer or other offer as the Board deem necessary or expedient to deal with: (i) equity securities representing fractional entitlements; (ii) treasury shares; or (iii) legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange or any other matter whatsoever; and

    (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £237,093.01,

    provided that this authority shall expire on the earlier of 31 July 2020 and the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of this authority and the Board may allot equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

18. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the **"2006 Act"**) to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 4 1/6 pence each in the capital of the Company (**"Ordinary Shares"**), on such terms and in such manner that the directors think fit, provided that:

    (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 11,380,464;

    (b) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to the higher of: (i) 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out;

    (c) the minimum price which may be paid for an Ordinary Share is an amount equal to its nominal value (in each case exclusive of associated expenses);

    (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of 31 July 2020 and the conclusion of the next annual general meeting of the Company after the passing of this resolution, but a contract to purchase Ordinary Shares may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract; and

    (e) an Ordinary Share so purchased shall be cancelled or, if the directors so determine and subject to the provisions of applicable laws or regulations of the Financial Conduct Authority, held as a treasury share.

By order of the Board

Julie A. Barr
Company Secretary
17 April 2019

Registered Office
A.G. BARR p.l.c.
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD

Registered in Scotland SC005653

Shareholders should also read the notes to this Notice of Annual General Meeting which are set out on pages 152 to 157 of this report. Those notes provide further information about shareholders' entitlement to attend, speak and vote at the Annual General Meeting (or appoint another person to do so on their behalf).

Explanatory Notes

The following notes provide an explanation of the resolutions to be considered at the one hundred and fifteenth annual general meeting (the "AGM") of A.G. BARR p.l.c. (the "Company").

Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 17 and 18 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Receive and approve the reports and accounts

Shareholders are being asked to receive and approve the audited accounts of the group and the Company (as audited by Deloitte LLP) for the year ended 26 January 2019 together with the associated reports of the directors and auditor.

Resolution 2 – Directors' remuneration

The directors' remuneration report is divided into three parts: the annual statement by the chairman of the remuneration committee, the directors' remuneration policy and the directors' remuneration report.

- The annual statement by the chairman of the remuneration committee (which is set out on pages 56 and 57 of this report) provides a summary of the directors' remuneration policy and the directors' remuneration report.
- The directors' remuneration policy (which is set out on pages 72 to 81 of this report) sets out the Company's future policy on directors' remuneration.
- The directors' remuneration report (which is set out on pages 58 to 71 of this report) gives details of the payments and share awards made to the directors in connection with their and the Company's performance during the year ended 26 January 2019. It also details how the Company's policy on directors' remuneration will be operated in the coming year.

This Resolution invites shareholders to approve the annual statement by the chairman of the remuneration committee and the directors' remuneration report (other than the part containing the directors' remuneration policy which was approved at the annual general meeting of the Company held in 2017 and which it is expected will not be voted on until the annual general meeting to be held in 2020) for the year ended 26 January 2019. This resolution is an advisory vote and will not affect the way in which the Company's remuneration policy has been implemented. Each year, shareholders will be given an advisory vote on the implementation of the directors' remuneration policy in relation to the payments and share awards made to directors during the year under review.

Resolution 3 – Final dividend

Shareholders are being asked to approve a final dividend of 12.74 pence per ordinary share of 4 1/6 pence for the year ended 26 January 2019. If shareholders approve the recommended final dividend, it will be paid on 7 June 2019 to all shareholders on the Company's register of members on 10 May 2019.

Resolutions 4 to 14 inclusive – Re-election and election of directors

The Company's articles of association require that all newly appointed directors retire at the first annual general meeting following their appointment. Consequently, Mr Nicholas Barry Edward Wharton will retire and offer himself for election.

The board of directors of the Company (the **"Board"**) complies with the provisions of the UK Corporate Governance Code whereby all directors are subject to annual re-election. Accordingly, all other directors of the Company are retiring and offering themselves for re-election.

Biographical details of the directors are set out on pages 44 and 45 of this report. The Board has confirmed that, following formal performance evaluation, all of the directors continue to perform effectively and demonstrate commitment to their roles. The Board therefore unanimously recommends the proposed re-election (or election in the case of Mr Nicholas Barry Edward Wharton) of the directors.

Resolution 15 – Re-appointment of auditor

The Company is required to appoint an auditor at each general meeting at which accounts are presented to shareholders and Deloitte LLP have indicated their willingness to continue in office. Accordingly, shareholders are being asked to approve the re-appointment of Deloitte LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the audit committee of the Board to fix their remuneration.

Resolution 16 – Authority to allot shares

The directors may not allot shares in the Company unless authorised to do so by shareholders in general meeting. Sub-paragraph (a) of Resolution 16, if passed, will authorise the directors to allot shares having an aggregate nominal value of up to £1,580,620.04, representing approximately one third of the Company's issued share capital as at 10 April 2019 (being the latest practicable date prior to the publication of this report). The directors have no present intention to exercise this authority.

In line with guidance issued by the Investment Association, sub-paragraph (b) of Resolution 16, if passed, will authorise the directors to allot additional shares in connection with a rights issue having an aggregate nominal value of up to £1,580,620.04, representing approximately one third of the Company's issued share capital as at 10 April 2019 (being the latest practicable date prior to the publication of this report). The directors have no present intention to exercise the authority sought under sub-paragraph (b) of Resolution 16. However, if such authority is obtained, it will give the Company greater flexibility to allot additional shares for the purpose of a pre-emptive rights issue. This authority will be used when the directors consider it to be in the best interests of shareholders.

The authorities sought under Resolution 16 will expire on the earlier of 31 July 2020 (being the latest date by which the Company must hold its annual general meeting in 2020) and the conclusion of the annual general meeting of the Company held in 2020.

Resolution 17 – Disapplication of statutory pre-emption rights

If the directors wish to allot new shares for cash, the Companies Act 2006 states that the shares must be offered first to existing shareholders in proportion to their existing shareholdings. For legal, regulatory and practical reasons, it might not be possible or desirable for shares allotted by means of a pre-emptive offer to be offered to certain shareholders, particularly those resident overseas. Furthermore, it might, in some circumstances, be in the Company's interests for the directors to be able to allot some shares for cash without having to offer them first to existing shareholders. To enable this to be done, shareholders' statutory pre-emption rights must be disapplied. Accordingly, Resolution 17, if passed, will empower the directors to allot a limited number of new equity securities without shareholders' statutory pre-emption rights applying to such allotment. The authority conferred by Resolution 17 would also cover the sale of treasury shares for cash.

Sub-paragraph (a) of Resolution 17 would confer authority on the directors to make any arrangements which may be necessary to deal with any legal, regulatory or practical problems arising on a rights issue, an open offer or any other pre-emptive offer in favour of ordinary shareholders, for example, by excluding certain overseas shareholders from such issue or offer.

Sub-paragraph (b) of Resolution 17 would disapply shareholders' statutory pre-emption rights by empowering the directors to allot equity securities for cash on a non pre-emptive basis but only new equity securities having a maximum aggregate nominal value of £237,093,01, representing approximately 5% of the Company's issued share capital as at 10 April 2019 (being the latest practicable date prior to the publication of this report).

The authority sought under Resolution 17 will expire on the earlier of 31 July 2020 (being the latest date by which the Company must hold an annual general meeting in 2020) and the conclusion of the annual general meeting of the Company held in 2020.

Resolution 18 – Purchase of own shares

The Companies Act 2006 permits a company to purchase its own shares provided the purchase has been authorised by shareholders in general meeting.

Resolution 18, if passed, would give the Company the authority to purchase any of its own issued ordinary shares at a price of not less than an amount equal to the nominal value of an ordinary share and not more than the higher of: (i) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five dealing days before any purchase is made; and (ii) the higher of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

The authority will enable the purchase of up to a maximum of 11,380,464 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as at the date of the AGM, and will expire on the earlier of 31 July 2020 (being the latest date by which the Company must hold an annual general meeting in 2020) and the conclusion of the annual general meeting of the Company held in 2020.

On 28 March 2017, the Company announced that the Board has decided to return up to £30 million to shareholders via an on-market share repurchase programme. The programme commenced in May 2017 and it was anticipated that it would be completed by May 2019. However, the Company announced on 25 January 2019 that it expected the programme to complete during the course of 2019, slightly later than previously indicated. Accordingly, the directors intend to use the authority granted by this resolution to continue to make market purchases of the Company's ordinary shares under the repurchase programme. The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share. Purchases are expected to be financed out of distributable profits and shares purchased will either be cancelled (and the number of shares in issue reduced accordingly) or held as treasury shares. Other than in connection with the announced buy back programme, the directors will only exercise this buy back authority after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall position of the Company. Purchases would be financed out of distributable profits and shares purchased would either be cancelled (and the number of shares in issue reduced accordingly) or held as treasury shares.

The Company operates two share option schemes under which awards may be satisfied by the allotment or transfer of ordinary shares to a scheme participant. However, in practice, the Company has always satisfied awards to participants by the transfer of ordinary shares from the trustee of each of the schemes.

As at 10 April 2019 (being the latest practicable date prior to the publication of this report), options had been granted over 1,167,629 ordinary shares (the "Option Shares") representing approximately 1.03% of the Company's issued share capital at that date. If the authority to purchase the Company's ordinary shares (as described in Resolution 18) were exercised in full, the Option Shares would have represented approximately 1.14% of the Company's issued share capital as at 10 April 2019. As at 10 April 2019, the Company did not hold any treasury shares.

Notes

1. Attending the annual general meeting (the "AGM") in person

If you wish to attend the AGM in person, you should arrive at the venue for the AGM in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the **"Registrar"**), prior to being admitted to the AGM.

2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If a member wishes a proxy to speak on their behalf at the AGM, the member will need to appoint their own choice of proxy (not the Chairman of the AGM) and give their instructions directly to them. Such an appointment can be made using the proxy form accompanying this notice of AGM or through CREST.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

A member may instruct their proxy to abstain from voting on a particular resolution to be considered at the AGM by marking the "Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the resolution.

The appointment of a proxy will not prevent a member from attending the AGM and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read Note 8 below.

3. Appointment of a proxy using a proxy form

A proxy form for use in connection with the AGM is enclosed. To be valid, any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA at least 48 hours before the time of the AGM or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

4. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to: www.euroclear.com. CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **"CREST Proxy Instruction"**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours before the time of the AGM or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Appointment of a proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 29 May 2019 (or, if the AGM is adjourned, at 6.30 p.m. on the day two days prior to the adjourned meeting). Any changes to the Company's register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

8. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the **"2006 Act"**) to enjoy information rights (a **"Nominated Person"**) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9. Website giving information regarding the AGM

Information regarding the AGM, including information required by section 311A of the 2006 Act, and a copy of this notice of AGM is available from www.agbarr.co.uk.

10. Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

11. Voting rights

As at 10 April 2019 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 113,804,643 ordinary shares of 4 1/6 pence each, carrying one vote each. As at 10 April 2019, the Company did not hold any treasury shares. Therefore, the total voting rights in the Company as at 10 April 2019 were 113,804,643 votes.

12. Notification of shareholdings

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the AGM as his/her proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure Rules and Transparency Rules.

13. Further questions and communication

Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

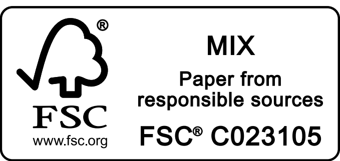
Members who have any general queries about the AGM should contact the Company Secretarial Department by email to: companysecretarialdepartment@agbarr.co.uk.

Members may not use any electronic address provided in this report or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

14. Documents available for inspection

The following documents will be available for inspection on the day of the AGM at the offices of Ernst and Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY from 9.15 a.m. until the conclusion of the AGM:

14.1 copies of the service contracts of the Company's executive directors; and
14.2 copies of the letters of appointment of the Company's non-executive directors.



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AG Barr
BUILDING GREAT BRANDS

A.G. BARR p.l.c.
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD
Tel: 0330 390 3900

agbarr.co.uk

Registered Office
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD

Secretary
Julie A. Barr,
M.A. (Hons.),
L.L.B. (Dip.),
M.B.A.

Auditors
Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Registrars
Equiniti Ltd
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Registered Number
SC005653