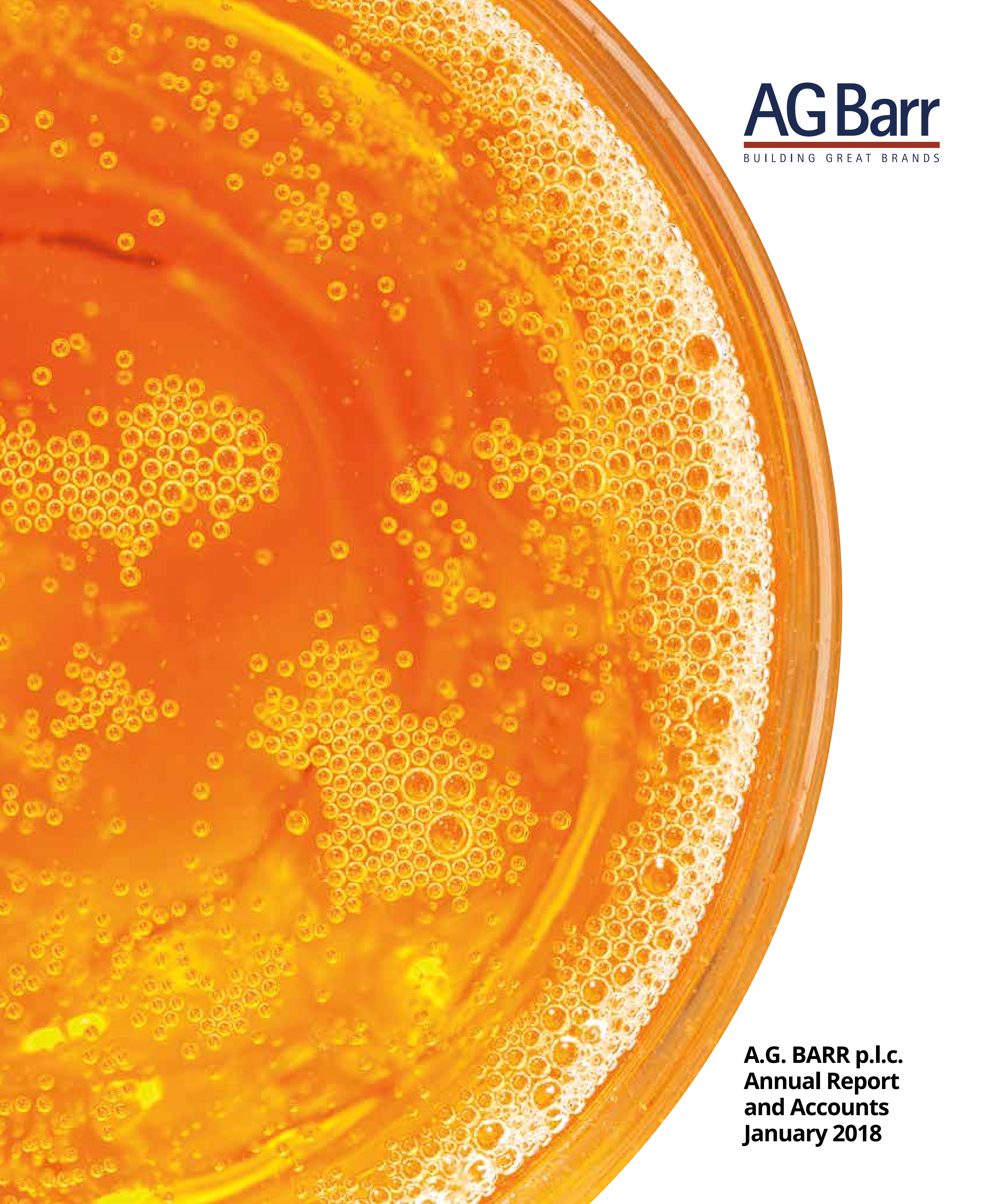


AG Barr

BUILDING GREAT BRANDS

A.G. BARR p.l.c.
Annual Report and Accounts January 2018

IRN-BRU
Innovation and reformulation success

The IRN-BRU brand is going from strength to strength – big on taste but with no sugar, IRN-BRU XTRA sold the equivalent of more than 60 million cans across the UK in 2017, while the Original & Best regular IRN-BRU, still made with the same secret recipe essence, now contains half the sugar and tastes great.

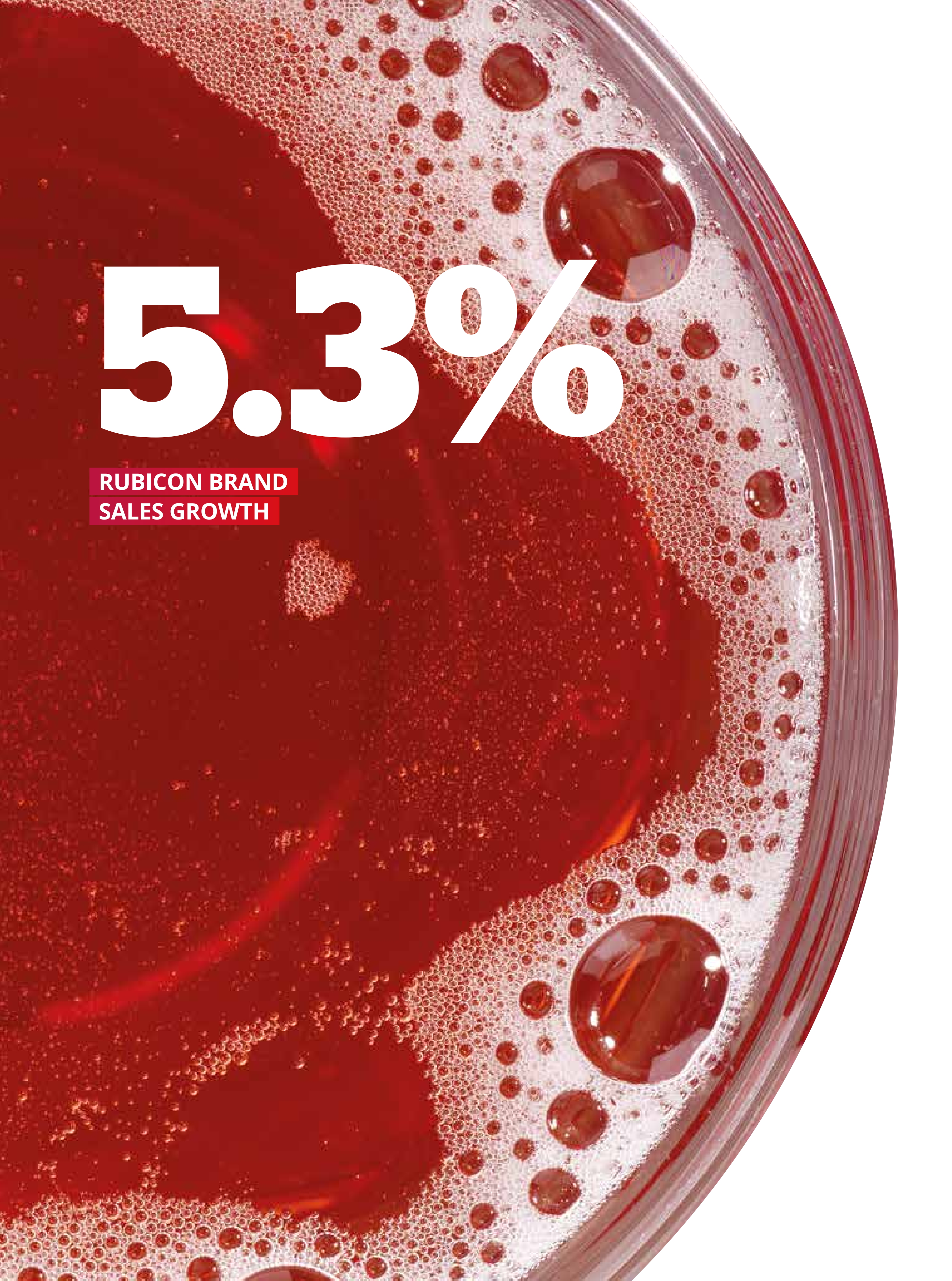
Read more from **page 14**

8.0%
IRN-BRU TOTAL
BRAND SALES GROWTH

Building the **Rubicon** brand

Building on its 30-year heritage our Rubicon brand is broadening its reach – whether through our innovative new no added sugar Rubicon Spring range, or our new sponsorship as official soft drink of the English Cricket Team, we're growing the brand and introducing new consumers to our delicious Rubicon drinks.

Read more on **pages 15 and 19**


5.3%
RUBICON BRAND
SALES GROWTH

San Benedetto new partnership

We recognise the advantages that working in partnership can deliver – our new long-term agreement with Italy's leading soft drinks producer, San Benedetto, gives us the exclusive UK and Ireland distribution rights for the Prima Spremitura sparkling drinks range. Made from Italian citrus fruit, in clementine and lemon flavours, the products provide consumers with a refreshingly authentic and premium addition to our portfolio.

Read more on **page 20**

#1

NEW PARTNERSHIP WITH ITALY'S #1 DOMESTIC SOFT DRINKS PRODUCER

Delivering on our promises

Times and tastes are changing and thanks to our successful reformulation and innovation programme up to 99% of our portfolio is now lower or no sugar. What hasn't changed is the importance we place on offering great tasting brands that people love.

Read more on **page 24**

99%

OF OUR SOFT DRINKS NOW LOWER OR NO SUGAR

Facing our challenges and growing responsibly

We are a UK-based branded consumer goods business focused on growth. We strive to create long-term shareholder value, growing both organically and through partnerships and acquisition.

Read more on facing challenges and growing responsibly from **page 14**

I am pleased to present A.G. BARR p.l.c.'s Annual Report for the year ended 27 January 2018. 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.

Over the past 12 months we have delivered consistent broad-based sales growth across our portfolio, well ahead of the soft drinks market performance throughout the year, supported by successful innovation, strong core brands and further development of our partnerships.

Roger White
Chief Executive

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We have a strong and flexible business model and a growing portfolio of brands, both established and nascent, which reflect the requirements of today's changing consumers. We remain confident in our ability to capitalise on the opportunities to grow our business and deliver long-term value to shareholders.

Revenue

£277.7m

+8.0%

Net cash

£15.0m

+54.6%

Profit before tax

£44.9m

+4.2%

Basic earnings per share

32.25p

+4.8%

EBITDA margin*

19.2%

(90)bps

Full year dividend per share*

15.55p

+8.0%

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 137 to 139.

Building great brands

Refreshed and reformulated portfolio

Lower and no sugar products up to:

99%

IRN-BRU brand strength

Sales up:

8.0%

Rubicon brand building

Sales up:

5.3%

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 our consumers want.

Whether it's our iconic **IRN-BRU**, launched in 1901 and still going strong today, our market leading **RUBICON** exotic fruit juice drinks, 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 most recently **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 cocktail mixer segment, broadening and strengthening our portfolio with a unique and exciting market leading brand in a growing market.

Employing over 900 people across 10 UK locations, we are proud to be a sustainable 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.

Rockstar growth

Sales up:

14.3%

Strathmore position

On-trade:

#1

Funkin business performing well

Sales up:

25%

Note: Where stated, brand sales growth is based on invoiced revenue* for the 52 weeks to 27 January 2018.

A clear and well executed strategy

I am pleased to report a year of excellent business performance across the Group. Revenue grew by 8.0%, well ahead of the total soft drinks market performance, and profit before tax increased by 4.2% (profit before tax and exceptional items increased by 4.0%).

These strong results reflect the benefits of a clear and well executed strategy, fantastic brands and a committed, talented and decisive team.

The external headwinds faced by many UK businesses, including economic volatility and Brexit uncertainty, have not abated, yet our business has faced into these challenges with positivity and determination. Margins have been negatively impacted by the continued weakness in sterling, affecting our input costs, particularly sugar and packaging which are priced in euros, however we understand the importance of investing for long-term growth, as demonstrated by our ongoing investment behind our assets, infrastructure, brands and people. All our core brands are in growth and the exciting new products we launched last year have gained momentum, contributing to market share gains across our UK markets.

In response to changing consumer requirements we have extended our innovation and reformulation programme such that we have exceeded our original commitment on sugar reduction. These actions have been taken in advance of the implementation of the soft drinks industry levy in April this year. The effort required across the whole business to deliver this commitment should not be underestimated and is testament to both the skill and commitment of our people, as well as the agility and effectiveness of our business model.

Partnerships remain a key strategic priority and we are delighted to have agreed new long-term relationships with San Benedetto and more recently Bundaberg Brewed Drinks. These partnerships will strengthen and complement our portfolio of Company-owned and franchise brands.

Dividend

The Board is pleased to continue with its progressive dividend policy and recommend a final dividend of 11.84p per share to give a total dividend for the full year of 15.55p per share, a full year increase of 8.0% on the prior year. The final dividend is payable on 8 June 2018 to shareholders on the Register of Members at the close of business on 11 May 2018. The ex-dividend date is 10 May 2018.

People

We are fortunate to have a great team of committed and talented individuals who bring our business strategy to life each and every day across all areas of the business. I would like to recognise the commitment and contribution from all our employees, and thank them on behalf of the Board for delivering such a strong set of financial results.

Board

We were delighted to welcome Susan Barratt to our Board on 28 January 2018. Susan brings a wealth of valuable experience in the UK customer and retail space and will support the continued development of our Board capabilities.

Prospects

The long-term prospects of the business remain positive and our appetite for improvement and growth is as strong as ever. While mindful of both continued economic volatility and the uncertainties created by the upcoming soft drinks industry levy across the market, we enter this new financial year with confidence and clear focus.

John Nicolson
Chairman

"I am pleased to report a year of excellent business performance across the Group."

John Nicolson, Chairman

Simple, effective, 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 materials, we strive for continuous improvements, keep safety at the forefront of all we do, and invest accordingly to ensure we produce the best tasting products as efficiently as possible.

We move...

With a fleet of more than 100 vehicles, and long-standing relationships with our key distribution partners, we strive to deliver a 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.

We are a growth-driven, branded consumer goods business, delivering long-term sustainable value.

We build great tasting brands that people love, offering them choice and enjoyment.

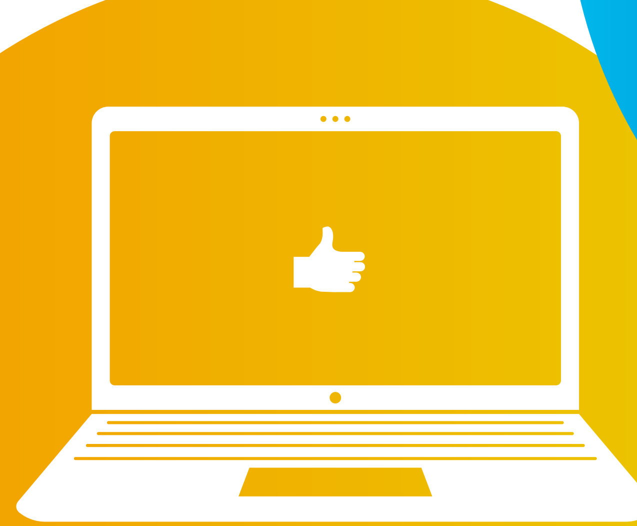
Our business model is simple, effective and profitable.

This simple but effective approach is supported by **strong partnerships**, **talented people** and **responsible actions**.

Our business model has proven successful for more than 140 years and continues to create and deliver value in all that we do.

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 and building our brands we like to have some fun, appealing to our broad range of consumers, whether that's through national TV campaigns, digital media, sponsorship or supporting local community events.



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, fun and profitable way.

Opportunity focused

Over the past 12 months we have delivered consistent broad-based sales growth across our portfolio, well ahead of the soft drinks market performance throughout the year, supported by successful innovation, strong core brands and further development of our partnerships.

Our revenue growth in the 12 months to 27 January 2018 was 8.0%, significantly outperforming the UK soft drinks market in both volume and value terms.

The markets in which we operate have continued to experience significant levels of change – we have consistently highlighted both the challenges and opportunities we face and I am pleased to report we have risen to the challenges placed before us and seized many of the opportunities that have come our way.

- We grew our market share within UK soft drinks with a total Group revenue of £277.7m, an increase of 8.0% on the previous year.
- Profit before tax increased by 4.2% to £44.9m while profit before tax and exceptional items* rose to £44.1m, an increase of 4.0% on the prior year.
- Operating margin before exceptional items* fell by 60bps to 16.2%, reflecting both external cost pressures and our continued investment across our business.
- Our balance sheet remains strong with a net cash position of £15.0m – during the course of the year we purchased £8.2m of shares under our share repurchase programme.
- We are pleased to recommend a final dividend of 11.84p per share to give a total dividend for the full year of 15.55p per share, a full year increase of 8.0% on the prior year.

Soft drinks market performance

The UK soft drinks market has performed reasonably well across the past 12 months with value growth of 2.9% and volume increasing 0.5%, reflecting the underlying inflationary environment and individual brand pricing dynamics.

The key driver of value growth in the market has been branded carbonates, where some significant reductions in promotional investment have led to higher average realised prices, however this has meant lower overall volumes. The water category continues to drive volume growth, generally at the expense of value.

Against this backdrop we have made significant market share gains, with year-on-year value up 8.7% and volume up 7.7% driven by our trading strategy of sustaining promotional activity, building product distribution and driving innovation. Our market share growth has been balanced across sales channels and across Scotland and the rest of the UK.

Source: IRI Marketplace 52 weeks to 28 January 2018.

"We have risen to the challenges placed before us and seized many of the opportunities that have come our way."

Roger White, Chief Executive

Strategy

As a UK-based branded consumer goods business focused on growth we have made good progress in the execution and development of our strategy to create long-term shareholder value.

The acceleration of our growth has been driven by a combination of strong trading execution across our core brands, the continued success of our innovation and the progress and development of our brand partnerships.

Supported by strong commercial plans, all of our core brands grew in both value and volume terms across the year with highlights being:

- IRN-BRU sales up 8.0% – the biggest ever year of sales for the IRN-BRU brand;
- Rubicon sales up 5.3%;
- Funkin sales up 25%.

Across our franchise brands Rockstar had an exceptional year, with sales up 14.3% as a result of exciting innovation, continued product distribution growth in the UK and growth in new territories outside the UK. Snapple, however, lost ground in the reporting period as a result of retailer range rationalisation in a small number of European markets and some supply issues across the second and third quarters.

International sales increased by a modest 3.8%, reflecting the complexity our reformulation programme created in our export-led international model and some local distributor changes which impacted our in market execution.

Innovation has remained central to our strategy and last year's new product launches have enjoyed continued success. IRN-BRU XTRA sold the equivalent of 60 million cans across the UK last year and is now a third of the size of IRN-BRU Sugar Free, while Rubicon Spring has also gained distribution with 17 million bottles sold across 2017 on a national basis.

Our innovation pipeline continues to be an important focus and we have some exciting new products being launched in the first few months of 2018.

We were delighted to announce a new long-term partnership agreement with Italy's leading soft drinks producer, San Benedetto. Effective from January 2018 we became the exclusive UK and Ireland distributor of San Benedetto's Prima Spremitura sparkling citrus fruit drinks, enhancing our portfolio with an authentic and premium brand.

The "food-to-go" and eating out sector continues to play an important role in the food and drink space and authentic craft brands offer incremental growth opportunities that align well with our strategy. As such, we are pleased to welcome a new brand partner to our portfolio – Bundaberg Brewed Drinks. Commencing April 2018 we have entered into an exclusive long-term agreement in relation to the Bundaberg brand in the UK. Best known for its Ginger Beer, the fourth largest carbonated soft drink in Australia, and increasingly for its complementary range of brewed beverages, the family-owned business based in Queensland, Australia, enjoys an increasingly global footprint. We are proud to join forces with such a successful business that shares our values and growth aspirations. The brand is already established in the UK and we are excited about the opportunities this new relationship offers.

We have maintained tight cost control across the business, taking the necessary steps to mitigate as far as possible the impact of increased input costs arising from weakened sterling. Despite these external cost pressures we have been intentional in our strategy of maintaining investment in support of our brands, innovation launches and infrastructure. Over the past 12 months we have added further production capacity with the successful installation of a new PET production line at Milton Keynes, a project that has reached practical completion both on time and on budget, with a capital investment of £10m.

Portfolio

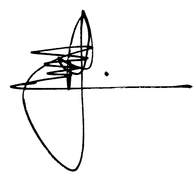
Since our announcement in March 2017 that over 90% of our portfolio would be moving to lower or no sugar, we have extended our innovation and reformulation programme such that we now expect that up to 99% of our portfolio will contain less than 5g of total sugars per 100ml before the implementation of the soft drinks industry levy in April this year. An unprecedented number of new recipes have been developed and delivered to achieve our commitment, with some products reducing their sugar content by up to 70%.

As anticipated, the sugar reduction in regular IRN-BRU in early January 2018 was met with widespread media interest. Our extensive research and testing gave us confidence that we had an excellent taste match and, whilst it is still early days, the consumer response to the new product has so far been encouraging.

Transforming our portfolio to align more closely with changing consumer preferences has been a significant strategic priority over recent years, drawing on the skills and experience of many individuals across our workforce whose efforts are highly valued and appreciated. As the implementation of the soft drinks sugar levy now approaches we will ensure that we remain focused on the consumer and responsive to the changes we anticipate in the soft drinks market dynamics.

Summary

The UK economic landscape is expected to remain uncertain for business as a whole, with regulation, changing customer dynamics and consumer preferences adding further volatility for the soft drinks industry. We have a strong and flexible business model and a growing portfolio of brands, both established and nascent, which reflect the requirements of today's changing consumers. We remain confident in our ability to capitalise on the opportunities to grow our business and deliver long-term value to shareholders.



Roger White
Chief Executive

Note: Where stated, brand sales growth is based on invoiced revenue* for the 52 weeks to 27 January 2018.

Delivering long-term sustainable value

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

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.

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 the market, we seek to build brand awareness, grow our brand equity and outperform the market.

Understanding our customers

Building and maintaining long-lasting and successful customer relationships, across multiple routes to market, is central to our business. We work closely with our customers 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.

Developing partnerships

With strong ambitions, both within the UK and internationally, we recognise the advantages that working in partnership can deliver. By working closely with others, whether that be brand franchise partners, international distributors or 3rd party logistics providers, we develop complementary relationships that deliver shared benefits and support our growing business.

Driving efficiency

We continually strive for 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.

Acting responsibly

We believe that how we act reflects who we are. We take our responsibilities seriously and aim 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.

Revenue

£277.7m

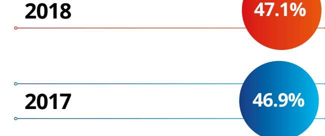
+8.0%

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

Gross margin*

47.1%

+20bps

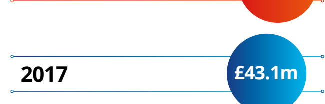


Reported gross profit divided by revenue.

Profit before tax

£44.9m

+4.2%



Profit before tax and after exceptional items.

Operating margin before exceptional items*

16.2%

(60)bps

2018 16.2%

2017 16.8%

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

EBITDA margin*

19.2%

(90)bps

2018 19.2%

2017 20.1%

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*

£39.9m

£(3.3)m

2018 £39.9m

2017 £43.2m

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

Return on capital employed*

20.4%

+20bps

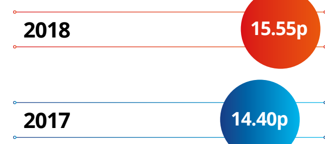
2018 20.4%

2017 20.2%

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.

Dividend per share

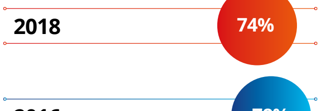
15.55p



Dividend payable in respect of the financial year.

Employee engagement

74%



Accident incident rate

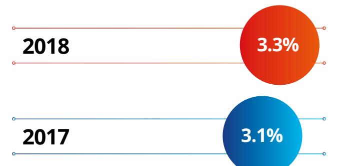
13.78

2018 13.78

2017 17.56

Market share

3.3%



Relevant reconciliations of the above are provided in the Glossary on pages 137 to 139.

Connecting with consumers

A core component of our competitive advantage has always been our deep and ongoing understanding of our consumers, their habits, preferences and tastes. These insights drive our ability to develop our business by providing a growing number of consumers with great tasting products, whether that's Barr soft drinks or Funkin cocktails.

Over the past 12 months we have continued to keep close to our consumers, talking to them about their views and opinions and understanding what's important to them. For many, health and wellbeing, and in particular a desire to reduce the amount of sugar in the food and drink they consume, is more important than ever, but without compromising on taste. At the same time we know that our consumers like to interact with our brands in interesting and fun new ways and to facilitate this we have delivered a strong brand engagement programme across 2017, through not only advertising, sponsorships and brand activation initiatives but also through innovation.

6m

consumers connected with IRN-BRU XTRA via social media

3-year

new partnership with England and Wales Cricket Board

1.5m

bottles of water hydrating athletes, officials and volunteers at last summer's athletics in London

IRN-BRU XTRA goes national

After the successful launch in 2016 of IRN-BRU XTRA in Scotland, 2017 saw us introduce our no added sugar, extra taste, new IRN-BRU variant into the English market with a fantastic response. Supported by national TV advertising, a social media campaign that reached over 6 million consumers, the continued sponsorship of Soccer AM and even some new truck designs, IRN-BRU XTRA has been one of our most successful pieces of innovation in our 140-year history, with the equivalent of 80 million cans sold since its launch.

Strathmore water hydrates world-class athletes

As the national partner and supplier of bottled water for both the IAAF World Championships London 2017 and the World Para Athletics Championships, the Strathmore brand hydrated athletes, officials and volunteers at both events in July last year with more than 1.5 million bottles of water. The events brought together more than 3,000 world-class athletes from more than 200 countries who competed across 20 jam-packed and action-fueled days last summer. All Strathmore water bottles are recyclable and recycling facilities were provided at the venues to help everyone dispose of their litter responsibly. Strathmore already has a strong association with sport nationally and internationally and it was a privilege to be able to strengthen our association with athletics even further.

Rubicon – Official Soft Drink of the England and Wales Cricket Board

In September we were delighted to confirm a new three-year partnership with the England and Wales Cricket Board (ECB), covering England's Men, Women and Disability teams across all the formats of Test, One Day and T20 matches. Rubicon has a long and proud history of supporting cricket in England and Wales and we are delighted to take our relationship with the England teams and the ECB to a higher level. The new partnership with the ECB is the biggest ever for Rubicon and helps the brand reach significantly larger audiences than ever before, enhancing its position as the UK's leading exotic juice drink brand.

Building brands

Over the past 12 months we have made significant market share gains, well ahead of the soft drinks market performance throughout the year. We have continued to invest in the long-term health of our brands and all of our core brands grew in both value and volume terms across the year.

Having invested in both our innovation processes, teams and infrastructure in 2016, innovation has continued to play a central role in our portfolio development across 2017, satisfying our consumers' needs for great tasting, relevant and exciting new products.

More exciting innovation from Funkin

Crowned the No. 1 predicted cocktail trend of 2018 by industry commentators CGA, Funkin is once again at the forefront of cocktail innovation with the launch of Funkin Premium Batched Draught Cocktails – supporting the development of easy serve, quality cocktails across the served market.

Ideal for nightclubs, arenas, outdoor events and high volume pubs and bars, Funkin Premium Batched Draught Cocktails include four serves – Pornstar Martini, Piña Colada, Pink Grapefruit Gin Collins and Mojito. All four variants are among the UK's best-selling and most recognisable.

Our range of Premium Batched Draught Cocktails are made with the same blending expertise and know-how used to create our fruit purées, cocktail syrups and pre-batched cocktail mixers.

The biggest ever year of sales for the IRN-BRU brand with sales up

8%

Rubicon sales up

5.3%

Funkin sales up

25%

Note: Where stated, brand sales growth is based on invoiced revenue* for the 52 weeks to 27 January 2018.

Rockstar First Start

Rockstar has a proven track record of energising and engaging consumers with high profile promotional partnerships as well as new and exciting product development, and 2017 was no exception. Innovation continues to play an important role in the energy drink category and Rockstar's new First Start brand is a great example of new product development meeting new consumer needs. With 5% juice content, no added sugar and less than 30 calories per can, Rockstar First Start appeals to a broad range of consumers, delivering a functional and natural energy boost in orange & clementine and mixed berries flavours.

Understanding our customers

Over the past 12 months we have continued to work closely with our customers to build stronger working relationships and deliver shared success. We recognise that execution is crucial and we have sought to achieve a high level of in-market business development support for our customers and also aimed to achieve constantly improving levels of customer service.

We have been delighted to be formally recognised by some of our key customers as a valued supplier and partner, and acknowledged for the quality of the innovation we have brought to market across 2017.

Winning with our customers

We were delighted to be recognised once again by one of our key customers, Bestway Batley Group as their Supplier of the Year. This was the fourth occasion in the last five years where we have been awarded this prestigious accolade, something of which both our sales team, and the business as a whole, is extremely proud.

Key customer Supplier of the Year for 4th time in 5 years

4th success

Customer service achieved across 2017

over 97%

Gold Medal for Rubicon Spring

Following on from the commercial success of Rubicon Spring, we were extremely proud to be awarded "Best piece of retail innovation" at the Federation of Wholesale Distributors Awards. Rubicon Spring offers consumers a tasty, healthy and hydrating drink, with no added sugar and less than 15 calories in every bottle.

Developing partnerships

We further developed and enhanced our partnerships across 2017, working collaboratively to deliver shared success. We're also delighted to have agreed two new brand partnerships in the last 12 months, with both San Benedetto and Bundaberg Brewed Drinks. These long-term agreements enhance our portfolio with authentic and premium brands appealing to a range of new consumers and outlets that will support our joint growth ambitions over the long term.

New partnership with San Benedetto

Our new long-term partnership agreement with Italy's biggest independent soft drinks producer, San Benedetto, will bring the authentic taste of Italy to the UK.

As the new and exclusive UK and Ireland distributor of San Benedetto's Prima Spremitura sparkling drinks range, we're excited to deliver consumers a premium and indulgent product that delivers on taste, with 12% juice from the first squeeze of the fruit.

Available in two flavours – Limone (Lemon) and Clementina (Orange) – both drinks are made with 100% Passione Italiana and have only 86 calories per can.

2	12%	6
new brand partners	juice and only 86 calories in each can of Prima Spremitura	Bundaberg soft drinks added to our portfolio

New partnership with Bundaberg Brewed Drinks

We're delighted to welcome a new brand partner to our portfolio – Bundaberg Brewed Drinks. Commencing April 2018 we have entered into an exclusive long-term agreement in relation to the Bundaberg brand in the UK, adding 6 new soft drinks to our portfolio. Best known for its Ginger Beer, the #4 carbonated soft drink in Australia, and increasingly for its complementary range of brewed beverages, the family-owned business based in Queensland, Australia, enjoys an increasing level of success through its global footprint. We are proud to join forces with such a successful business that shares similar values and growth aspirations to ours.

The Bundaberg brand is already established in the UK and we are excited about the opportunities our new partnership offers to accelerate the brand's growth.

Driving efficiency

We have invested significantly in improving the efficiency of our business in recent years and have maintained our focus on this across the past 12 months. From large-scale capital investment projects to using technology to enhance our ways of working, we have remained focused on delivering continuous improvement in all areas of our operations.

New production capacity at Milton Keynes

Over the past 12 months we have added further production capacity to our operational footprint with the successful installation of a new PET production line at Milton Keynes, a project that was delivered both on time and on budget, with a capital investment of £10m. This new line provides the flexibility to fill 330ml to 2L bottles at up to 42,000 bottles per hour capability.

investment in new high-speed PET production line

Improved ways of working

Following a complete refresh of all our employees' desktops and laptops in 2016, we've continued to invest in technology that allows our staff to be more productive and collaborative. Our continued adoption of mobile and cloud-based technology across 2017 has allowed us to deliver solutions faster and more efficiently, enhancing our ways of working. In particular, our roll-out of cloud-based video conferencing across the business has improved collaboration and dramatically reduced unproductive travel time with many meetings now held virtually – our new technology has supported 1.6 million minutes of video conferencing connections in the last 12 months.

1.6m

minutes of cloud-based video conferencing connections

Acting responsibly

We are proud of our business, proud of the contribution we make to society and proud that our values are as important to us today as they have ever been. Our responsibility agenda underpins all that we do, and over the past 12 months it has remained integral to how we do business. We remain 100% focused on doing the right thing for our consumers, environment, people and community.

Delivering on our sugar reduction promises

Consumers' tastes and attitudes are changing. In response to these changes the successful delivery of our reformulation and innovation programme means that 99% of our portfolio is now made up of products that are now defined as lower or no sugar. An unprecedented number of new recipes have been developed and delivered to achieve our commitment, with some products reducing their sugar content by up to 70%.

What hasn't changed is the importance we place on offering great tasting brands that people love.

70%

up to 70% reduction in sugar across our brand portfolio

99%

of our soft drinks now lower or no sugar

Strathmore – Doing more with sport

Strathmore has continued to forge its reputation as the water of choice for world class sporting teams, sports people and events, from Scottish Rugby to British Athletics, while still supporting more local community sporting and activity related events.

In 2017 we were proud to support Team Strathmore made up of our three amazing Strathmore Brand Ambassadors – middle distance runner Laura Muir, swimmer Ross Murdoch and wheelchair racer Sammi Kinghorn. All of Team Strathmore achieved great success in 2017 collectively winning 5 Gold Medals, and we were especially delighted for Sammi Kinghorn who won Scottish Sports Personality of the Year 2017.

5

Gold Medals won by Team Strathmore in 2017

New employee volunteering policy

Our charity partnership with Macmillan Cancer Support has generated extremely high levels of employee fundraising and engagement across all our sites. In recognition and support of the positivity and energy demonstrated by our employees, we have introduced a new employee volunteering policy which allows employees paid time off to take part in activities which support this great cause. This policy has already been used to great effect with just one example being from two of our charity champions who volunteered at Strathmore Water Hydration Stations at the Edinburgh Marathon, hydrating those runners raising money for Macmillan.

Acting responsibly continued

Learning at Work Week

Underpinning everything that we do is our belief in performance through people. We have developed a simple behavioural framework central to who we are and how we operate. The four behaviours – Being Brilliant, Always Learning, Results Driven and Relationships that Deliver – represent the heart and soul of A.G. Barr and how we should work together to enhance performance.

In support of our "Always Learning" behaviour we got behind the national campaign for learning by participating in Learning at Work Week 2017. The campaign ran from 15-21 May and involved all parts of the business. A learning nudge (a short e-Learning module or video linked to our Barr Behaviours) was issued each day and an on-line badge awarded for completion.

A total of 801 learning nudges were completed during the five days and the campaign, year after year, continues to be well received by our employees.

801

learning "nudges" delivered during Learning at Work Week

Improving our environmental credentials

We have always taken our environmental responsibilities seriously and believe that packaging should be treated as a valuable resource and recycled, not discarded as litter. All of our packaging is recyclable, with clear recycling messages for consumers on pack, and we have supported a number of anti-littering and recycling initiatives across the country to drive the recycling message home.

With regard to plastic bottles in particular, an area of real focus for the environment, we have reduced the amount of material we use in our plastic bottles by 20% since 2008 and reduced our use of packaging even further last year by removing plastic sleeves from millions of our bottles.

Supporting Macmillan Cancer Support

At the beginning of our three year partnership with Macmillan Cancer Support, we committed to support projects in key areas we operate in. The first project was to support Macmillan's investment in The Beatson West of Scotland Cancer Centre, and we're now delighted to confirm that this project is complete.

The project sought to extend and improve the Macmillan Support and Information Centre at the entrance to the hospital to improve the support Macmillan can provide to those using their services, whilst also improving the holistic environment the hospital provides to both patients and visiting friends and family.

The centre, local to our Head Office in Cumbernauld, is regarded as one of the leading cancer centres in the UK, and Scotland's largest, caring for 60% of people diagnosed with cancer in Scotland. We are proud of our association with Macmillan and the positive impact our employees have made and continue to make.

WE ARE MACMILLAN. CANCER SUPPORT

Gender split

	Board and Company Secretary	Senior Managers	All Employees
Male	8	69	702
Female	2**	29	265
Total	**10**	**98**	**967**

** Susan Barratt joined the Board on 28 January 2018 however is not included in the numbers above which are inclusive up to 27 January 2018.

In accordance with recent regulation we will be publishing our Gender Pay Report on our corporate website www.agbarr.co.uk before 4 April 2018 which will provide details of our gender pay profile.

AG Barr GHC Emissions in tonnes CO_2e

	2016/17	2017/18
Scope 1	5,420	5,580
Scope 2	8,947	8,658
Intensity ratio (Note 1)	33.78	30.91

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

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.

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 45.

A strong set of results with both top and bottom line growth

The following is based on results for the 52 weeks ended 27 January 2018. Comparatives, unless otherwise stated, are for the 52 weeks ended 28 January 2017.

Overview

We measure performance across a range of financial and non-financial measures and are pleased to report significant progress across a broad range of these metrics:

Revenue	up 8.0% to £277.7m
Gross margin*	up 20bps to 47.1%
Profit before tax	up 4.2% to £44.9m
Profit before tax and exceptional items*	up 4.0% to £44.1m
Operating margin before exceptional items*	down 60bps to 16.2%
Operating margin*	down 50bps to 16.5%
Net cash from operating activities	down £6.6m to £42.2m
Net cash balance	up £5.3m to £15.0m
Basic earnings per share before exceptionals (EPS)*	up 3.4% to 31.30p
Basic earnings per share (EPS)	up 4.8% to 32.25p
Proposed final dividend of 11.84p per share (2017: 10.87p) to give a proposed total dividend for the year of 15.55p per share, an increase of 8.0% over the prior year.	

This is a good set of results in a challenging environment that reflects the benefits of strong brands, an agile organisation and a talented team. The combined benefit of core brand revenue growth, exciting innovation and supply chain cost management have enabled both top and bottom line gains and gross margin improvement. We have made significant investment in our brands, new products, marketing and people, all of which reinforce our confidence that the business can deliver future value creation.

Reported revenue grew 8.0% to £277.7m. Our revenue growth was broad-based, driven by innovation underpinned by both core brand distribution gains and the achievement of some price increases following a period of category price deflation.

The year was not without challenge. The level of change and uncertainty from regulation, customer consolidation and consumer trends has been considerable, and has necessitated significant management focus. Our strong volume growth, driven in part by higher levels of innovation, put pressure on our supply chain in the first half of the year and led to some supply disruption, particularly impacting our export sales. These temporary supply issues were quickly resolved and we enter 2018/19 with confidence and positive momentum.

Segmental performance

We have successfully grown market share through price and distribution gains on our core portfolio with additional support from our new products initially launched in 2016.

Our core carbonates business has performed well, with both our IRN-BRU and Rubicon brands in growth. IRN-BRU XTRA has continued to establish itself as a key component of the IRN-BRU range and it is therefore especially pleasing to report that regular IRN-BRU grew in both volume and value terms despite an element of cannibalisation from XTRA. The overall IRN-BRU brand was up 5.7% in volume and 8.0% in revenue.

Rubicon Spring continues to grow at pace, building distribution and adding new formats.

Barr Flavours, KA, Sun Exotic and OMJ! have all delivered volume growth and, with the exception of Barr Flavours, have all achieved value growth. The Rockstar brand had a particularly strong year delivering double digit volume gains while successfully maintaining pricing, through a combination of new product introduction and distribution successes, in the face of strong price competition.

Segmental performance continued

Our stills and water business performed well, despite some supply driven constraints for Snapple in the earlier part of the year, in what was a mixed market environment, where fruit drinks in particular were challenged. While overall revenue was down 2.3%, our continued focus on value improved margins by 270bps.

After several years of double digit revenue growth, our International business grew revenue by 3.8% in the year ended January 2018, as a result of the continued export drive by the Funkin business, tempered by complexities created by our reformulation programme and some local distributor changes.

Our Funkin business (reported within our "Other" segment) continues to perform very strongly. With sales growth of 25%, the business is now more than 50% bigger than when we acquired it in 2015. The key on-trade business has grown volume and margins in each of its product segments (syrups, mixers and purées) benefiting from continued cocktail growth. Our drive into take-home with the Funkin brand has commenced with the launch of the "shaker pack" in both supermarkets and a limited number of impulse outlets. We expect to drive further distribution growth across 2018. As previously disclosed, and following the achievement of certain post-acquisition targets, a £4.5m cash "earn-out", which was accrued at the time of the acquisition, was paid to the previous Funkin shareholders during the financial year.

Margins

Disciplined revenue management has delivered gross margin* gains despite rising input costs. Sterling weakness led to higher input costs across a number of core commodities in the period.

A robust procurement strategy combined with lower overall sugar costs alongside some operational improvements have led to a gross margin* improvement of 20bps at 47.1%. We remain focused on risk mitigation through our procurement, commodity and treasury policies.

Operating margin before exceptional items* was down 60bps to 16.2% (reported operating margin* was down 50bps to 16.5%) despite the benefits of our reorganisation programme coming through. This reflects the decision to invest heavily behind our already successful innovation launches and to support the growth of our core brands in a year of significant reformulation activity. In addition, we have continued to refresh and refocus talent and resources to build our capabilities in growth areas including out of home consumption, e-commerce and Funkin. The 4.0% increase to £44.1m in profit before tax and exceptional items*, and our strong market share gains, give us confidence that this committed approach to growth will provide a robust platform for the future and sustainable value creation for shareholders.

Interest

Net finance charges, totalling £1.0m, largely comprised finance costs associated with the pension deficit. Debt facility charges remain minimal, reflecting our net cash position which has continued to improve this year.

The constituent elements of the interest charge comprised:

	2017/18 £m	2016/17 £m
Finance income	**–**	–
Finance costs	**(0.3)**	(0.2)
Interest related to Group borrowings	**(0.3)**	(0.2)
Finance costs related to pension	**(0.7)**	(0.5)
Net finance costs	**(1.0)**	(0.7)

Taxation

Excluding the exceptional items, the tax charge for the year of £8.0m is £0.6m higher than the corresponding prior year charge, due to increased profits subject to tax. The effective tax rate of 17.2% (2017: 17.4%) (after exceptional items) has decreased by 20bps from the prior year. This primarily reflects the impact of the reduction in the corporation tax rate from 20% to 19% during the year.

Balance sheet, cash flow and net debt

The Group's balance sheet continues to strengthen, with net asset growth* of £21.7m to £201.9m across the financial year. This represents a combination of a £12.2m reduction in the pension deficit under IAS 19, our continued investment in our asset base, some phasing impacts within working capital and the continued profitable and cash generative growth of the business.

The key balance sheet highlights can be summarised as:

- Non-current assets increased slightly to £198.8m (up £3.4m) after several years of sustained investment in assets and infrastructure. Our major capital programme in 2018 was the installation of a new flexible PET line at our Milton Keynes facility. In addition to delivering key capacity to support our innovation agenda, the new line provides us with production risk mitigation and logistical savings from dual site PET production capability.

- Trade and other receivables at £56.6m (2016/17: £51.4m) were up £5.2m (10.1%). The increase is driven both by the overall growth in sales and by the impact of our reformulation programme. The challenging economic environment has put some customers under pressure and, while the aging profile of trade debt has improved, we have had only minimal impact from bad debt in the period. We currently have selective trade insurance in place and are monitoring commercial activity closely.
- ROCE* improved marginally from 20.2% in 2016/17 to 20.4% in 2017/18 as profit delivery was partially offset by working capital phasing and the reduced IAS 19 pension deficit.

Cash flow

The improved net cash position of £15.0m (2017: £9.7m) highlights the strong cash generative nature of our business. It has been delivered in addition to the payment of the Funkin "earn-out" (£4.5m) and the commencement of the share repurchase programme (£8.2m).

We are committed to efficient, sustainable and flexible production at the highest quality standards and have continued to invest behind our infrastructure in support of this goal. Our major expenditure in the year has been on our newly commissioned £10m PET bottling line at Milton Keynes and the commencement of a replacement/upgrade to our syrup room in Cumbernauld. Capital expenditure* in 2018/19 is anticipated to be at a slightly higher level than in 2017/18, primarily driven by phasing of the last payment on the new PET line, the continuation of the syrup room upgrade and our ongoing maintenance and optimisation programmes.

We renegotiated our banking facilities during the year to provide a broader base of relationship banks and higher facility headroom. A strong balance sheet and accessibility to cost-effective and flexible debt facilities provide us with optionality and we are confident that we have the ability and the funding to take advantage of any opportunities that we may identify in the future.

We believe that EBITDA* and Free Cash Flow* offer a further meaningful analysis of the underlying performance of the Group. EBITDA* increased to £53.3m (up 3.1%), representing an EBITDA margin* of 19.2% and delivering a strong cash generating performance, with EBITDA to free cash flow conversion* of 74.9%. Free cash flow, at £39.9m, was £3.3m below last year, a creditable performance as the prior year recognised a significant one-off phasing benefit within payables of £7.2m.

Free cash flow statement	2017/18 £m	2016/17 £m
Operating profit before exceptional items*	**45.1**	43.1
Depreciation and amortisation	**8.2**	8.6
EBITDA*	**53.3**	51.7
Increase in inventories	**(1.0)**	(1.7)
(Increase)/decrease in receivables	**(5.2)**	1.3
Increase in payables	**4.4**	10.2
Movement in pension liability	**(2.1)**	(2.2)
Share-based payment costs	**1.0**	0.9
Exceptional cash items	**2.2**	(4.2)
Net operating cash flow	**52.6**	56.0
Net interest	**(0.1)**	(0.2)
Taxation	**(6.6)**	(7.2)
Cash flow from operations after interest	**45.9**	48.6
Maintenance capex	**(6.4)**	(5.5)
Capex proceeds	**0.4**	0.1
Free cash flow*	**39.9**	43.2
Expansionary capex*	**(4.4)**	(6.9)
Dividends	**(16.9)**	(15.6)
Finance lease payments	**(0.1)**	–
Acquisition of subsidiary	**(4.5)**	–
Net (purchases)/sales of shares by employee benefit trusts	**(0.3)**	0.3
Repurchase of own shares	**(8.2)**	–
Loans repaid (incl arrangement fees)	**(0.2)**	(17.5)
Cash flow from financing	**(34.6)**	(39.7)
Net increase in cash	**5.3**	3.5
Opening cash and cash equivalents	**9.7**	6.2
Closing cash and cash equivalents	**15.0**	9.7
Closing net cash	**15.0**	9.7

Cash flow continued

Strong cash generation and our robust balance sheet have enabled the Group to return significant cash to shareholders in the form of £16.9m of dividends and also supported the repurchase of £8.2m of shares.

Shares with a net value of £0.3m were purchased on behalf of various employee benefit trusts to satisfy the ongoing requirements of the Group's employee share schemes.

Given the current net cash position, the relatively benign outlook for short-term interest rates and the expectation of continued strong free cash generation, no interest rate hedging activity has taken place during the year.

Exceptional items

An exceptional operating credit of £0.8m has been recorded in the year ended 27 January 2018 (2016/17: £0.7m). As a result of receiving a significant offer, we sold our Walthamstow depot during the year and are undertaking a managed exit of the site. The size and one-off nature of the gain on sale of the site makes it appropriate that it is taken as an exceptional item. During the year the business has undertaken significant technical development activity to create and commercialise new reduced sugar products across our portfolio. While R&D is a normal part of our business, the breadth and scale of this activity is unprecedented and therefore it is appropriate that the related costs be recognised as exceptional items for reporting purposes. We believe that this treatment of these gains and costs permits a more meaningful analysis of the underlying performance of the Group.

A net credit of £0.8m pre-tax (£1.1m post tax) for exceptional items included:

Gain on sale of distribution site	£(2.5)m
Reformulation programme	£1.4m
Reorganisation and capability refresh programme	£0.3m
Net exceptional credit	**£(0.8)m**

In the prior year an exceptional credit of £0.7m (£0.6m post tax) was recognised, comprising primarily the net impact of the closure to future accrual of our defined benefit pension scheme and the cost of our Company-wide reorganisation and talent refresh programme.

UK referendum and exit from the European Union

While the impact of Brexit to date remains unclear, we have conducted several planning workshops to consider and prepare for possible outcomes. Given the largely UK focus of our commercial activities, 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 increased administration/documentation. The current value of sterling has created inflationary pressure on our commodity cost base, primarily euro or US dollar denominated. We have a well developed risk management framework in place at both functional and corporate levels of the business and we will continue to closely monitor political and commercial developments and react accordingly to these.

Share repurchase programme

The Board approved a share repurchase programme of up to £30m in March 2017, as part of the Group's approach to capital allocation and under the authority to repurchase up to 10% of its own shares granted at the AGM in May 2017. This programme commenced in May 2017 and remains on schedule to complete by May 2019. During the year ended 27 January 2018 the Company purchased 1.3m shares at a total cost of £8.2m. The repurchase activity has continued since the year end. Between the balance sheet date and the date of approval of the financial statements (27 March 2018), a further 744,135 shares have been repurchased at a cost of £4.8m. Shareholders at the forthcoming AGM in May 2018 will be requested to approve the renewal of the authority for the Board to repurchase up to 10% of the Company's own shares to enable the repurchase programme to continue to its conclusion.

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) was approved by the Trustees on 8 March 2018. This valuation identified a £4.8m deficit based on an agreed range of demographic and financial assumptions. Since the year end, the Company and pension trustees have agreed a funding programme that would eliminate this deficit within 4 years. This plan has been submitted to the Pension Regulator.

On an IAS 19 valuation basis the deficit reduced from £27.4m at the end of 2016/17 to £15.2m 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, and an updating of other assumptions. 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 is comfortable that the overall pension deficit is supportable.

Implementation of IFRS 15: Revenue from contracts with customers

IFRS 15 establishes a new framework for determining and recognising revenue as well as requiring new additional disclosures. The new standard is effective for A.G. BARR p.l.c. for the year ending 26 January 2019 and we will be implementing its requirements in our interim Report for the 6 months ending 28 July 2018.

The primary impact will be a reclassification of certain payments and customer incentives. These are currently recognised as selling and distribution costs and going forward will be set against revenue. The adoption of the standard is not expected to impact profit before tax. Had the standard been adopted in the current year the impact would have been a reduction in revenue in the range of £10m to £13m and a decrease of selling and distribution costs of the same amount. Profit before tax would be unchanged and gross margin would have been between 2.0% and 2.6% lower.

Share price and market capitalisation

At 27 January 2018, the closing share price for A.G. BARR p.l.c. was £6.29, an increase of 25.3% on the closing January 2017 position. The Group is a member of the FTSE 250, with a market capitalisation* of £726m at the year end.

Stuart Lorimer
Finance Director

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 137 to 139.

Note: Where stated, brand sales growth is based on invoiced revenue* for the 52 weeks to 27 January 2018.

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 constantly reviewed on an ongoing basis; the Group's risk register is formally reviewed by the Risk Committee quarterly 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 45.

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 opposite 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 UK's decision to leave the European Union created a volatile and uncertain economic environment which has continued over the past twelve months. Like many other businesses, we are closely following developments in this area. We have created a working group to monitor the potential impact of Brexit on the Group and to take appropriate actions, overseen by the Risk Committee. We believe that it is still too early to quantify or determine with any certainty 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 current assessment is that Brexit will not have a significant impact on the Group, other than through its effect on foreign exchange rates to which it is exposed through the purchase of certain commodities. The effect of Brexit on the free movement of people and the possible introduction of trade tariffs may also impact the Group, however we do not expect this 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
Consumer rejection of reformulated products	Consumers may decide to purchase and consume alternative brands or spend less on soft drinks.	We announced on 1 February 2018 that, following an extension of our innovation and reformulation programme, we expect that up to 99% of our soft drinks portfolio by volume will contain less than 5g of total sugars per 100ml before the implementation of the Soft Drinks Industry Levy in April 2018. Hence the nature of the principal risk disclosed last year "Changing consumer attitudes towards sugar/further government intervention on sugar" has changed to become one of the risk of consumer rejection of our reformulated products. The risk of further government intervention on sugar remains, however we do not currently consider this to be a principal risk. We conducted an extensive research and testing programme in the years prior to the launch of our reformulated products to ensure that we have an excellent taste match for each reformulated product.	NR
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.	No change
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. During the 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.	Decreased

Principal risks and uncertainties continued

Risks relating to the Group continued

Risk	Impact	Controls and mitigating actions	Movement
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. A Corporate Social Responsibility Committee is in place, with a clearly defined and communicated Corporate Social Responsibility Policy. 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. During the year there has been an increased level of environmental lobbying in relation to packaging waste, particularly 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 or the possible introduction of a single use plastics tax.	
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 recent consolidation in the retail grocery market on the Group has increased the level of gross risk in this area. During the year a project was undertaken to determine the potential impact of this consolidation in the retail grocery market on the Group and to take appropriate actions; this will be a continued area of focus over the following 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.	
Failure of critical IT systems	A failure of critical IT systems could result in a loss of key systems, business interruption, lost sales or lost production.	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. During the year an employee cyber training programme was implemented to increase employee cyber risk awareness.	

Risk	Impact	Controls and mitigating actions	Movement
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 secure budgeted exchange rates and thereby reduce the 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 is expected to continue to affect foreign exchange rates to which the Group is exposed through the purchase of certain commodities. 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. This risk has been introduced as a new principal risk this year, given the increasing scale of our partnership arrangements and their importance to the delivery of our strategy, particularly in light of our new recent partnerships with San Benedetto and Bundaberg.	NR

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 2021, 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 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 Company's value 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 recent investment in production capability. This model was then subject to a series of theoretical "stress test" scenarios based on the materialisation of principal risks that included both the impact of severe but plausible scenarios for each principal risk and also scenarios that considered the impact should these principal risks occur at the same time. Some of the scenarios considered included a significant and sustained change in consumer preferences and the impact of a breakdown in the supply chain resulting in a disruption to supply. The assessment performed indicates that in certain extreme scenarios, there would be a need to extend the credit facilities, due to reduce in 2020, back to current levels. Given the Group's current net debt/EBITDA ratio and that forecast under these scenarios, the directors are confident this would be obtained.

The results of these tests were reviewed taking account of the Group's current position, the Group's experience of managing adverse conditions in the past and the mitigating actions available to the business. A reverse stress test was also performed, allowing the Board to assess scenarios and circumstances that would render its business model unviable and enabling the identification of potential business vulnerabilities and the development of appropriate mitigating actions. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to January 2021.

By order of the Board

J.A. Barr
Company Secretary
27 March 2018

John R. Nicolson
B.A. (Hons)
Chairman

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.

Term of Office
Joined the Company in 2013 as a Non-Executive Director. Appointed Chairman January 2015.

External Appointments
Non-Executive Director of Stocks Spirits Group PLC, Non-Executive Director of North American Breweries Inc, and Non-Executive Director of PZ Cussons PLC.

Committee Membership
Nomination Committee (Chair)
Remuneration Committee

Roger A. White
M.A. (Hons)
Chief Executive

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.

Term of Office
Joined the Company in 2002 as Managing Director. Appointed Chief Executive in 2004.

External Appointments
Non-Executive Director of Troy Income & Growth Trust plc.

Stuart Lorimer
BAcc. (Hons), C.A. M.C.T.
Finance Director

Stuart was with Diageo for 22 years in a range of roles and countries, ultimately as the FD for Diageo's Global Supply Operation.

Term of Office
Joined the Company as Finance Director in January 2015.

External Appointments
Trustee of Community Integrated Care.

Jonathan D. Kemp
B.A. (Hons)
Commercial Director

Jonathan has had a successful career in various commercial roles within Procter and Gamble.

Term of Office
Joined the Company in 2003 as Commercial Director.

External Appointments
Non-Executive Director of Cricket Scotland Limited.

Andrew L. Memmott
BSc, MSc.
Supply Chain Director

Andrew joined the Company following three years with Cooperative Wholesale Society.

Term of Office
Joined the Company's Project Engineering Team in June 1990. Appointed Operations Director in 2008.

External Appointments
None

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.

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

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

Committee Membership
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.

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

External Appointments
None

Committee Membership
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.

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

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

Committee Membership
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.

Term of Office
Joined the Company in April 2015 as Non-Executive Director.

External Appointments
None

Committee Membership
Audit Committee
Nomination Committee
Remuneration Committee (Chair)

Susan Barratt*
B.A., A.C.A.
Non-Executive Director

Susan is a Chartered Accountant, and has spent much of her career in financial roles including senior finance roles in Whitbread plc, Laurel Pub Company and Eldridge Pope where she moved from Finance Director to CEO.

Term of Office
Joined the Company in 2018 as a Non-Executive Director.

External Appointments
CEO of Natures Way Foods Ltd, Trustee of the IGD.

Committee Membership
Audit Committee
Nomination Committee
Remuneration Committee

* Susan Barratt was appointed to the Board on 28 January 2018.

Chairman's Introduction

Dear Shareholder,

I am pleased to present our Corporate Governance Report, which describes how the main principles of the 2016 UK Corporate Governance Code have been applied during the year. Information about the Board, its members and committees, and an overview of the Company's system of internal controls are also included.

There were no changes to the Board during the financial year. Susan Barratt, our new independent non-executive director, was appointed to the Board with effect from 28 January 2018. Susan brings a wealth of valuable experience in the UK customer space and will support the continued development of our Board capabilities.

Further details of the Board's composition are given on pages 38 and 39.

John R. Nicolson
Chairman
27 March 2018

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 has an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its responsibilities effectively. The Board currently has ten members, comprising four executive directors, the non-executive Chairman, four independent non-executive directors and one non-independent non-executive director. Biographical details of the directors are set out on pages 38 and 39.

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 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 and D.J. Ritchie 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, director of North American Breweries Inc and director of PZ Cussons plc. 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 27 January 2018.

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 will submit themselves for re-election at the AGM.

Details of directors' remuneration and interests in shares of the Company are given in the Directors' Remuneration Report on pages 48 to 71.

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, including 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 ten senior managers.

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 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 evaluation were shared with all members of 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.

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.

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.

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.

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 27 January 2018 is set out below. During the year, the Board also convened two additional Board meetings in relation to the Company's reformulation programme and one additional Board meeting in relation to a corporate transaction. All of the directors who were entitled to attend those Board meetings attended each Board meeting, with the exception of M.A. Griffiths and P. Powell, who attended two of those three meetings.

Meetings and attendance continued

	Board Maximum 10	Audit Committee Maximum 4	Remuneration Committee Maximum 7	Nomination Committee Maximum 4
Executive				
R.A. White*	10	–	5	4
S. Lorimer**	10	4	–	–
J.D. Kemp	10	–	–	–
A.L. Memmott	9	–	–	–
Non-executive				
J.R. Nicolson	10	–	7	4
W.R.G. Barr	10	4	7	4
M.A. Griffiths	9	4	7	4
D.J. Ritchie	10	4	7	4
P. Powell	9	4	5	4

* R.A. White attended Board committee meetings during the year by invitation.
** S. Lorimer attended Audit Committee meetings during the year by invitation.

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.

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 45 to 47. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 48 to 71.

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 and D.J. Ritchie. 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 also makes recommendations to the Board on 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 four times during the year and, amongst other matters, considered the recruitment of an additional non-executive director.

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. During the year, 11% of the Board were female and 14% of the Management Committee were female. Following S.V. Barratt's appointment to the Board as a non-executive director on 28 January 2018, 20% of the Board 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 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 also includes the ability to utilise certain financial instruments in order to hedge the Group's exposure to interest rate fluctuations.

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 29 January 2017 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 17 January 2018, following a review and evaluation of the Group's risk management and internal control systems in place, the Audit Committee concluded that the Group has a sound system of risk management and internal controls in place.

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 27 January 2018 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 is set out in the Strategic Report on pages 34 to 37.

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 Company.

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 27 January 2018 with the provisions of the Code, except as set out below.

During the year the Board comprised four executive directors, the non-executive Chairman and three 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. Accordingly, during the year to 27 January 2018 the composition of the Board did not, at any time, comply with provision B.1.2 of the Code. The Board considers that, despite this non-compliance, the Board has 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. In addition, S.V. Barratt, an independent non-executive director, was appointed to the Board with effect from 28 January 2018. Therefore, following S.V. Barratt's appointment, the Board composition is the same with the exception that there are now four independent non-executive directors.

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
27 March 2018

Audit Committee Report

Composition

During the year the Audit Committee comprised four non-executive directors: M.A. Griffiths, W.R.G. Barr, P. Powell and D.J. Ritchie. S.V. Barratt was appointed to the Audit Committee with effect from 28 January 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 Committee members are shown on page 39.

Meetings

The Audit Committee met four times during the year. The meetings are attended by the Committee members and, by invitation, the Finance Director, the Central 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 appropriateness of the Group's whistle-blowing 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 year 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 29 July 2017;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 27 January 2018;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 27 January 2018, which included comments on its findings on internal control and on the disclosure of 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;
- 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 recommended the Group's tax risk management policy to the Board;
- reviewed the appropriateness of the Group's whistle-blowing procedures;
- reviewed the effectiveness of the Group's anti-bribery systems and controls;
- received reports from internal audit covering various aspects of the Group's operations, controls and processes;
- reviewed the Group's delegated authority limits;
- conducted a competitive tender process for the provision of internal audit services to the Group for 2018/19 onwards and approved the appointment 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;

Activities of the Audit Committee continued

- 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; 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 27 January 2018, 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 77.

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 commercial investment process and 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.
- 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 more prudent than the external auditor's benchmarks, however they were within an acceptable range. The Audit Committee was satisfied that the assumptions used were reasonable.
- 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:

- Exceptional items: the Audit Committee considered reports received from management and the external auditor in relation to the classification and presentation of certain items as exceptional and was satisfied with the treatment and presentation of various items which arose during the year as exceptional, the largest of which related to the exceptional gain on the sale of the Walthamstow site. In addition there were exceptional costs associated with the Group's reformulation programme and the Company-wide reorganisation.
- The presentation of adjusted performance measures.

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 media investment and innovation processes and controls, tax strategy, product quality, pension schemes and channel performance in the multiples.

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 Chairman 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 are deemed to have been pre-approved by the Audit Committee. This 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 0.55:1, within the 70% cap in the FRC's guidance which will be required from 2019. 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 half year assurance services, remuneration advisory services, and IT and system support services relating to non-financial information technology systems. The level of fees for non-audit services was 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 under the Code to tender the external audit contract at least every ten years. Due to the recent external audit tender and change of external auditor, 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 Committee also 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. During the year, the Audit Committee also carried out a detailed and comprehensive evaluation of the external auditor and the effectiveness of the external audit process by means of a written survey questionnaire completed by Audit Committee members. The results of the evaluation were shared with the external auditor. 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 was effective. The Audit Committee has recommended to the Board that a resolution proposing the appointment of Deloitte LLP be put to shareholders at the 2018 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 receives updates on progress against the internal audit plan throughout the year.

During the year, the Audit Committee conducted a competitive tender process for the provision of internal audit services to the Group and approved the appointment of Ernst & Young LLP ("EY") as the Group's internal auditor for 2018/19 onwards. The Audit Committee looks forward to working with EY to continue to improve the effectiveness of the internal audit function.

Martin A. Griffiths
Chairman of the Audit Committee
27 March 2018

Directors' Remuneration Report

Remuneration Committee – Chairman's Statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 27 January 2018, which sets out the Directors' Remuneration Policy and the Annual Report on Remuneration. The 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. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 27 January 2018 and how the Policy will be operated for the year commencing 28 January 2018.

I am delighted to report on the strong level of support received from shareholders, as evidenced by the voting outcomes at the 2017 AGM. The resolutions seeking approval of the Directors' Remuneration Policy and the Annual Report on Remuneration were supported by over 99.0% of the votes cast.

2017/18 key decisions and pay outcomes

The Remuneration Committee remains committed to a responsible approach to executive pay and believes that variable pay should only be earned for strong performance against stretching performance targets. As described in the Strategic Report, against challenging soft drinks market conditions, the Group delivered revenue for the year ended 27 January 2018 of £277.7m, an increase of 8% on the prior year. The UK soft drinks market grew by 2.9% in value over the same period of time. Pre-tax profit before exceptional items increased by 4% on the prior year. Against this background and taking into account executive directors' performance against strategic objectives, an annual bonus of 78% of maximum was earned by R.A. White, S. Lorimer and J.D. Kemp and an annual bonus of 74% of maximum was earned by A.L. Memmott. Average EPS for the three years ended 27 January 2018 exceeded the average EPS for the three years preceding that period (both being adjusted for Consumer Price Index) by 10.8%. As a result, the Long Term Incentive Plan ("LTIP") awards granted in April 2015 vested at 22.81%. Further details in relation to the annual bonus and LTIP vesting are included on pages 52 to 54.

Director remuneration for 2018/19

In line with the range of salary increases across the Group, an increase of 2.5% will be made to the executive directors' base salaries with effect from 1 April 2018. An increase of 2.5% will also be made to the Chairman's fee and the other non-executive directors' basic fee with effect from 1 April 2018.

No changes are proposed to the annual bonus for the year ending 26 January 2019, with awards continuing to be subject to a combination of profit before tax and strategic performance measures. Details of bonus award levels and performance measure weightings are provided on page 52. Performance targets for these bonus awards will be disclosed in the Annual Report on Remuneration for the year ending 26 January 2019.

No changes are proposed to the LTIP for the year ending 26 January 2019, with awards continuing to be subject to an EPS performance measure. EPS is a key performance indicator for the Company and shareholders, and remains a highly credible measure of long term performance. Details of the EPS targets for the proposed LTIP awards are set out on page 54. The proposed LTIP awards will be subject to a maximum of 125% of salary. The Remuneration Committee keeps long term performance metrics under review.

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

David J. Ritchie
Chairman of the Remuneration Committee
27 March 2018

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 2018/19.

Single figure table – audited information

The aggregate remuneration provided to directors who have served as directors in the year ended 27 January 2018 is set out below, along with the aggregate remuneration provided to such directors for the year ended 28 January 2017.

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	136	306	1,279
S. Lorimer	267	26	209	80	75	657
J.D. Kemp	237	25	185	71	55	573
A.L. Memmott	211	26	156	64	72	529
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**	**351**	**508**	**3,383**

Year ended 28 January 2017

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term‡ incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	443	30	102	238	157	970
S. Lorimer	262	23	60	57	56	458
J.D. Kemp	232	23	42	125	50	472
A.L. Memmott	207	23	37	111	76	454
Non-executive						
J.R. Nicolson	136	–	–	–	–	136
W.R.G. Barr	46	–	–	–	–	46
M.A. Griffiths	56	–	–	–	–	56
P. Powell	46	–	–	–	–	46
D.J. Ritchie	54	–	–	–	–	54
Total	**1,482**	**99**	**241**	**531**	**339**	**2,692**

The long term incentives figure of £531,000 for the year ended 28 January 2017 is the total gain made by directors in the year ended 27 January 2018 on the LTIP awards that vested on 3 June 2017. For the year ended 27 January 2018 a gain of £8,000 was made by the executive directors on the exercise of share options under the SAYE, which when added to the long term incentives gain of £351,000 noted in the table above results in a total gain of £359,000.

‡ The long term incentives figure for the year ended 28 January 2017 has been restated to reflect the market value of the shares that vested on 3 June 2017 as at that date. The long term incentives figure for the year ended 28 January 2017 set out in the Annual Report 2016/17 used the average closing share price for the three months ended 28 January 2017 as an estimate of the market value of those shares.

Annual report on remuneration continued

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 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 61.
(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 52.
(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 27 January 2018. 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 60.
(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 54 to 56.

Individual elements of remuneration

Base salary and fees

Base salaries for individual executive directors for the year ended 27 January 2018 and for the following year are set out in the table below:

Executive Director	Base salary for year ended 27 January 2018 £000	Base salary for year ending 26 January 2019 £000	Increase %
R.A. White	451	462	2.5%
S. Lorimer	267	273	2.5%
J.D. Kemp	237	242	2.5%
A.L. Memmott	211	216	2.5%

Details of non-executive directors' fees for the year ended 27 January 2018 and for the following year are set out in the table below:

Non-executive Director fee	Year ended 27 January 2018 £000	Year ending 26 January 2019 £000	Increase %
Chairman of the Company	139	142	2.5%
Basic fee	47	48	2.5%
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 27 January 2018

Executive Director	Car and fuel benefit £000	SAYE £000	AESOP awards £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**

Year ended 28 January 2017

Executive Director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Total £000
R.A. White	26	–	4	30
S. Lorimer	19	–	4	23
J.D. Kemp	19	–	4	23
A.L. Memmott	19	–	4	23
Total	**83**	**–**	**16**	**99**

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

Annual report on remuneration continued

Annual bonus

The maximum annual bonus award opportunity for each executive director in respect of the year ended 27 January 2018 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 including a threshold and maximum level, and 20% based on non-financial strategic measures. The executive directors earned a total of £903,000 as annual bonus for the year, representing 78% of R.A. White's, S. Lorimer's and J.D. Kemp's salary and 74% 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	£42.0m	£43.0m	£45.0m	£44.1m	80%	62%

Non-financial strategic measures account for 20% of the bonus and targets were set around the Company's key areas of strategic focus. For R.A. White, these targets focused on the implementation of the Soft Drinks Industry Levy, brand development and innovation, the corporate structure, internal communication and engagement, and corporate development. Following strong progress across these targets, the Remuneration Committee considered it appropriate to pay a bonus equal to 16% of salary to R.A. White. For the other executive directors, their non-financial strategic measure targets focused on areas including brand innovation, enhanced operational effectiveness, improved supply chain efficiency and further development of the Group's strategic, planning and budgeting processes. The Remuneration Committee assessed progress against the strategic targets for each of the other executive directors and considered it appropriate to pay a bonus of 16% of salary to S. Lorimer and J.D. Kemp and 12% of salary to A.L. Memmott.

Annual bonus for 2018/19

For the 2018/19 financial year, an element of the annual bonus (20% of basic salary) will continue to be assessed against strategic measures 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 2015 were subject to the achievement of an average EPS growth performance condition over a three year period ended 27 January 2018.

	% linked to award	Threshold vesting at 20% of the maximum award	Maximum vesting at 100% of the maximum award
Three year average EPS growth in excess of CPI	100%	10%	32.5%

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

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

Year ended 27 January 2018

Executive Director	Total shares Number	Award rate* %	Shares awarded** Number	Share price*** £	LTIP value £000
R.A. White	88,579	22.81%	21,495	6.33	136
S. Lorimer	52,337	22.81%	12,699	6.33	80
J.D. Kemp	46,449	22.81%	11,271	6.33	71
A.L. Memmott	41,371	22.81%	10,038	6.33	64
Total	**228,736**		**55,503**		**351**

* Based on three year average EPS growth of 10.8%, calculated by comparing the average EPS for the three years ended 27 January 2018 to the average EPS for the three years ended 25 January 2015 (both being adjusted for CPI).

** Shares vesting under the LTIP for the year ended 27 January 2018 include dividend equivalents from the award date for each director.

*** The long term incentives figure for the year ended 27 January 2018 has been valued using the average closing share price for the three months ended 27 January 2018 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 2018.

Year ended 28 January 2017

Executive Director	Total shares Number	Award rate %	Shares awarded Number‡	Share price at vesting* £	LTIP value £000
R.A. White	84,354	40.02%	36,426	6.55	238
S. Lorimer	20,325	40.02%	8,727	6.55	57
J.D. Kemp	44,234	40.02%	19,101	6.55	125
A.L. Memmott	39,399	40.02%	17,013	6.55	111
Total	**188,312**		**81,267**		**531**

* The long term incentives figure for the year ended 28 January 2017 has been restated to reflect the market value of the shares that vested on 3 June 2017 as at that date. The long term incentives figure for the year ended 28 January 2017 set out in the Annual Report 2016/17 used the average closing share price for the three months ended 28 January 2017 as an estimate of the market value of those shares.

‡ With the exception of S. Lorimer, executive directors were granted ESOS awards in the form of market value options under the HMRC tax-efficient section of the ESOS. These ESOS awards were subject to the same performance measures as the LTIP awards and therefore 1,914 of the 4,784 ESOS awards granted vested for each of the executive directors. The LTIP awards were scaled back by the amount equal to the gain on exercise of the ESOS awards and therefore the total pre-tax value delivered to the executive directors remained unchanged.

Annual report on remuneration continued

Awards granted during the financial period

During the year ended 27 January 2018 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	91,086	566	20.0	3
	ESOS award*	2,898	18	20.0	3
S. Lorimer	LTIP award	53,818	334	20.0	3
J.D. Kemp	LTIP award	47,763	297	20.0	3
	ESOS award*	2,898	18	20.0	3
A.L. Memmott	LTIP award	42,542	264	20.0	3
	ESOS award*	2,898	18	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 2017/18, 2018/19 and 2019/20	100%	90.0p	102.0p

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 2017.

Long term incentives for 2018/19

LTIP awards granted in 2018 will be subject to cumulative EPS performance for 2018/19, 2019/20 and 2020/21. 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 2018 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 27 January 2018

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**

Year ended 28 January 2017

Director	Defined benefit £000	Defined contribution £000	URBS £000	Investment return on URBS £000	Total £000
R.A. White	29	–	130	(2)	157
S. Lorimer	–	10	46	–	56
J.D. Kemp	–	10	40	–	50
A.L. Memmott	19	10	47	–	76
Total	**48**	**30**	**263**	**(2)**	**339**

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 27 January 2018 £000	Normal Retirement Age
R.A. White	70	63*
A.L. Memmott	46	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 28 January 2017 and 27 January 2018 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 four or eight times pensionable salary dependent upon the date of joining the Scheme.

Annual report on remuneration continued

No contributions were paid to the defined contribution section of the Scheme during the year ended 27 January 2018. Contributions were paid during the year ended 28 January 2017 in respect of J.D. Kemp, A.L. Memmott and S. Lorimer. These are shown in the Defined Contribution column in the total pension entitlements table above.

During the year ended 27 January 2018, R.A. White, J.D. Kemp, A.L. Memmott and S. Lorimer 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 £1,860,503 (2016/17: £1,317,323) is included in the closing balance sheet for the URBS. The liability has been accrued in respect of the directors as follows:

Executive Director	Accrual at 27 January 2018 £	Accrual at 28 January 2017 £
R.A. White	**1,374,356**	1,068,701
S. Lorimer	**170,162**	79,057
J.D. Kemp	**156,778**	87,135
A.L. Memmott	**159,207**	82,430
Total URBS liability	**1,860,503**	1,317,323

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 these are disclosed in the Remuneration Policy approved by shareholders at the 2017 AGM. 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 27 January 2018. 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 27 January 2018 and will retain 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 27 January 2018 (including those held by their connected persons) were as set out below. There were no changes to these interests between 27 January 2018 and 27 March 2018 with the exception of the following changes: an increase in S. Lorimer's holding of 62 shares, an increase in R.A. White's holding of 63 shares, an increase in A.L. Memmott's holding of 61 shares, an increase in J.D. Kemp's holding of 61 shares and an increase in W.R.G. Barr's connected persons' holding of 1,605,457 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 27 January 2018
Executive							
R.A. White	Shares	373,772	–	–	–	–	373,772
	LTIP shares	–	33,758	–	285,301	–	285,301
	ESOS shares	–	1,914	–	2,898	–	2,898
	SAYE options	–	1,089	–	–	3,682	3,682
	AESOP free shares	–	563	–	–	–	–
	AESOP matching shares	–	97	–	–	499	499
S. Lorimer	Shares	9,834	–	–	–	–	9,834
	LTIP shares	–	8,134	–	168,571	–	168,571
	ESOS shares	–	–	–	5,703	–	5,703
	SAYE options	–	–	–	–	4,232	4,232
	AESOP free shares	–	563	–	–	–	–
	AESOP matching shares	–	97	–	–	232	232
	Shares – connected persons' holding*	–	–	–	–	–	427,313
J.D. Kemp	Shares	144,303	–	–	–	–	144,303
	LTIP shares	–	17,702	–	149,606	–	149,606
	ESOS shares	–	1,914	–	2,898	–	2,898
	SAYE options	–	670	–	–	3,894	3,894
	AESOP free shares	–	563	–	–	–	–
	AESOP matching shares	–	98	–	–	500	500
A.L. Memmott	Shares	117,081	–	–	–	–	117,081
	LTIP shares	–	15,767	–	133,252	–	133,252
	ESOS shares	–	1,914	–	2,898	–	2,898
	SAYE options	–	1,089	–	–	3,682	3,682
	AESOP free shares	–	563	–	–	–	–
	AESOP matching shares	–	98	–	–	503	503
Non-executive							
W.R.G. Barr	Shares	6,033,876	–	–	–	–	6,033,876
	Shares – connected persons' holding**	–	–	–	–	–	9,363,300
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. Lorimer's connected persons' shareholding relates to his position as director of Robert Barr Ltd, the trustee of various employee benefit trusts.
** W.R.G. Barr's connected persons' shareholding relates 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.

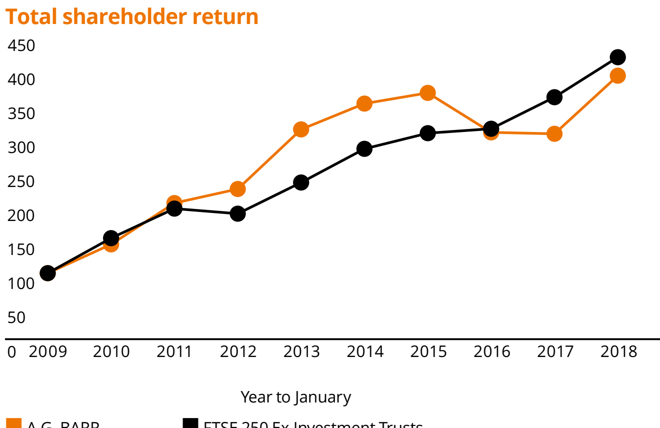
Annual report on remuneration continued

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 nine 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 nine years

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

	Total remuneration £000	Annual bonus as a % of maximum opportunity %	LTIP as a % of maximum opportunity %
Year ended 27 January 2018	1,279	78.0%	22.81%
Year ended 28 January 2017	915	23.0%	40.02%
Year ended 30 January 2016	839	0%	37.89%
Year ended 25 January 2015	1,075	75.5%	31.9%
Year ended 26 January 2014	989	57.8%	38.2%
Year ended 26 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 30 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 28 January 2017 and the pay for the year ended 27 January 2018 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 27 January 2018 but excludes executive and non-executive directors.

Percentage change	CEO	Wider workforce
Salary	1.8%	2.1%
Benefits	0.0%	0.0%
Annual bonus*	246%	94%

* R.A. White earned an annual bonus of 78% of salary in respect of the year to 27 January 2018 compared to 23% of salary in respect of the year to 28 January 2017, 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).

	Year ended 28 January 2017 £000	Year ended 27 January 2018 £000	% change
Dividends	16,815*	17,951**	6.8%
Overall expenditure on pay	35,500***	42,300	19.2%

* Dividends payable in respect of the year ended 28 January 2017.
** Dividends payable in respect of the year ended 27 January 2018.
*** Overall expenditure on pay for the year ended 28 January 2017 includes the effect of the closure of the defined benefit pension scheme to future accrual on 1 May 2016 and the subsequent reduction in pension costs for the remainder of the year.

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, 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 consultant:

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 27 January 2018
Deloitte LLP (Deloitte)	Appointed by the Remuneration Committee in January 2014 following a competitive tender process.	Advice on the reporting regulations in connection with the disclosure of directors' remuneration. Advice on market practice developments in executive pay.	£14,600 Charged on a time/cost basis.	External auditor and certain other services (see pages 46 and 47 of this Annual Report and financial statements).

The Remuneration Committee is satisfied that all advice received was objective and independent. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

Deloitte was appointed as external auditor in May 2017. This prompted the Remuneration Committee to review the services provided by Deloitte as advisers to the Remuneration Committee. Following consultation with the Board, and consideration of the self-review, self-interest and management threats to independence, the Remuneration Committee concluded that Deloitte should be retained as advisers to the Remuneration Committee. As Deloitte are external auditor to the Company, Deloitte's advice to the Remuneration Committee is governed by certain guidelines and safeguards. The Remuneration Committee will continue to review the objectivity and independence of this engagement, having regard to the non-audit services policy of the Group.

Annual report on remuneration continued

Statement of voting at last AGM

The following table sets out actual voting in respect of the resolutions to approve the 2016/17 Annual Report on Remuneration 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	75,616,592	99.74	196,204	0.26	41,102
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 28 January 2017 Number	Awarded Number	Vested Number	Lapsed Number	At 27 January 2018 Number	Exercisable from
R.A. White	03 June 2014	84,354	–	(33,758)	(50,596)	–	03 June 2017
	15 April 2015	88,579	–	–	–	88,579	15 April 2018
	07 April 2016	105,636	–	–	–	105,636	07 April 2019
	25 April 2017	–	91,086	–	–	91,086	25 April 2020
S. Lorimer	15 April 2015	20,325	–	(8,134)	(12,191)	–	03 June 2017
	15 April 2015	52,337	–	–	–	52,337	15 April 2018
	07 April 2016	62,416	–	–	–	62,416	07 April 2019
	25 April 2017	–	53,818	–	–	53,818	25 April 2020
J.D. Kemp	03 June 2014	44,234	–	(17,702)	(26,532)	–	03 June 2017
	15 April 2015	46,449	–	–	–	46,449	15 April 2018
	07 April 2016	55,394	–	–	–	55,394	07 April 2019
	25 April 2017	–	47,763	–	–	47,763	25 April 2020
A.L. Memmott	03 June 2014	39,399	–	(15,767)	(23,632)	–	03 June 2017
	15 April 2015	41,371	–	–	–	41,371	15 April 2018
	07 April 2016	49,339	–	–	–	49,339	07 April 2019
	25 April 2017	–	42,542	–	–	42,542	25 April 2020

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 28 January 2017 Number	Awarded Number	Vested Number	Lapsed Number	At 27 January 2018 Number	Exercisable from
R.A. White	03 June 2014	4,784	–	(1,914)	(2,870)	–	03 June 2017
	25 April 2017	–	2,898	–	–	2,898	25 April 2020
S. Lorimer	07 April 2016	5,703	–	–	–	5,703	07 April 2019
J.D. Kemp	03 June 2014	4,784	–	(1,914)	(2,870)	–	03 June 2017
	25 April 2017	–	2,898	–	–	2,898	25 April 2020
A.L. Memmott	03 June 2014	4,784	–	(1,914)	(2,870)	–	03 June 2017
	25 April 2017	–	2,898	–	–	2,898	25 April 2020

Executive directors' interests in the SAYE

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

SAYE Director	At 28 January 2017 Number	Granted Number	Exercised Number	Lapsed Number	At 27 January 2018 Number	Option price Pence	Exercisable from
R.A. White	1,089	–	(1,089)	–	–	358	01 January 2018
	3,682	–	–	–	3,682	567	01 October 2020
S. Lorimer	4,232	–	–	–	4,232	567	01 October 2020
J.D. Kemp	670	–	(670)	–	–	358	01 January 2018
	3,894	–	–	–	3,894	567	01 October 2020
A.L. Memmott	1,089	–	(1,089)	–	–	358	01 January 2018
	3,682	–	–	–	3,682	567	01 October 2020

AESOP free shares

The following free share awards were made to the executive directors under the AESOP scheme:

	Date of award and vesting date	Share price on date of award Pence	At 28 January 2017 Number	Shares awarded Number	Shares vested Number	Shares lapsed Number	At 27 January 2018 Number	Value vested £000
R.A. White	14 June 2017	638	–	563	(563)	–	–	4
S. Lorimer	14 June 2017	638	–	563	(563)	–	–	4
J.D. Kemp	14 June 2017	638	–	563	(563)	–	–	4
A.L. Memmott	14 June 2017	638	–	563	(563)	–	–	4

Approval

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

David J. Ritchie
Chairman of the Remuneration Committee
27 March 2018

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 policy is due to be reviewed by 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.

Directors' Remuneration Policy continued

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 70, 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.

Directors' Remuneration Policy continued

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 55. The contributions paid to the defined contribution section in respect of three executive directors are disclosed on page 55. Details of accruals under the URBS are disclosed on page 56. 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.

Directors' Remuneration Policy continued

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.

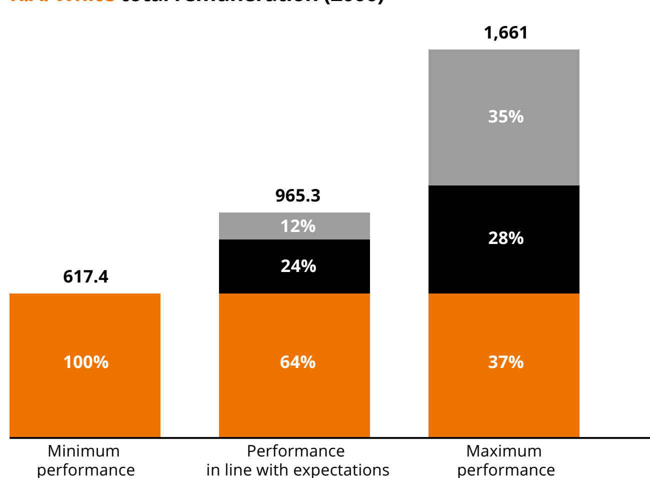
Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

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.

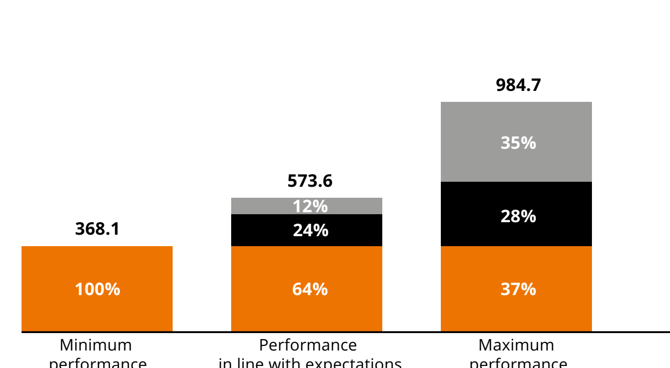
Fees payable to a newly-appointed Chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

Illustrations of application of Remuneration Policy

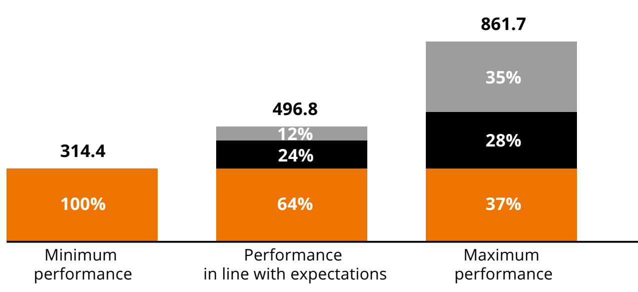
The charts below set out an illustration of the Remuneration Policy for 2018/19 in line with the Remuneration Policy above and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of the Remuneration Policy and the value of each component.



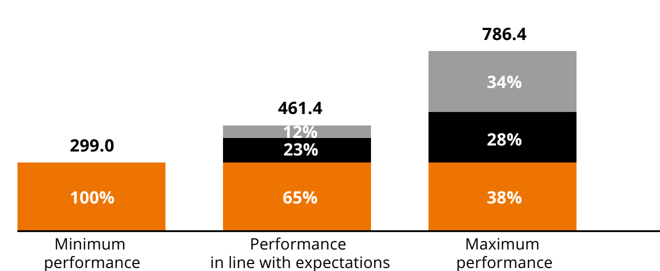
S. Lorimer total remuneration (£000)



J.D. Kemp total remuneration (£000)



A.L. Memmott total remuneration (£000)



- Base salary, benefits and pension
- Annual bonus
- LTIP

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 2018) and the value for benefits has been calculated as per the single figure table on page 49.	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.

Directors' Remuneration Policy continued

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 six 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.

Directors' Report

The directors present their report and the audited consolidated financial statements of the Group for the 52 weeks (2017: 52 weeks) ended 27 January 2018.

Strategic Report

The Companies Act 2006 requires the directors to present a review of the business during the year to 27 January 2018 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 37 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 40 to 44 and is incorporated by reference into this Directors' Report.

Results and dividends

The Group's profit after tax for the financial year ended 27 January 2018 attributable to equity shareholders amounted to £37.2m (2017: £35.6m).

An interim dividend for the current year of 3.71p (2017: 3.53p) per ordinary share was paid on 20 October 2017. The final proposed dividend of 11.84p (2017 final dividend: 10.87p) per ordinary share will be paid on 8 June 2018 if approved at the Company's annual general meeting on 30 May 2018 ("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 £26.2m (2017: £25.7m).

Directors

The following were directors of the Company during the financial year ended 27 January 2018 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 (appointed 28 January 2018)
- M.A. Griffiths
- P. Powell
- D.J. Ritchie

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 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 38 to 39 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 56 to 57. 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 27 January 2018 and 27 March 2018: an increase in S. Lorimer's holding of shares of 62 shares, an increase in R.A. White's holding of 63 shares, an increase in A.L. Memmott's holding of 61 shares, an increase in J.D. Kemp's holding of 61 shares and an increase in W.R.G. Barr's connected persons' holding of 1,605,457 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 £1.4m (2017: £1.1m).

Political donations and political expenditure

No Group company made any political donations or incurred any political expenditure in the year (2017: £nil).

Post balance sheet events

Relevant post balance sheet events requiring disclosure are included in Note 32 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.

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 the 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 five year savings contract which provides the participant with an option to purchase shares after 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 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 27 January 2018, 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)	15,468,597	13.46	Indirect
Caledonia Investments plc	6,967,716	5.997	Direct
Troy Asset Management	6,516,311	5.58	Direct

The position remains the same as at 27 March 2018 as it did at 27 January 2018.

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 27 January 2018 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 27 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 Listing Rules of the Financial Conduct Authority, whereby directors and certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares and are prohibited from dealing during closed periods.

At 27 January 2018 the Company had authority, pursuant to the shareholders' resolution of 31 May 2017, to purchase up to 10% of its issued ordinary share capital. This authority will expire at the conclusion of the 2018 AGM. It is proposed that this authority be renewed at the 2018 AGM, as detailed in the Notice of AGM.

At 27 January 2018 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 0.64% of the issued share capital of the Company in trust for the benefit of the executive directors and employees of the Group. As at 27 January 2018, Equiniti Share Plan Trustees Limited (the "AESOP Trustee") held 1.12% 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 60.

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 2018 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 27. 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 25.

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 37. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 28 to 33.

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 37 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 2018 AGM.

Annual General Meeting

The Company's AGM will be held at 11.00 a.m. on 30 May 2018 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 140 to 142 of this report. A description and explanation of the resolutions to be considered at the 2018 AGM is set out on pages 143 to 148 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
27 March 2018

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 38 to 39 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
27 March 2018

S. Lorimer
Finance Director

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 27 January 2018 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 and IFRSs as issued by the International Accounting Standards Board (IASB);**
- **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 of A.G. BARR p.l.c. (the "parent company") and its subsidiaries (the "group") 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 cash flow statement; and
- the related Notes 1 to 33.

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 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 matters that we identified in the current year were: – Completeness and accuracy for brand support discounts and cost accruals; and – Valuation of pension scheme liabilities.
Materiality	The materiality that we used for the group financial statements was £2.15 million which was determined on the basis of 5 per cent of profit before tax and exceptional items.
Scoping	Our audit covered 100% of the Group's total revenue, profit before tax and total assets.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in Note 30 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 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 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's and the 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 34 to 37 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 37 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 37 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 period 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 accuracy of brand support discounts and cost accruals

Key audit matter description	**Brand support discounts and cost accrual, £13.9m (2017: £14.7m) and total customer investment spend (discounts and costs) of £51.3m (2017: £49.4m).** 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. The Group's accounting policy is included in Note 1, where this is also included as a key source of estimation uncertainty. Brand support discounts and cost accruals are noted within Note 21. The Audit Committee's consideration in respect of the risk is included on page 46.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: – Assessment of the Group's automated and manual controls surrounding the authorisation of such discounts and the judgements applied at year end; – Review of 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; – Challenged the year end judgements by agreeing a sample of post year end settlements or through recalculation of amounts in line with relevant commercial contracts or joint business plans (where these were in place) and forecast sales outturns; – Challenged the year end judgements by assessing the inputs to the accrual calculation; and – Held discussions with relevant commercial teams to confirm our understanding of the relevant trade terms and to corroborate the completeness of relevant trade terms.
Key observations	Overall we find the balance to be reasonable.

Valuation of pension scheme liabilities

Key audit matter description	**Defined benefit obligation deficit recognised in the statement of financial position £15.2m (2017: £27.4m).** The Group provides post-retirement benefits, including defined benefit pensions to employees. The valuation of gross liabilities, as disclosed in Note 1, is materially sensitive to the underlying assumptions adopted (for example, discount rates, inflation rates, mortality assumptions). Management exercise significant judgement when determining those assumptions, particularly in the discount rate and inflation rate. The Group's accounting policy is included in Note 1, where this is also included as a key source of estimation uncertainty. Additional disclosures on the assumptions used in valuing the schemes are included within Note 26 of the financial statements, which includes details of the principal assumptions used, as well as the key movements in the assets and obligations of the scheme. The Audit Committee's consideration in respect of the risk is included on page 46.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: – Assessment of the design and implementation of the controls surrounding the assumptions; – Testing the estimates determined by management and its external actuary and challenged the appropriateness of the key assumptions used in the valuation of the scheme's liabilities by assessing these against benchmarked rates and involving our actuarial specialists to review these rates; – Comparing assumptions used to the Group's historical experience and to market practice; and – Testing the completeness and accuracy of the information provided to the Group's actuarial specialists.
Key observations	Overall we find the balance to be reasonable.

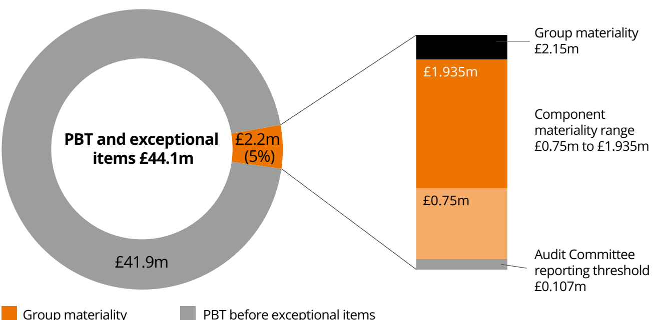
Our application of materiality

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	£2.15m	£1.935m
Basis for determining materiality	5% of profit before tax and exceptional items.	1% of revenue, capped at 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.	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 £1.935m. 90% is deemed to be appropriate based on the company only contribution to the Group.

Our application of materiality continued



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £107,000 for the group, 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 this component was executed at levels of materiality applicable to the entity which were lower than Group materiality at £1.935m.

Components subject to a full audit represent 94% of the Group's revenue, 98% of the Group's net assets and 94% of the Group's profit before tax.

The non-significant components to the Group are as follows:

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

These components were subject to specified procedures performed by the Group audit team. Our audit work on these components was executed at levels of materiality applicable to each individual entity which were lower than Group materiality at £0.75m.

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.

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.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

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 of the audit committee, we were appointed by the company at the Annual General Meeting 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 1 year, covering the year ending 27 January 2018.

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

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

David Sweeney CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
27 March 2018

Consolidated Income Statement

for the year ended 27 January 2018

		2018			2017		
	Note	Before exceptional items £m	Exceptional items* £m	Total £m	Before exceptional items £m	Exceptional items* £m	Total £m
Revenue	2	**277.7**	**–**	**277.7**	257.1	–	257.1
Cost of sales		**(146.5)**	**(0.5)**	**(147.0)**	(136.4)	–	(136.4)
Gross profit	2	**131.2**	**(0.5)**	**130.7**	120.7	–	120.7
Other income	5	**–**	**–**	**–**	0.7	–	0.7
Operating expenses	6, 7	**(86.1)**	**1.3**	**(84.8)**	(78.3)	0.7	(77.6)
Operating profit		**45.1**	**0.8**	**45.9**	43.1	0.7	43.8
Finance costs	8	**(1.0)**	**–**	**(1.0)**	(0.7)	–	(0.7)
Profit before tax		**44.1**	**0.8**	**44.9**	42.4	0.7	43.1
Tax on profit	9	**(8.0)**	**0.3**	**(7.7)**	(7.4)	(0.1)	(7.5)
Profit attributable to equity holders		**36.1**	**1.1**	**37.2**	35.0	0.6	35.6

Earnings per share (p)

	Note	2018	2017
Basic earnings per share	10	**32.25**	30.78
Diluted earnings per share	10	**32.24**	30.57
Basic earnings per share before exceptional items	10	**31.30**	30.26

* An explanation of exceptional items is provided in Note 7.

Statements of Financial Position

as at 27 January 2018

	Note	Group 2018 £m	Group *Restated 2017 £m	Company 2018 £m	Company *Restated 2017 £m
Non-current assets					
Intangible assets	13	**104.5**	106.0	**17.6**	18.8
Property, plant and equipment	14	**94.3**	89.4	**94.1**	89.2
Investment in subsidiary undertakings	16	**–**	–	**84.3**	84.3
Retirement benefit surplus	26	**–**	–	**3.4**	–
		198.8	195.4	**199.4**	192.3
Current assets					
Inventories	18	**17.8**	17.3	**17.1**	16.7
Trade and other receivables	19	**56.6**	51.4	**55.4**	51.2
Derivative financial instruments	15	**–**	0.1	**–**	0.1
Assets classified as held for sale	14	**–**	1.3	**–**	1.3
Cash and cash equivalents	17	**15.0**	10.1	**11.3**	6.0
		89.4	80.2	**83.8**	75.3
Total assets		**288.2**	275.6	**283.2**	267.6
Current liabilities					
Loans and other borrowings	20	**0.1**	0.5	**1.3**	1.7
Trade and other payables	21	**53.5**	52.3	**135.6**	123.7
Derivative financial instruments	15	**0.4**	0.3	**0.4**	0.3
Provisions	22	**0.4**	0.9	**0.4**	0.9
Current tax liabilities		**3.6**	2.7	**0.8**	0.1
		58.0	56.7	**138.5**	126.7
Non-current liabilities					
Loans and other borrowings	20	**–**	0.1	**18.9**	19.5
Deferred tax liabilities	23	**13.1**	11.2	**4.5**	2.5
Retirement benefit obligations	26	**15.2**	27.4	**–**	8.3
		28.3	38.7	**23.4**	30.3
Capital and reserves attributable to equity holders					
Share capital	27	**4.8**	4.9	**4.8**	4.9
Share premium account		**0.9**	0.9	**0.9**	0.9
Share options reserve		**1.6**	1.8	**1.6**	1.8
Other reserves		**(0.2)**	(0.2)	**(0.2)**	(0.2)
Retained earnings		**194.8**	172.8	**114.2**	103.2
		201.9	180.2	**121.3**	110.6
Total equity and liabilities		**288.2**	275.6	**283.2**	267.6

The Company reported a profit for the financial year ended 27 January 2018 of £26.2m (year ended 28 January 2017: £25.7m).

* The Group Statement of Financial Position as at 28 January 2017 has been restated to reflect the change in treatment of deferred tax on the recovery of the carrying value of property. The Company Statement of Financial Position has also been updated for this. In addition, the Company Statement of Financial Position has been amended to reflect the change in treatment of an asset backed funding arrangement entered into with the defined benefit pension scheme. Refer to Note 1 for further explanation.

Restated Statements of Financial Position for the years ended 28 January 2017 and 30 January 2016 are provided in Note 33.

Company Number: SC005653

The financial statements on pages 85 to 135 were approved by the Board of directors and authorised for issue on 27 March 2018 and were signed on its behalf by:

Roger White
Chief Executive

Stuart Lorimer
Finance Director

Statement of Comprehensive Income
for the year ended 27 January 2018

	Note	Group		Company	
		2018 £m	2017 £m	2018 £m	2017 £m
Profit for the year		**37.2**	35.6	**26.2**	25.7
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit pension plans	26	**10.8**	(21.9)	**10.8**	(21.9)
Deferred tax movements on items above	23	**(1.9)**	2.7	**(1.9)**	2.7
Current tax movements on items above	9	**–**	1.0	**–**	1.0
Items that will be or have been reclassified to profit or loss					
Cash flow hedges:	15				
Losses arising during the period		**(0.4)**	(0.2)	**(0.4)**	(0.2)
Less: reclassification adjustments for gains/(losses) included in profit or loss		**0.2**	(1.2)	**0.2**	(1.2)
Deferred tax movements on items above	23	**0.1**	0.2	**0.1**	0.2
Other comprehensive income/(expense) for the year, net of tax		**8.8**	(19.4)	**8.8**	(19.4)
Total comprehensive income attributable to equity holders of the parent		**46.0**	16.2	**35.0**	6.3

Statement of Changes in Equity

for the year ended 27 January 2018

Group	Note	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Restated* Retained earnings £m	Total £m
At 28 January 2017		**4.9**	**0.9**	**1.8**	**(0.2)**	**172.8**	**180.2**
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	27	**–**	**–**	**–**	**–**	**(3.2)**	**(3.2)**
Proceeds on disposal of shares by employee benefit trusts		**–**	**–**	**–**	**–**	**2.9**	**2.9**
Recognition of share-based payment costs	28	**–**	**–**	**1.0**	**–**	**–**	**1.0**
Transfer of reserve on share award		**–**	**–**	**(1.3)**	**–**	**1.3**	**–**
Deferred tax on items taken direct to reserves	23	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Current tax on items taken direct to reserves		**–**	**–**	**0.2**	**–**	**–**	**0.2**
Repurchase and cancellation of shares	27	**(0.1)**	**–**	**–**	**0.1**	**(8.2)**	**(8.2)**
Dividends paid	11	**–**	**–**	**–**	**–**	**(16.9)**	**(16.9)**
At 27 January 2018		**4.8**	**0.9**	**1.6**	**(0.2)**	**194.8**	**201.9**
At 30 January 2016		4.9	0.9	1.4	1.0	170.3	178.5
Profit for the year		–	–	–	–	35.6	35.6
Other comprehensive income		–	–	–	(1.2)	(18.2)	(19.4)
Total comprehensive income/(expense) for the year		–	–	–	(1.2)	17.4	16.2
Company shares purchased for use by employee benefit trusts	27	–	–	–	–	(1.0)	(1.0)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	1.3	1.3
Recognition of share-based payment costs	28	–	–	0.9	–	–	0.9
Transfer of reserve on share award		–	–	(0.4)	–	0.4	–
Deferred tax on items taken direct to reserves	23	–	–	(0.1)	–	–	(0.1)
Dividends paid	11	–	–	–	–	(15.6)	(15.6)
At 28 January 2017		4.9	0.9	1.8	(0.2)	172.8	180.2

* Refer to the Statement of Financial Position or to Note 1 for discussion of restatements.

Statement of Changes in Equity
for the year ended 27 January 2018

Company	Note	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Restated* Retained earnings £m	Total £m
At 28 January 2017		**4.9**	**0.9**	**1.8**	**(0.2)**	**103.2**	**110.6**
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	27	**–**	**–**	**–**	**–**	**(3.2)**	**(3.2)**
Proceeds on disposal of shares by employee benefit trusts		**–**	**–**	**–**	**–**	**2.9**	**2.9**
Recognition of share-based payment costs	28	**–**	**–**	**1.0**	**–**	**–**	**1.0**
Transfer of reserve on share award		**–**	**–**	**(1.3)**	**–**	**1.3**	**–**
Deferred tax on items taken direct to reserves	23	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Current tax on items taken direct to reserves		**–**	**–**	**0.2**	**–**	**–**	**0.2**
Repurchase and cancellation of shares	27	**(0.1)**	**–**	**–**	**0.1**	**(8.2)**	**(8.2)**
Dividends paid	11	**–**	**–**	**–**	**–**	**(16.9)**	**(16.9)**
At 27 January 2018		**4.8**	**0.9**	**1.6**	**(0.2)**	**114.2**	**121.3**
At 30 January 2016		4.9	0.9	1.4	1.0	110.6	118.8
Profit for the year		–	–	–	–	25.7	25.7
Other comprehensive income		–	–	–	(1.2)	(18.2)	(19.4)
Total comprehensive income/(expense) for the year		–	–	–	(1.2)	7.5	6.3
Company shares purchased for use by employee benefit trusts	27	–	–	–	–	(1.0)	(1.0)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	1.3	1.3
Recognition of share-based payment costs	28	–	–	0.9	–	–	0.9
Transfer of reserve on share award		–	–	(0.4)	–	0.4	–
Deferred tax on items taken direct to reserves	23	–	–	(0.1)	–	–	(0.1)
Dividends paid	11	–	–	–	–	(15.6)	(15.6)
At 28 January 2017		4.9	0.9	1.8	(0.2)	103.2	110.6

* Refer to the Statement of Financial Position or to Note 1 for discussion of restatements.

Cash Flow Statements

for the year ended 27 January 2018

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Operating activities					
Profit before tax		**44.9**	43.1	**30.9**	31.0
Adjustments for:					
Interest and dividends receivable		**–**	–	**(2.6)**	(0.8)
Interest payable	8	**1.0**	0.7	**1.8**	1.5
Depreciation of property, plant and equipment	14	**6.7**	7.1	**6.6**	7.1
Amortisation of intangible assets	13	**1.5**	1.5	**1.2**	1.2
Share-based payment costs		**1.0**	0.9	**1.0**	0.9
Gain on sale of property, plant and equipment		**(2.5)**	–	**(2.5)**	–
Operating cash flows before movements in working capital		**52.6**	53.3	**36.4**	40.9
Increase in inventories		**(0.5)**	(1.7)	**(0.4)**	(1.5)
(Increase)/decrease in receivables		**(5.2)**	1.3	**(4.2)**	1.7
Increase in payables		**4.0**	11.0	**14.6**	18.3
Difference between employer pension contributions and amounts recognised in the income statement		**(2.1)**	(7.9)	**(2.1)**	(7.9)
Cash generated by operations		**48.8**	56.0	**44.3**	51.5
Tax paid		**(6.6)**	(7.2)	**(3.2)**	(4.3)
Net cash from operating activities		**42.2**	48.8	**41.1**	47.2
Investing activities					
Acquisition of subsidiary	12	**(4.5)**	–	**(4.5)**	–
Purchase of property, plant and equipment		**(10.8)**	(12.4)	**(10.7)**	(12.2)
Proceeds on sale of property, plant and equipment		**4.2**	0.1	**4.2**	0.1
Interest received		**–**	–	**0.7**	0.8
Net cash used in investing activities		**(11.1)**	(12.3)	**(10.3)**	(11.3)
Financing activities					
New loans received		**15.0**	25.5	**15.0**	25.5
Loans repaid		**(15.0)**	(43.0)	**(15.0)**	(43.0)
Bank arrangement fees paid		**(0.2)**	–	**(0.2)**	–
Finance lease payments		**(0.1)**	–	**(0.5)**	(0.3)
Purchase of Company shares by employee benefit trusts	27	**(3.2)**	(1.0)	**(3.2)**	(1.0)
Proceeds from disposal of Company shares by employee benefit trusts	27	**2.9**	1.3	**2.9**	1.3
Repurchase of own shares	27	**(8.2)**	–	**(8.2)**	–
Dividends paid		**(16.9)**	(15.6)	**(16.9)**	(15.6)
Dividends received		**–**	–	**1.9**	–
Interest paid		**(0.1)**	(0.2)	**(0.9)**	(1.0)
Net cash used in financing activities		**(25.8)**	(33.0)	**(25.1)**	(34.1)
Net increase in cash and cash equivalents		**5.3**	3.5	**5.7**	1.8
Cash and cash equivalents at beginning of year		**9.7**	6.2	**5.6**	3.8
Cash and cash equivalents at end of year	17	**15.0**	9.7	**11.3**	5.6

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. 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 27 January 2018 (prior financial year 52 weeks ended 28 January 2017).

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 30.

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 99.

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

The following revised IFRSs have been adopted in this consolidated financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods.

- Disclosure Initiative – Amendments to IAS 7 Statement of Cash Flows.
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12).
- Annual Improvements to IFRS Standards 2014–2016 Cycle – IFRS 12.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 29 January 2017 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. Note this list is limited to those standards which are expected to impact the Group.

International Accounting Standards and Interpretations	Financial year beginning which standard becomes effective
IFRS 15 Revenue from Contracts with Customers	28 January 2018
Classification and measurement of Share-based Payment Transactions (Amendments to IFRS 2)*	28 January 2018
IFRS 9 Financial Instruments	28 January 2018
IFRS 16 Leases	27 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments*	27 January 2019

* Standards not yet endorsed by the EU.

Management have considered the potential impact of the implementation of IFRS 9, IFRS 15 and IFRS 16. It is expected that IFRS 9 will not have a material impact on the consolidated financial statements of the Group.

1. Accounting policies continued

Changes in accounting policy and disclosures continued

IFRS 15 – Revenue from contracts with customers. During the year ended 27 January 2018 management have carried out a detailed review of the current recognition criteria for revenue against the requirements of IFRS 15. Under IAS 18, the timing of revenue recognition from the sale of goods is based primarily on the transfer of risks and rewards. IFRS 15 instead focuses on when control of those goods has transferred to the customer. Management have assessed that the primary impact will be a reclassification of certain payments and customer incentives which are not viewed as being in relation to distinct goods or services. These are currently recognised as selling and distribution costs and going forward will be set against revenue. The adoption of the standard is not expected to impact profit before tax. Had the standard been adopted in the current year the impact would have been a reduction in revenue in the range of £10m to £13m and a decrease of selling and distribution costs of the same amount. Profit before tax would be unchanged and gross margin would have been between 2.0% and 2.6% lower.

IFRS 16 – 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 £8.3m (refer to Note 24), 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 27 January 2018, its effect would be to increase the net book value of property, plant and equipment by £7.8m, with a corresponding finance lease liability of £9.3m. The net impact on retained earnings for the year ended 27 January 2018 would be a charge of £1.1m. The impact on the income statement for the year would be immaterial. To date, £8.6m of operating lease rentals have been recognised in respect of the assessed leases. Under IFRS 16, £7.6m of depreciation would have been charged, plus a further £2.0m of interest charges.

Two changes of accounting policies have been adopted in the year to 27 January 2018:

(i) Change in the treatment of deferred tax on the recovery of the carrying value of property

The carrying value of the property is expected to be recovered through both use and subsequent disposal. Previously, a single tax base was attributed to that asset, compared against a single carrying amount, resulting in a single temporary difference being recognised.

Following a review of the accounting policies with our auditor we have changed our accounting policy such that the deferred tax recognised more closely reflects the extent to which the applicable tax rules interact. Under the new policy the deferred tax is based on consideration of how much of the carrying value of the property is expected to be recovered through use and how much through sale, comparing each against their relevant tax bases. The deductible temporary difference from the capital gains tax base is not viewed as recoverable since there is no expectation of a capital gain against which to offset it, so no deferred capital gains tax asset is recognised. As a result, the opening deferred tax balance at January 2016 has been adjusted to reflect only the taxable temporary difference arising to the extent recovery of the property is expected through use.

The accounting policy for tax is now as follows:

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.

Where the expected manner of recovery will impact which tax rules apply, for example with properties, the deferred tax is calculated by considering how much of the carrying value will be recovered through use and how much through sale, and then being calculated by assessing these amounts against the relevant tax bases and respective tax rules.

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.

As this change is a historic adjustment, the effect of the change to the accounting policy has been taken to retained earnings for the earliest reporting period presented in the Annual Report and Accounts to 27 January 2018:

	30 January 2016 £m	28 January 2017 £m
Deferred tax liability under previous accounting policy	12.2	9.6
Effect of change in accounting policy	1.6	1.6
Restated deferred tax liability	13.8	11.2

	30 January 2016 £m	28 January 2017 £m
Retained earnings under previous accounting policy	171.9	174.4
Effect of change in accounting policy	(1.6)	(1.6)
Restated retained earnings	170.3	172.8

This change in accounting policy has no other impact on the financial statements.

(ii) Offsetting of the pension prepayment against the retirement benefit obligation
In the A.G. BARR p.l.c. Company accounts the previous accounting treatment had been to recognise a prepayment in respect of a payment of £21m made to the pension scheme for the rental of the property that was transferred from the Company into the pension scheme as part of the asset backed funding arrangement. This asset backed funding arrangement was entered into during the year to 26 January 2014.

Following a review of the accounting policy with the auditor the Company is changing its accounting policy in relation to the prepayment and including this as a reduction in the carrying value of the retirement benefit obligation. This treatment is in line with the treatment adopted by other companies which have entered into an asset backed funding arrangement.

Restatement of Company statement of financial position:

	28 January 2017 £m		28 January 2017 £m
Pension prepayments – non-current assets	17.9	Pension prepayments – current assets	1.2
Effect of change in accounting policy	(17.9)	Effect of change in accounting policy	(1.2)
Restated pension prepayments – non-current assets	–	Restated pension prepayments – current assets	–

	28 January 2017 £m
Retirement benefit obligation	(27.4)
Effect of change in accounting policy	19.1
Restated retirement benefit obligation	(8.3)

The change in the accounting policy has no effect on the Company's income statement or the Company's cash flow statement.

The restatement of the Group and Company financial position as at 30 January 2016 can be found in Note 33.

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.

1. Accounting policies continued

Consolidation – subsidiaries continued

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 the net invoiced sales value, after deducting promotional sales related discounts invoiced by customers, including brand support costs, 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.

Revenue is recognised when the goods have passed to the buyer and the amount can be measured reliably. 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.

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.

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.

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%
Computer hardware – 20%

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.

1. Accounting policies continued

Property, plant and equipment continued

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.

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.

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 fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated cash flows. The carrying amount of the asset is reduced through the use of a bad debt provision account and the amount of the loss is recognised in the income statement within administration costs. When a trade receivable becomes uncollectable it is written off against the bad debt provision.

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 15. Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as non-current when the remaining maturity of the hedged item is more than 12 months from the statement of financial position date and as current when the remaining maturity of the hedged item is less than 12 months from the statement of financial position date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. 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 periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward foreign currency contracts hedging overseas purchases is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the income statement within administration costs. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised within the income statement when the forecast transaction is ultimately recognised in the income statement.

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.

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.

1. Accounting policies continued

Current and deferred income tax continued

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 26. 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

During the 52 weeks ended 27 January 2018, a share repurchase programme has been in progress. The adopted accounting policy is 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 27.

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 137.

Exceptional items

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. For further detail refer to Note 7.

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.

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 26. The directors consider that those sensitivities provided in Note 26 represent reasonable sensitivities which could occur.

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.

The operating segments disclosed have been aggregated by the nature of the products and the production processes that they share in addition to similar long-term average gross margins for the operating segments.

Year ended 27 January 2018

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	**206.4**	**54.7**	**16.6**	**277.7**
Gross profit before exceptional items	**104.3**	**18.1**	**8.8**	**131.2**

Year ended 28 January 2017

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	188.3	56.0	12.8	257.1
Gross profit before exceptional items	97.3	17.0	6.4	120.7

There are no intersegment sales. All revenue is from external customers.

"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.

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	2018 £m	2017 £m
UK	**266.8**	246.6
Rest of the world	**10.9**	10.5
	277.7	257.1

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

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

Major customers

No single customer accounted for 10% or more of the Group's revenue in either of the years presented.

3. Profit before tax

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

	2018 £m	2017 £m
Depreciation of property, plant and equipment	**6.7**	7.1
Gain on disposal of property, plant and equipment	**(2.5)**	–
Research and development costs	**1.4**	1.1
Impairment of inventories	**1.0**	0.6
Amortisation of intangible assets	**1.5**	1.5
Cost of inventories charged in cost of sales	**146.5**	136.4
Operating lease rentals payable – property	**0.3**	0.4
Operating lease rentals payable – motor vehicles	**0.8**	1.1
Operating lease rentals payable – plant	**2.0**	2.0
Trade receivables impairment movement	**0.3**	(0.2)
Foreign exchange losses recognised	**0.1**	0.6
Staff costs (Note 4)	**46.3**	39.3

The cost of inventories charged in cost of sales does not include £0.5m of inventory impairments in relation to the exceptional sugar reduction and reformulation programme (see Note 7). This is included within "Impairment of inventories" above.

Included within administration costs (Note 6) 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:

	2018 £000	2017 £000
Statutory audit services		
Fees payable to the auditor of the parent Company and consolidated accounts	**95**	88
Fees payable to the auditor for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**15**	10
Non-audit services		
Audit-related assurance services	**20**	21
Other assurance services	**–**	152
Tax compliance services	**–**	68
Tax advisory services	**–**	15
Other services	**31**	–
Fees in respect of the Group's pension plans		
Audit	**–**	16

The auditor remuneration for the year ended 27 January 2018 relates to the incumbent auditors, Deloitte LLP. Costs for the year ended 28 January 2017 relate to the previous auditors, KPMG LLP.

4. Employees and directors

	2018	2017
Average monthly number of people employed by the Group (including executive directors)		
Production and distribution	**717**	743
Administration	**259**	258
	976	1,001

Staff costs for the Group for the year

	2018 £m	2017 £m
Wages and salaries	**37.1**	36.3
Social security costs	**4.0**	3.8
Share-based payments	**1.0**	0.9
Pension costs – defined contribution plans	**3.4**	3.1
Pension costs – defined benefit plans, and curtailment gain	**0.8**	(4.8)
Included in profit before tax	**46.3**	39.3

The expense incurred in relation to redundancy related items in the year has been shown separately in Note 7.

5. Other income

	2018 £m	2017 £m
Compensation received in respect of termination of distribution contract	–	0.7

Compensation of £0.7m was received by the Group during the year ended 28 January 2017 from a third party distributor who terminated their distribution arrangement before the contract was set to end.

6. Net operating expenses

	2018			2017		
	Before exceptional items £m	Exceptional items* £m	Total £m	Before exceptional items £m	Exceptional items* £m	Total £m
Distribution costs (including selling costs)	**58.7**	**0.9**	**59.6**	57.6	2.3	59.9
Administration costs	**27.4**	**(2.2)**	**25.2**	20.7	(3.0)	17.7
	86.1	**(1.3)**	**84.8**	78.3	(0.7)	77.6

* Refer to Note 7.

7. Exceptional items

During the period several items have 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:

	2018 £m	2017 £m
Gain on sale of distribution site	**(2.5)**	–
Sugar reduction and reformulation programme costs	**1.4**	–
Redundancy costs for business reorganisation	**0.1**	2.7
Other costs relating to business reorganisation	**0.2**	0.6
Abortive acquisition costs	**–**	0.4
Investigation of online sales capabilities	**–**	0.5
Redundancy costs – reorganisation of direct sales routes	**–**	0.6
Curtailment gain on closure of pension scheme to future accrual	**–**	(7.0)
Other costs relating to pension scheme closure to future accrual	**–**	1.5
Total exceptional net credit	**(0.8)**	(0.7)

	2018 £m	2017 £m
Items included in cost of sales		
Sugar reduction and reformulation programme costs	**0.5**	–
Total included in cost of sales	**0.5**	–

	2018 £m	2017 £m
Items included in selling and distribution costs		
Sugar reduction and reformulation programme costs	**0.9**	–
Redundancy costs – reorganisation of direct sales routes	**–**	0.6
Costs relating to closure of pension scheme to future accrual	**–**	0.2
Redundancy costs for business reorganisation	**–**	1.2
Other costs relating to business reorganisation	**–**	0.3
Total included in selling and distribution costs	**0.9**	2.3
Items included in administration costs		
Gain on sale of distribution site	**(2.5)**	–
Abortive acquisition costs	**–**	0.4
Investigation of online sales capabilities	**–**	0.5
Curtailment gain	**–**	(7.0)
Other costs relating to pension scheme closure to future accrual	**–**	1.3
Redundancy costs for business reorganisation	**0.1**	1.5
Other costs relating to business reorganisation	**0.2**	0.3
Total included in administration costs	**(2.2)**	(3.0)
Total exceptional net credit included in operating expenses	**(1.3)**	(0.7)
Total exceptional net credit	**(0.8)**	(0.7)

During the period, a £2.5m gain on sale was made on disposal of the Walthamstow distribution site. This asset was classified as an asset held for sale as at 28 January 2017 and the sale was completed on 1 February 2017. Due to its scale, management believes that this requires to be separately presented from trading performance so as not to mislead the users of the financial statements.

7. Exceptional items continued

£1.4m of costs have been incurred as part of the ongoing sugar reduction and reformulation programme, through which the business committed to ensuring that 90% of Company-owned brands contain less than 5g of total sugars per 100ml by the end of the financial year ended 27 January 2018. Costs in relation to the sugar reduction and reformulation programme have significantly exceeded the level of expenditure that would ordinarily be incurred in the course of new product development or reformulation. Costs of this level are not expected to recur in future periods, therefore these are considered to be exceptional.

In September 2016 a Company-wide restructure was announced. This was largely complete by the end of the financial year to 28 January 2017, during which £2.7m of redundancy costs were incurred, plus a further £0.6m of other costs, being mainly recruitment costs, accrual for unpaid holiday entitlement, business development consultancy fees, legal fees and termination costs for employee vehicles and mobile phone contracts. During the year ended 27 January 2018 a further £0.3m of costs have been incurred, primarily being an increase in the required redundancy provision and further recruitment costs.

The items discussed below all relate to significant, non-recurring items that took place in the preceding period. These were not incurred in the course of normal trade and are therefore classified as exceptional items.

In the year ended 28 January 2017, £0.4m of acquisition fees were incurred in relation to an unsuccessful acquisition. These costs included advisory and legal fees. £0.5m of advisory costs were also incurred as part of a strategic review of the market threats posed by new and emerging digital trading models. £0.6m of redundancy costs were also incurred in relation to a reorganisation of direct sales routes.

The Group's defined benefit pension scheme closed to future accrual in May 2016. This resulted in a £7.0m curtailment gain, which was recognised as exceptional in the year ended 28 January 2017. Offsetting the curtailment gain was a further £1.5m of costs incurred in relation to the closure of the scheme, including the cost of £1.3m past service cost for one year's additional service negotiated with the active members of the scheme.

8. Finance costs

	2018 £m	2017 £m
Interest payable	**(0.2)**	(0.1)
Finance costs relating to defined benefit pension plans (Note 26)	**(0.7)**	(0.5)
Amortisation of loan arrangement fees	**(0.1)**	(0.1)
	(1.0)	(0.7)

9. Taxation

	2018			2017		
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	**8.3**	**(0.3)**	**8.0**	8.6	(0.9)	7.7
Adjustments in respect of prior years	**(0.3)**	**–**	**(0.3)**	(0.4)	–	(0.4)
Total current tax expense/(credit)	**8.0**	**(0.3)**	**7.7**	8.2	(0.9)	7.3
Deferred tax						
Origination and reversal of:						
Temporary differences	**0.1**	**–**	**0.1**	0.2	1.0	1.2
Adjustment for change in deferred tax rate	**–**	**–**	**–**	(0.9)	–	(0.9)
Adjustments in respect of prior years	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Total deferred tax (credit)/expense (Note 23)	**–**	**–**	**–**	(0.8)	1.0	0.2
Total tax expense/(credit)	**8.0**	**(0.3)**	**7.7**	7.4	0.1	7.5

In addition to the above movements in deferred tax, a deferred tax charge of £1.8m (2017: credit of £2.9m) has been recognised in other comprehensive income and a charge of £0.1m (2017: a charge of £0.1m) has been taken direct to reserves (Note 23).

A current tax credit of £nil (2017: a credit of £1.0m) 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:

	2018 £m	2018 %	2017 £m	2017 %
Profit before tax	**44.9**		43.1	
Tax at 19.2% (2017: 20.0%)	**8.6**	**19.2**	8.6	20.0
Tax effects of:				
Items that are not (chargeable)/deductible in determining taxable profit	**(0.4)**	**(0.9)**	0.3	0.7
Current tax adjustment in respect of prior years	**(0.3)**	**(0.7)**	(0.4)	(0.9)
Deferred tax adjustment in respect of prior years	**(0.1)**	**(0.2)**	(0.1)	(0.2)
Deferred tax adjustment in respect of change of deferred tax rate	**–**	**–**	(0.9)	(2.1)
Other differences	**(0.1)**	**–**	–	–
Total tax expense	**7.7**	**17.2**	7.5	17.4

The weighted average tax rate was 17.2% (2017: 17.4%).

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 became substantively enacted on 16 November 2017. The deferred tax liability at 27 January 2018 has therefore been calculated having regard to the rate of 17% substantively enacted at the balance sheet date.

10. 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.

	2018	2017
Profit attributable to equity holders of the Company (£m)	**37.2**	35.6
Weighted average number of ordinary shares in issue	**115,336,186**	115,664,757
Basic earnings per share (pence)	**32.25**	30.78

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.

	2018	2017
Profit attributable to equity holders of the Company (£m)	**37.2**	35.6
Weighted average number of ordinary shares in issue	**115,336,186**	115,664,757
Adjustment for dilutive effect of share options	**63,028**	781,074
Diluted weighted average number of ordinary shares in issue	**115,399,214**	116,445,831
Diluted earnings per share (pence)	**32.24**	30.57

10. Earnings per share continued

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

	2018	2017
Profit attributable to equity holders of the Company before exceptional items (£m)	**36.1**	35.0
Weighted average number of ordinary shares in issue	**115,336,186**	115,664,757
Basic earnings per share before exceptional items (pence)	**31.30**	30.26

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.

11. Dividends

	2018 per share	2017 per share	2018 £m	2017 £m
Final dividend	**10.87p**	9.97p	**12.6**	11.5
Interim dividend paid	**3.71p**	3.53p	**4.3**	4.1
	14.58p	13.50p	**16.9**	15.6

The directors have proposed a final dividend in respect of the year ended 27 January 2018 of 11.84p per share. It will be paid on 8 June 2018 to all shareholders who are on the Register of Members on 11 May 2018.

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

	2018 per share	2017 per share
Final dividend proposed in respect of financial year	**11.84p**	10.87p
Interim dividend paid	**3.71p**	3.53p
	15.55p	14.40p

12. Acquisition of subsidiary

On 2 February 2015, the Group acquired 100% of the share capital of Funkin Limited ("Funkin"), a company which offers a broad range of premium cocktail solutions including fruit purées, cocktail mixers and syrups.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	£m
Cash paid in the year ended 30 January 2016	17.5
Contingent consideration paid in the year ended 27 January 2018	4.5
Total consideration	**22.0**

Contingent consideration

The Group paid £4.5m (accrued on acquisition) to the former owners of Funkin as contingent consideration based on the achievement of certain financial targets by Funkin in the two years ended 28 January 2017.

The amount paid was equal to the fair value recognised in the financial statements for the year ended 28 January 2017.

13. Intangible assets

Group	Goodwill £m	Brands £m	Customer relationships £m	Water rights £m	Software development costs £m	Total £m
Cost						
At 30 January 2016	39.0	57.1	3.9	0.7	11.9	112.6
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**
Amortisation and impairment losses						
At 30 January 2016	0.4	0.3	2.9	0.7	0.8	5.1
Amortisation for the year	–	–	0.3	–	1.2	1.5
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**
Carrying amounts						
At 27 January 2018	**38.6**	**56.8**	**0.4**	**–**	**8.7**	**104.5**
At 28 January 2017	38.6	56.8	0.7	–	9.9	106.0

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 customer relationships are fully amortised. The Rubicon asset has one year remaining and the Funkin asset has seven 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 27 January 2018 have been included in the income statement as administration costs.

13. Intangible assets continued

Company	Goodwill £m	Brands £m	Customer relationships £m	Water rights £m	Software development costs £m	Total £m
Cost						
At 30 January 2016	1.9	7.3	1.0	0.7	11.9	22.8
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**
Amortisation and impairment losses						
At 30 January 2016	–	0.3	1.0	0.7	0.8	2.8
Amortisation for the year	–	–	–	–	1.2	1.2
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**
Carrying amounts						
At 27 January 2018	**1.9**	**7.0**	**–**	**–**	**8.7**	**17.6**
At 28 January 2017	1.9	7.0	–	–	9.9	18.8

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.

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 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**

At 28 January 2017	Goodwill £m	Brands £m	Customer relationships £m	Total £m
Rubicon operating unit	21.0	43.0	0.4	64.4
Funkin operating unit	15.7	6.8	0.3	22.8
Strathmore operating unit	1.9	7.0	–	8.9
Total	38.6	56.8	0.7	96.1

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 budgets 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

	2018			2017		
	Gross margin %	Growth rate %	Discount rate %	Gross margin %	Growth rate %	Discount rate %
Rubicon operating unit	**39.1**	**2.3**	**11.1**	30.2	2.3	12.3
Funkin operating unit	**51.6**	**2.3**	**11.1**	48.5	2.3	12.3
Strathmore operating unit	**30.7**	**2.3**	**11.1**	37.3	2.3	12.3

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 rate used in the prior year was the post-tax rate. Disclosed above for both years presented 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 26 January 2019 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 15%, 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.

14. 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 30 January 2016	59.0	0.4	83.1	5.5	148.0
Additions	0.8	–	4.1	7.7	12.6
Transfer from assets under construction	4.5	–	5.0	(9.5)	–
Disposals	–	–	(1.3)	–	(1.3)
Reclassified as held for sale	(2.0)	–	–	–	(2.0)
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**
Depreciation					
At 30 January 2016	5.4	0.4	56.9	–	62.7
Amount charged for year	0.6	–	6.5	–	7.1
Disposals	–	–	(1.2)	–	(1.2)
On assets reclassified as held for sale	(0.7)	–	–	–	(0.7)
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**
Net book value					
As at 27 January 2018	**56.4**	**–**	**25.0**	**12.9**	**94.3**
As at 28 January 2017	57.0	–	28.7	3.7	89.4

The Walthamstow distribution site was classified as held for sale at 28 January 2017. The site was sold on 1 February 2017 for £3.8m. The Group has entered into an operating lease to continue to operate from the site for the short term. The cost and accumulated depreciation in relation to the asset is detailed below:

	2017 £m
Cost	2.0
Accumulated depreciation	(0.7)
Net book value	1.3

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

	2018 £m	2017 £m
Cost-capitalised finance lease	**0.3**	0.3
Accumulated depreciation	**(0.2)**	(0.1)
Net book value	**0.1**	0.2

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 30 January 2016	58.7	0.3	82.3	5.5	146.8
Additions	0.8	–	3.8	7.7	12.3
Transfer from assets under construction	4.5	–	5.0	(9.5)	–
Disposals	–	–	(0.8)	–	(0.8)
Reclassified as held for sale	(2.0)	–	–	–	(2.0)
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**
Depreciation					
At 30 January 2016	5.1	0.3	56.1	–	61.5
Amount charged for year	0.6	–	6.5	–	7.1
Disposals	–	–	(0.8)	–	(0.8)
On assets reclassified as held for sale	(0.7)	–	–	–	(0.7)
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**
Net book value					
As at 27 January 2018	**56.4**	**–**	**24.8**	**12.9**	**94.1**
As at 28 January 2017	57.0	–	28.5	3.7	89.2

At 27 January 2018, the Group and the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3.6m (2017: £6.0m).

14. Property, plant and equipment continued

Property, plant and equipment includes the following amounts where the Company is a lessee under a finance lease. £20.0m (2017: £20.2m) is included in freehold property, with a further £0.1m (2017: £0.2m) included in property, plant and vehicles.

	2018 £m	2017 £m
Cost-capitalised finance lease	**23.5**	23.5
Accumulated depreciation	**(3.4)**	(3.1)
Net book value	**20.1**	20.4

15. Derivative financial instruments

Group and Company

Fair value hierarchy

IFRS 7 requires all financial instruments carried at fair value to be analysed under the following levels:

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 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	–	**53.7**	–	–	**53.7**
Cash and cash equivalents	–	**15.0**	–	–	**15.0**
	–	**68.7**	–	–	**68.7**
Financial liabilities					
Foreign exchange contracts used for hedging	**0.4**	–	–	–	**0.4**
Finance lease liabilities	–	–	–	**0.1**	**0.1**
Trade payables	–	–	–	**17.2**	**17.2**
	0.4	–	–	**17.3**	**17.7**

Group At 28 January 2017	Carrying amount 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					
Foreign exchange contracts used for hedging	0.1	–	–	–	0.1
Trade receivables	–	48.3	–	–	48.3
Cash and cash equivalents	–	10.1	–	–	10.1
	0.1	58.4	–	–	58.5
Financial liabilities					
Contingent consideration	–	–	4.5	–	4.5
Foreign exchange contracts used for hedging	0.3	–	–	–	0.3
Finance lease liabilities	–	–	–	0.2	0.2
Unsecured bank borrowings	–	–	–	0.4	0.4
Trade payables	–	–	–	15.8	15.8
	0.3	–	4.5	16.4	21.2

Company At 27 January 2018	Carrying amount 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 and other receivables and amounts due from subsidiary companies	**–**	**52.7**	**–**	**–**	**52.7**
Cash and cash equivalents	**–**	**11.3**	**–**	**–**	**11.3**
	–	**64.0**	**–**	**–**	**64.0**
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	**–**	**–**	**–**	**100.6**	**100.6**
	0.4	**–**	**–**	**120.8**	**121.2**

15. Derivative financial instruments continued

Group and Company continued

Company At 28 January 2017	Carrying amount 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					
Foreign exchange contracts used for hedging	0.1	–	–	–	0.1
Trade and other receivables and amounts due from subsidiary companies	–	48.3	–	–	48.3
Cash and cash equivalents	–	6.0	–	–	6.0
	0.1	54.3	–	–	54.4
Financial liabilities					
Contingent consideration	–	–	4.5	–	4.5
Foreign exchange contracts used for hedging	0.3	–	–	–	0.3
Unsecured bank borrowings	–	–	–	0.4	0.4
Finance lease liabilities	–	–	–	20.8	20.8
Trade payables and amounts due to other subsidiary companies	–	–	–	88.4	88.4
	0.3	–	4.5	109.6	114.4

* In the year to 28 January 2017, the contingent consideration payable to Funkin Limited was disclosed under "Other financial liabilities at amortised cost". In the current year, this has been reclassified into "Other financial liabilities at fair value". The comparative tables above have been restated to reflect the change in disclosure.

With the exception of the contingent consideration, all financial instruments at fair value sit within Level 2 of the fair value hierarchy. The contingent consideration sits as a Level 3 measurement.

The Group and Company also had an option to purchase 7.0m euros which expired on 27 March 2018 and has not been exercised. The option had a fair value of £nil as 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.

For the current borrowings, the impact of discounting is not significant as the borrowings will be paid within 12 months of the year end date. The carrying amount approximates their fair value.

The cumulative amount of gains and losses on effective hedging instruments are held within the cash flow hedge reserve.

Contingent consideration

The Group had agreed to pay the former owners of Funkin a contingent consideration based on the achievement of certain financial targets by Funkin in the two years from the date of its acquisition by the Group. The potential undiscounted amount of all future payments that the Group was to make under the acquisition agreement was between £nil and £4.5m.

The fair value of the contingent consideration arrangement of £4.5m was estimated by assessing the expected growth of Funkin over the two years trading post acquisition. No discount rate was applied to the fair value estimate of the contingent consideration as due to the short time period the effect of discounting had a negligible effect on the fair value.

The consideration of £4.5m was paid in the year to 27 January 2018.

16. Investment in subsidiaries

	Company	
	2018 £m	2017 £m
Opening and closing investment in subsidiaries	**84.3**	84.3

During the year to 27 January 2018 the following dormant subsidiary companies were dissolved:

Groupe Rubicon Limited

During the year to 28 January 2017 the following dormant subsidiary companies were dissolved:

Hampshire Mineral Water Company Limited
Barr Leasing Limited
Rubicon Beverages Limited
Rubicon Products Limited
St Clements (UK) Limited
Funkin France 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. The companies listed are the trading subsidiaries. Refer to Note 31 for a full list of subsidiary companies.

17. Cash and cash equivalents

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash and cash equivalents	**15.0**	10.1	**11.3**	6.0

Cash and cash equivalents include the following for the purposes of the cash flow statements:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash and cash equivalents	**15.0**	10.1	**11.3**	6.0
Bank overdrafts (Note 20)	**–**	(0.4)	**–**	(0.4)
	15.0	9.7	**11.3**	5.6

The credit quality of the holder of the Cash at bank is A2 rated (2017: A3 rated).

18. Inventories

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Materials	**7.2**	7.1	**7.2**	7.1
Finished goods	**10.6**	10.2	**9.9**	9.6
	17.8	17.3	**17.1**	16.7

19. Trade and other receivables

	Group		Company	
	2018 £m	2017 £m	2018 £m	*Restated 2017 £m
Trade receivables	**54.4**	48.7	**51.9**	46.9
Less: provision for impairment of receivables	**(0.7)**	(0.4)	**(0.6)**	(0.3)
Trade receivables – net	**53.7**	48.3	**51.3**	46.6
Prepayments	**2.9**	3.1	**2.7**	2.9
Amounts due by subsidiary companies	**–**	–	**1.4**	1.7
	56.6	51.4	**55.4**	51.2

The fair values of the trade and other receivables are taken to be their book values less any provision for impairment, as there are no interest-bearing receivables. The amounts due from subsidiary companies are considered to be fully recoverable.

The Group's and Company's most significant customer, a UK major customer, accounts for £5.6m of the trade receivables carrying amount at 27 January 2018 (28 January 2017: £6.1m).

The ageing of the Group and Company's trade receivables and their related impairment at the reporting date was:

Group	Gross 2018 £m	Impairment 2018 £m	Gross 2017 £m	Impairment 2017 £m
Not past due	**51.8**	**–**	43.2	–
Past due 1 to 30 days	**2.0**	**(0.2)**	3.6	(0.1)
Past due 31 to 60 days	**0.4**	**(0.3)**	0.6	(0.2)
Past due 61+ days	**0.2**	**(0.2)**	1.3	(0.1)
Total	**54.4**	**(0.7)**	48.7	(0.4)

Company	Gross 2018 £m	Impairment 2018 £m	Gross 2017 £m	Impairment 2017 £m
Not past due	**50.9**	**–**	42.4	–
Past due 1 to 30 days	**0.8**	**(0.2)**	2.8	(0.1)
Past due 31 to 60 days	**0.1**	**(0.3)**	0.4	(0.1)
Past due 61+ days	**0.1**	**(0.1)**	1.3	(0.1)
Total	**51.9**	**(0.6)**	46.9	(0.3)

	Group		Company	
	2018	2017	2018	2017
Trade receivables overdue in excess of 30 days	**1.0%**	3.9%	**0.4%**	3.6%

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		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Other customers	**51.6**	46.1	**49.1**	44.3
Direct sales customers	**2.8**	2.6	**2.8**	2.6
Total	**54.4**	48.7	**51.9**	46.9

The carrying amount of the Group and Company's external trade and other receivables are denominated in the following currencies:

	Group		Company	
	2018 £m	2017 £m	2018 £m	*Restated 2017 £m
UK sterling	**55.9**	50.7	**53.3**	48.8
Euro	**0.7**	0.7	**0.7**	0.7
	56.6	51.4	**54.0**	49.5

Movements in the Group and Company's provisions for impairment of trade receivables were as follows:

	Group		Company	
Group and Company	2018 £m	2017 £m	2018 £m	2017 £m
At start of year	**0.4**	0.6	**0.3**	0.6
Net provision charged/(released) during the year	**0.3**	(0.2)	**0.3**	(0.3)
At end of year	**0.7**	0.4	**0.6**	0.3

The provision allowance in respect of trade receivables is used to record impairment losses unless the Group and Company are satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the trade receivable directly, with a corresponding charge being recorded in administration costs. Where trade receivables are past due, an assessment is made of individual customers and the outstanding balance. No provision is required in respect of amounts owed by subsidiary companies.

The creation and release of the trade receivables provision has been included within administration costs in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

* Company prepayments for the year to 28 January 2017 have been restated to reflect the change in accounting policy treatment of a payment made to the pension scheme for the rental of the property that was transferred from the Company into the pension scheme as part of the asset backed funding arrangement. Refer to Note 1 for further explanation.

20. Borrowings

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Current				
Bank borrowings	**–**	0.4	**–**	0.4
Finance lease liabilities	**0.1**	0.1	**1.3**	1.3
Non-current				
Finance lease liabilities	**–**	0.1	**18.9**	19.5
Total borrowings	**0.1**	0.6	**20.2**	21.2

All of the Group's borrowings are denominated in UK sterling.

20. Borrowings continued

During the year ended 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 2019/20, reducing to £20m for the period to 2021/22. 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 26.

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Current bank borrowings	–	0.4	–	0.4
Finance lease liability payable within one year	**0.1**	0.1	**1.3**	1.3
Current loans and other borrowings disclosed in the statement of financial position	**0.1**	0.5	**1.3**	1.7

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Finance lease liability payable after more than one year	–	0.1	**18.9**	19.5
Non-current loans and other borrowings disclosed in the statement of financial position	–	0.1	**18.9**	19.5

The movements in the Group borrowings are analysed as follows:

	2018 £m	2017 £m
Opening borrowings balance	**0.4**	18.1
Borrowings made	**15.0**	25.5
Repayments of borrowings	**(15.0)**	(43.0)
Bank overdrafts repaid	**(0.4)**	(0.2)
Closing borrowings balance	–	0.4

Reconciliation to net funds:

	2018 £m	2017 £m
Closing borrowings balance	–	(0.4)
Cash and cash equivalents (Note 17)	**15.0**	10.1
Net funds	**15.0**	9.7

The undrawn facilities 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 undrawn facilities as at 28 January 2017 were as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facility – three years, expires January 2018	35.0	–	35.0
Revolving credit facility – three years, expires February 2017	10.0	–	10.0
Overdraft	5.0	0.4	4.6
	50.0	0.4	49.6

The maturity profile of the borrowings is as follows:

	2018 £m	2017 £m
Less than one year	**–**	0.4
One to two years	**–**	–
Two to five years	**–**	–
	–	0.4

The gross value of finance lease liabilities for the Group is as follows:

	2018 £m	2017 £m
Gross finance lease liabilities – minimum lease payments:		
Less than one year	**0.1**	0.1
Two to five years	**–**	0.1
Later than five years	**–**	–
	0.1	0.2
Future finance charges on finance lease liabilities	**–**	–
Present value of finance lease liabilities	**0.1**	0.2

The present value of finance lease liabilities for the Group is as follows:

	2018 £m	2017 £m
Less than one year	**0.1**	0.1
Two to five years	**–**	0.1
Later than five years	**–**	–
	0.1	0.2

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:

	2018 £m	2017 £m
Gross finance lease liabilities – minimum lease payments:		
Less than one year	**1.3**	1.3
Two to five years	**5.4**	5.3
Later than five years	**21.9**	23.8
	28.6	30.4
Future finance charges on finance lease liabilities	**(8.4)**	(9.6)
Present value of finance lease liabilities	**20.2**	20.8

20. Borrowings continued

The present value of finance lease liabilities for the Company is as follows:

	2018 £m	2017 £m
Less than one year	**1.3**	1.3
Two to five years	**4.9**	4.9
Later than five years	**14.0**	14.6
	20.2	20.8

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 26.

21. Trade and other payables

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade payables	**17.2**	15.8	**15.9**	14.5
Other taxes and social security costs	**6.2**	5.1	**6.2**	5.1
Accruals	**30.1**	26.9	**28.8**	25.7
Contingent consideration (Note 12)	**–**	4.5	**–**	4.5
Amounts due to subsidiary companies	**–**	–	**84.7**	73.9
	53.5	52.3	**135.6**	123.7
Non-current	**–**	–	**–**	–
Current	**53.5**	52.3	**135.6**	123.7
	53.5	52.3	**135.6**	123.7

Contingent consideration

The Group agreed to pay the former owners of Funkin a contingent consideration based on the achievement of certain financial targets by Funkin in the two years from the date of its acquisition by the Group. A payment of £4.5m was made in the year ended 27 January 2018.

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 27 January 2018	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	**–**	**0.1**	**17.2**	**–**	**17.3**
7 to 12 months	**–**	**–**	**–**	**–**	**–**
1 to 2 years	**–**	**–**	**–**	**–**	**–**
2 to 5 years	**–**	**–**	**–**	**–**	**–**
5+ years	**–**	**–**	**–**	**–**	**–**
	–	**0.1**	**17.2**	**–**	**17.3**

As at 28 January 2017	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	0.4	–	15.8	4.5	20.7
7 to 12 months	–	0.1	–	–	0.1
1 to 2 years	–	0.1	–	–	0.1
2 to 5 years	–	–	–	–	–
5+ years	–	–	–	–	–
	0.4	0.2	15.8	4.5	20.9

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 20.

Company At 27 January 2018	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	**–**	**0.7**	**15.9**	**–**	**16.6**
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**	**15.9**	**–**	**44.5**

At 28 January 2017	Borrowings £m	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	0.4	0.6	14.5	4.5	20.0
7 to 12 months	–	0.7	–	–	0.7
1 to 2 years	–	1.3	–	–	1.3
2 to 5 years	–	4.0	–	–	4.0
5+ years	–	23.8	–	–	23.8
	0.4	30.4	14.5	4.5	49.8

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 20.

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes.

Group	29 January 2017 £m	Financing cash flows £m	Fair value hedges £m	27 January 2018 £m
Finance lease liabilities (Note 20)	0.2	(0.1)	–	**0.1**
Derivative financial instruments	0.3	(0.3)	0.4	**0.4**
Total liabilities from financing activities	0.5	(0.4)	0.4	**0.5**

Company	29 January 2017 £m	Financing cash flows £m	Fair value hedges £m	Other changes £m	27 January 2018 £m
Finance lease liabilities (Note 20)	30.4	(1.3)	–	(0.5)	**28.6**
Derivative financial instruments	0.3	(0.3)	0.4	–	**0.4**
Total liabilities from financing activities	30.7	(1.6)	0.4	(0.5)	**29.0**

22. Provisions

Group and Company	2018 £m	2017 £m
Opening provision	**0.9**	0.1
Provision created during the year	**0.1**	0.9
Provision utilised during the year	**(0.6)**	(0.1)
Closing provision	**0.4**	0.9

During both the current and prior year, the closing provision relates to redundancy costs resulting from the business reorganisation that took place in the year ended 28 January 2017 (see Note 7). The provision is expected to be utilised within 12 months from the balance sheet date.

23. 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	*Restated Accelerated tax depreciation £m	Total deferred tax liability £m	Net deferred tax (liability)/asset £m
At 30 January 2016	–	0.3	–	0.3	(0.5)	–	(0.2)	(13.4)	(14.1)	(13.8)
(Charge)/credit to the income statement (Note 9)	–	(0.2)	–	(0.2)	(1.0)	–	–	1.0	–	(0.2)
Credit to other comprehensive income	–	–	–	–	2.7	–	0.2	–	2.9	2.9
Transfer between asset and liability categories	1.2	–	–	1.2	(1.2)	–	–	–	(1.2)	–
Charge to other reserves	–	(0.1)	–	(0.1)	–	–	–	–	–	(0.1)
At 28 January 2017	1.2	–	–	1.2	–	–	–	(12.4)	(12.4)	(11.2)
(Charge)/credit to the income statement (Note 9)	**(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)**

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	*Restated Accelerated tax depreciation £m	Total deferred tax liability £m	Net deferred tax (liability)/asset £m
At 30 January 2016	–	0.3	–	0.3	(0.5)	–	(0.2)	(4.1)	(4.8)	(4.5)
(Charge)/credit to the income statement	–	(0.2)	–	(0.2)	(1.0)	–	–	0.4	(0.6)	(0.8)
Credit to other comprehensive income	–	–	–	–	2.7	–	0.2	–	2.9	2.9
Transfer between asset and liability categories	1.2	–	–	1.2	(1.2)	–	–	–	(1.2)	–
Charge to other reserves	–	(0.1)	–	(0.1)	–	–	–	–	–	(0.1)
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)**

No deferred tax asset is recognised in the statement of financial position for unused capital losses within the Company of £4.0m (2017: £4.0m).

* The deferred tax liabilities as at 28 January 2017 and 30 January 2016 have been restated to reflect the change in treatment of deferred tax on the recovery of the carrying value of property. Refer to Note 1 for further details.

24. Lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows for the Group and Company:

	2018 £m	2017 £m
No later than one year	**3.1**	3.1
More than one year but not more than five years	**5.2**	6.7
Due beyond five years	**–**	–
Total lease commitments	**8.3**	9.8

25. 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 Group's overall 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.

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, treasury matters are dealt with by the Treasury Committee.

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 27 January 2018, 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 28 January 2017: 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 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 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 IAS 39, 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 crystalises.

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.

25. 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 27 January 2018, 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 28 January 2017: immaterial impact).

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 the Management Committee 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 28 to 33. 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 27 January 2018, there was a net cash surplus of £15.0m (year ended 28 January 2017: net cash surplus of £9.7m).

The Group monitors capital efficiency on the basis of the return on capital employed ratio ("ROCE"). In the financial year ended 27 January 2018, ROCE increased to 20.4% from 20.2%.

26. 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. The triennial valuation was signed after the balance sheet date on 8 March 2018, as detailed in Note 32.

A deficit of £4.8m was determined at the valuation 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 27 January 2018 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	2018 £m	2017 £m	2018 £m	*Restated 2017 £m
Present value of funded obligations	**(120.5)**	(139.2)	**(120.5)**	(139.2)
Fair value of scheme assets	**105.3**	111.8	**105.3**	111.8
Deficit recognised under IAS 19	**(15.2)**	(27.4)	**(15.2)**	(27.4)
Company contribution made to pension scheme in the year to 26 January 2014*	**–**	–	**18.6**	19.1
(Deficit)/surplus recognised in the statement of financial position	**(15.2)**	(27.4)	**3.4**	(8.3)

* Following discussion with our auditor, we have changed our accounting policy treatment of a payment made to the pension scheme for the rental of the property that was transferred from the Company into the scheme as part of the asset backed funding arrangement. Previously accounted for as a prepayment, this is now included as a reduction in the carrying value of the retirement benefit obligation. Refer to Note 1 for further explanation.

26. Retirement benefit obligations continued

Defined benefit scheme: IAS 19 information 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 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.

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.

A curtailment gain of £7.0m arose on the closure to future accrual. A past service cost of £1.3m was also recognised as active members were awarded one year's further service as part of the negotiated closure. Following the closure the Company incurred a further £0.2m of costs in relation to the closure of the Scheme to future accrual. These three items were treated as exceptional items in the year to 28 January 2017 (Note 7).

At the 2014 actuarial valuation, executive members of the Scheme were assumed to retire from active service at age 60 with an unreduced pension. However following the closure of the Scheme to future accrual in the year ended 28 January 2017 there are no longer any active members in the Scheme. All executives are now deferred members with an assumed retirement age of 65, in line with the Scheme rules.

Under the Scheme rules, the Trustees have discretion as to whether to fund deferred members receiving unreduced benefits before their normal retirement age of 65. As such, the gain resulting from the change in this assumption has been included in the changes in demographic assumptions of £13.8m for the year ended 27 January 2018.

The Company made a £1.0m contribution to the scheme in May 2016 and May 2017, and will make a further contribution of £1.0m in May 2018.

The movement in the defined benefit obligation in the year to 28 January 2017 was as follows:

Group and Company	Fair value of plan assets £m	Present value of obligation £m	Total £m
At 30 January 2016	107.3	(120.2)	(12.9)
Current service cost	–	(0.4)	(0.4)
Past service cost	–	(1.3)	(1.3)
Curtailment gain	–	7.0	7.0
Interest income/(expense)	3.9	(4.4)	(0.5)
Total cost recognised in income statement	3.9	0.9	4.8
Remeasurements			
– changes in demographic assumptions	–	(5.7)	(5.7)
– changes in financial assumptions	–	(19.7)	(19.7)
– actuarial return on assets excluding amounts recognised in net interest	3.5	–	3.5
Total remeasurements recognised in other comprehensive income	3.5	(25.4)	(21.9)
Cashflows			
Employer contributions	2.6	–	2.6
Benefits paid	(5.5)	5.5	–
Premiums paid	–	–	–
Total cash outflow	(2.9)	5.5	2.6
At 28 January 2017	111.8	(139.2)	(27.4)

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.

26. Retirement benefit obligations continued

Asset backed funding arrangement continued

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.

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 continue 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 prepayment of pension contributions. Following a review of the accounting policy with the auditor the Company is changing its accounting policy in relation to the prepayment and including this as a reduction in the carrying value of the retirement benefit obligation. This treatment is in line with treatment adopted by other companies which have entered into an asset backed funding arrangement. Full disclosure of the impact on the Company accounts is made in Note 1.

As the Partnership results are consolidated within the Group results no balances are recognised in the consolidated statement of financial position.

Financial assumptions

	2018	2017
Discount rate	**2.6%**	3.0%
Inflation assumption	**3.5%**	3.7%

Mortality assumptions

	2018	2017
Average future life expectancy (in years) for a male pensioner aged 65	**23**	25
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**	27
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 92 depending on their age at 27 January 2018.

The fair value of scheme assets at the year end dates is analysed as follows:

	2018		2017	
	Quoted* £m	Unquoted £m	Quoted* £m	Unquoted £m
Equities	**30.0**	**–**	46.4	–
Bonds	**28.0**	**–**	28.2	–
Debt	**–**	**9.4**	–	–
Property	**–**	**–**	–	0.5
Cash	**–**	**6.3**	–	5.2
Buy-in policy	**–**	**31.6**	–	31.5
Total market value of scheme assets	**58.0**	**47.3**	74.6	37.2

* 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 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

Year ended 28 January 2017	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.1%	Decreases/increases liabilities by £2.3m
Rate of inflation	Increase/decrease by 0.1%	Increases/decreases liabilities by £2.0m
Life expectancy	Increase/decrease by 1 year	Increases/decreases liabilities by £5.6m

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 40% of the Scheme's assets in a mix of equities and diversifying return seeking assets, with the balance in long dated gilts and corporate bonds, 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.

26. 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 26 January 2019 in respect of commitments in relation to the Schedule of Contributions, and the Scheme expects to receive further contributions of approximately £1.2m from the asset backed funding arrangement in which the Scheme holds an interest.

The weighted average duration of the defined benefit obligation is 20 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 2017	**1%**	**1%**	**5%**	**93%**
Proportion of total pension benefits to be paid as at 5 April 2016	1%	1%	3%	95%

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:

	2018 £m	2017 £m
Defined contribution costs	**3.4**	3.1

27. Share capital

	2018		2017	
Group and Company	Shares	£m	Shares	£m
Issued and fully paid	**115,442,278**	**4.8**	116,768,778	4.9

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 27 January 2018 the Company's employee benefit trusts purchased 505,663 (2017: 203,410) shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 27 January 2018 the shares held by the Company's employee benefit trusts represented 819,031 (2017: 1,103,160) shares at a purchased cost of £4.9m (2017: £6.3m).

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.

A total of 1,326,500 shares have been repurchased and cancelled, at a cost of £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 27 January 2018 is £55,271.

28. 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 options reserve.

Savings Related Share Option Scheme ("SAYE")

All SAYEs outstanding at 27 January 2018 and 28 January 2017 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 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 are as follows:

	2018		2017	
	Options	Average exercise price in pence per share	Options	Average exercise price in pence per share
At start of the year	**1,203,393**	**469p**	1,413,428	471p
Granted in the year	**–**	**–p**	–	–p
Forfeited	**(160,098)**	**359p**	(163,567)	332p
Exercised	**(520,605)**	**360p**	(46,468)	326p
At end of the year	**522,690**	**563p**	1,203,393	469p

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 £3.58 and £5.67 (2017: £3.58 and £5.67).

The weighted average share price on the dates that options were exercised in the year to 27 January 2018 was £6.49.

The weighted average remaining contractual life of the outstanding share options at the year end is 2 years (2017: 2 years).

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 25 April 2017	ESOS 25 April 2017
Number of share awards granted	235,209	8,694
Share price at date of grant	621p	621p
Contractual life in years	3	3
Dividend yield	2.43%	2.43%
Expected outcome of meeting performance criteria (at grant date)	50%	50%
Fair value determined at grant date	577p	61p

28. Share-based payments continued

AESOP

As described in the Directors' Remuneration Report, there are two elements to the AESOP.

The partnership share element provides that for every 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.

29. 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	
	2018 £m	2017 £m	2018 £m	2017 £m
Rubicon Drinks Limited	**44.3**	41.1	**57.6**	53.4
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. The difference between the total of these balances and the amounts disclosed as amounts due by (Note 19) and to subsidiary companies (Note 21) are balances due by and due to dormant subsidiary companies.

	Amounts owed by related parties		Amounts due to related parties	
	2018 £m	2017 £m	2018 £m	2017 £m
Rubicon Drinks Limited	**–**	–	**82.8**	72.0
Funkin Limited	**0.2**	0.5	**–**	–

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:

	2018 £m	2017 £m
Salaries and short term benefits	**4.2**	3.2
Pension and other costs	**0.6**	0.5
Share-based payments	**0.1**	–
	4.9	3.7

The Directors' Remuneration Report can be found on pages 48 to 71.

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 (2017: £0.4m) for administration services in respect of the retirement benefit plans. At the year end £nil (2017: £nil) was outstanding to the service provider on behalf of the retirement benefit plans.

30. 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 £201.9m (2017: £180.2m) and the Company has sufficient reserves to continue making dividend payments. Further the Group's net cash position has increased from a surplus of £9.7m at 28 January 2017 to a surplus of £15.0m at 27 January 2018.

As discussed in Note 20, the Group has three revolving credit facilities providing £60m of sterling debt facilities. Refer also to the viability statement on page 37.

31. Subsidiaries

The Group's subsidiaries at 27 January 2018 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 2018 %	Ownership interest held by the Group 2017 %	Principal activities
Findlay's Limited	UK	Cumbernauld	**100**	100	Non-trading entity
Funkin Limited	UK	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	UK	Milton Keynes	**100**	100	Manufacturing, distribution and selling of exotic soft drinks
A.G. BARR Capital Partner Limited	UK	Milton Keynes	**100**	100	Investment holding company
A.G. BARR General Partner Limited	UK	Cumbernauld	**100**	100	Investment holding company
A.G. BARR Pension Trustee Limited	UK	Cumbernauld	**100**	100	Investment holding company
A.G. BARR Scottish Limited Partnership	UK	Cumbernauld	**100**	100	Investment holding company
Robert Barr Limited	UK	Cumbernauld	**100**	100	Non-trading entity
Mandora St Clements Limited	UK	Milton Keynes	**100**	100	Non-trading entity
Taut (UK) Ltd	UK	Milton Keynes	**100**	100	Non-trading entity
Tizer Limited	UK	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.

32. Subsequent events

The triennial valuation of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme as at 5 April 2017 was signed by the Trustees on 8 March 2018. A deficit of £4.8m was determined at the valuation date.

The share repurchase programme which commenced during the year ended 27 January 2018 has continued after the reporting period. Between the balance sheet date and the date of approval of the financial statements (27 March 2018), a further 744,135 shares have been repurchased at a cost of £4.8m.

33. Restated Statements of Financial Position as at 28 January 2017

Following a review of the accounting policies with our auditor, two changes of accounting policies have been adopted in the year to 27 January 2018, as disclosed in Note 1. These impact the Group and Company financial statements as described below.

Group

The accounting policy for the treatment of deferred tax on the recovery of the carrying value of property has been revised. Refer to Note 1 for details. As such, deferred tax liabilities and retained earnings have been restated within the Group Statement of Financial Position for the years ended 28 January 2017 and 30 January 2016.

33. Restated Statements of Financial Position as at 28 January 2017 continued

Company

The above restatement has also been reflected in the Company Statement of Financial Position for the years ended 28 January 2017 and 30 January 2016.

The Company statements have also been restated for the change in treatment of a payment made to the pension scheme for the rental of property that was transferred from the Company into the pension scheme as part of the asset backed funding arrangement. Refer to Note 1 for further details.

The above restatements are reflected within the comparative Statements of Financial Position presented on page 86. There are no restatements impacting the Income Statement for any of the years presented.

Below is a restatement of the Group and Company Statements of Financial Position for the years ended 28 January 2017 and 30 January 2016:

		28 January 2017						30 January 2016					
		Group			Company			Group			Company		
	Note	As per Annual Report and Accounts January 2017 £m	Restatement £m	Restated balance sheet as at 28 January 2017 £m	As per Annual Report and Accounts January 2017 £m	Restatement £m	Restated balance sheet as at 28 January 2017 £m	As per Annual Report and Accounts January 2016 £m	Restatement £m	Restated balance sheet as at 30 January 2016 £m	As per Annual Report and Accounts January 2016 £m	Restated £m	Restated balance sheet as at 30 January 2016 £m
Non-current assets													
Intangible assets	13	106.0	–	106.0	18.8	–	18.8	107.5	–	107.5	20.0	–	20.0
Property, plant and equipment	14	89.4	–	89.4	89.2	–	89.2	85.3	–	85.3	85.3	–	85.3
Pension prepayments		–	–	–	17.9	(17.9)	–	–	–	–	18.3	(18.3)	–
Investment in subsidiary undertakings	16	–	–	–	84.3	–	84.3	–	–	–	84.3	–	84.3
Retirement benefit surplus		–	–	–	–	–	–	–	–	–	–	6.6	6.6
		195.4	–	195.4	210.2	(17.9)	192.3	192.8	–	192.8	207.9	(11.7)	196.2
Current assets													
Inventories	18	17.3	–	17.3	16.7	–	16.7	15.6	–	15.6	15.2	–	15.2
Trade and other receivables	19	51.4	–	51.4	52.4	(1.2)	51.2	52.7	–	52.7	54.1	(1.2)	52.9
Derivative financial instruments	15	0.1	–	0.1	0.1	–	0.1	1.1	–	1.1	1.1	–	1.1
Assets classified as held for sale	14	1.3	–	1.3	1.3	–	1.3	–	–	–	–	–	–
Cash and cash equivalents	17	10.1	–	10.1	6.0	–	6.0	6.8	–	6.8	4.4	–	4.4
		80.2	–	80.2	76.5	(1.2)	75.3	76.2	–	76.2	74.8	(1.2)	73.6
Total assets		275.6	–	275.6	286.7	(19.1)	267.6	269.0	–	269.0	282.7	(12.9)	269.8

	Note	28 January 2017 Group As per Annual Report and Accounts January 2017 £m	Restatement £m	Restated balance sheet as at 28 January 2017 £m	28 January 2017 Company As per Annual Report and Accounts January 2017 £m	Restatement £m	Restated balance sheet as at 28 January 2017 £m	30 January 2016 Group As per Annual Report and Accounts January 2016 £m	Restatement £m	Restated balance sheet as at 30 January 2016 £m	30 January 2016 Company As per Annual Report and Accounts January 2016 £m	Restated £m	Restated balance sheet as at 30 January 2016 £m
Current liabilities													
Loans and other borrowings	20	0.5	–	0.5	1.7	–	1.7	0.7	–	0.7	1.9	–	1.9
Trade and other payables	21	52.3	–	52.3	123.7	–	123.7	37.4	–	37.4	101.9	–	101.9
Derivative financial instruments	15	0.3	–	0.3	0.3	–	0.3	–	–	–	–	–	–
Provisions	22	0.9	–	0.9	0.9	–	0.9	0.1	–	0.1	0.1	–	0.1
Current tax liabilities		2.7	–	2.7	0.1	–	0.1	3.6	–	3.6	0.9	–	0.9
		56.7	–	56.7	126.7	–	126.7	41.8	–	41.8	104.8	–	104.8
Non-current liabilities													
Loans and other borrowings	20	0.1	–	0.1	19.5	–	19.5	17.5	–	17.5	37.2	–	37.2
Trade and other payables	21	–	–	–	–	–	–	4.5	–	4.5	4.5	–	4.5
Deferred tax liabilities	23	9.6	1.6	11.2	0.9	1.6	2.5	12.2	1.6	13.8	2.9	1.6	4.5
Retirement benefit obligations	26	27.4	–	27.4	27.4	(19.1)	8.3	12.9	–	12.9	12.9	(12.9)	–
		37.1	1.6	38.7	47.8	(17.5)	30.3	47.1	1.6	48.7	57.5	(11.3)	46.2
Capital and reserves attributable to equity holders													
Share capital	27	4.9	–	4.9	4.9	–	4.9	4.9	–	4.9	4.9	–	4.9
Share premium account		0.9	–	0.9	0.9	–	0.9	0.9	–	0.9	0.9	–	0.9
Share options reserve		1.8	–	1.8	1.8	–	1.8	1.4	–	1.4	1.4	–	1.4
Cash flow hedge reserve		(0.2)	–	(0.2)	(0.2)	–	(0.2)	1.0	–	1.0	1.0	–	1.0
Retained earnings		174.4	(1.6)	172.8	104.8	(1.6)	103.2	171.9	(1.6)	170.3	112.2	(1.6)	110.6
		181.8	(1.6)	180.2	112.2	(1.6)	110.6	180.1	(1.6)	178.5	120.4	(1.6)	118.8
Total equity and liabilities		275.6	–	275.6	286.7	(19.1)	267.6	269.0	–	269.0	282.7	(12.9)	269.8

Review of Trading Results

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	**277.7**	257.1	258.6	260.9	254.1
Cost of sales	**(146.5)**	(136.4)	(137.5)	(141.0)	(137.9)
Gross profit	**131.2**	120.7	121.1	119.9	116.2
Other income	**–**	0.7	–	0.7	–
Distribution costs (including selling costs)	**(58.7)**	(57.6)	(57.3)	(57.2)	(50.2)
Administration costs	**(27.4)**	(20.7)	(21.7)	(21.3)	(27.4)
Operating expenses	**(86.1)**	(77.6)	(79.0)	(77.8)	(77.6)
Operating profit before exceptional items	**45.1**	43.1	42.1	42.1	38.6
Exceptional items	**0.8**	0.7	–	(3.3)	(3.8)
Operating profit after exceptional items	**45.9**	43.8	42.1	38.8	34.8
Finance income	**–**	–	0.1	0.1	0.2
Finance expense	**(1.0)**	(0.7)	(0.9)	(0.3)	(0.5)
Net finance expense	**(1.0)**	(0.7)	(0.8)	(0.2)	(0.3)
Profit before tax	**44.9**	43.1	41.3	38.6	34.5
Tax on profit	**(7.7)**	(7.5)	(7.0)	(8.6)	(6.1)
Profit after tax	**37.2**	35.6	34.3	30.0	28.4
Earnings per share on issued share capital (pence)	**32.22**	30.49	29.37	25.69	24.13
Dividends recognised as an appropriation in the year (pence)	**14.58**	13.50	12.37	11.30	2.83
Closing share price	**6.29**	5.02	5.28	6.25	6.05

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.

Definitions of the 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 as disclosed in the consolidated cash flow statement.

EBITDA is a non-GAAP measure defined as operating profit before exceptional items, depreciation and amortisation. It is reconciled in the free cash flow statement.

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 calculated as free cash flow divided by EBITDA.

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. This has been included as a non-GAAP measure for the first time in the year ended 27 January 2018 as exceptional items have been included in gross profit. There were no exceptional items in gross profit for the year ended 28 January 2017.

Invoiced revenue is a non-GAAP measure calculated as the sales price per the invoice less any on-invoice discounts.

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 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.

Reconciliations of non-GAAP measures

Gross margin

	2018 £m	2017 £m
Revenue	277.7	257.1
Reported gross profit	130.7	120.7
Gross margin	**47.1%**	**46.9%**

Gross margin before exceptional items

	2018 £m	2017 £m
Revenue	277.7	257.1
Gross profit before exceptional items	131.2	120.7
Gross margin before exceptional items	**47.2%**	**46.9%**

Operating margin

	2018 £m	2017 £m
Revenue	277.7	257.1
Reported operating profit	45.9	43.8
Operating margin	**16.5%**	**17.0%**

Operating margin before exceptional items

	2018 £m	2017 £m
Revenue	277.7	257.1
Operating profit before exceptional items	45.1	43.1
Operating margin before exceptional items	**16.2%**	**16.8%**

EBITDA

	2018 £m	2017 £m
Operating profit before exceptional items	45.1	43.1
Depreciation and amortisation	8.2	8.6
EBITDA	**53.3**	**51.7**

EBITDA margin

	2018 £m	2017 £m
Revenue	277.7	257.1
EBITDA	53.3	51.7
EBITDA margin	**19.2%**	**20.1%**

EBITDA to free cash flow conversion

	2018 £m	2017 £m
Free cash flow	39.9	43.2
EBITDA	53.3	51.7
EBITDA to free cash flow conversion	**74.9%**	**83.6%**

Free cash flow

	2018 £m	2017 £m
Net increase in cash and cash equivalents	5.3	3.5
Expansionary capex*	4.4	6.9
Dividends	16.9	15.6
Finance lease payments	0.1	–
Acquisition of subsidiary	4.5	–
Purchase of Company shares by employee benefit trusts	3.2	1.0
Proceeds from disposal of Company shares by employee benefit trusts	(2.9)	(1.3)
Repurchase of own shares	8.2	–
New loans received	(15.0)	(25.5)
Loans repaid	15.0	43.0
Bank arrangement fees paid	0.2	–
Free cash flow	**39.9**	**43.2**

Expansionary capex

	2018 £m	2017 £m
Expansionary capex	4.4	6.9
Maintenance capex	6.4	5.5
Capex per cash flow statement	**10.8**	**12.4**

ROCE

	2018 £m	2017 £m
Profit before tax	44.9	43.1
Exceptional items	(0.8)	(0.7)
Profit before tax and exceptional items	**44.1**	**42.4**
Intangible assets	104.5	106.0
Property, plant and equipment	94.3	89.4
Inventories	17.8	17.3
Trade and other receivables	56.6	51.4
Current tax	(3.6)	(2.7)
Assets held for sale	–	1.3
Trade and other payables	(53.5)	(52.3)
Invested capital	**216.1**	**210.4**
ROCE	**20.4%**	**20.2%**

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 fourteenth annual general meeting of A.G. BARR p.l.c. (the "**Company**") will be held at the offices of Ernst & Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY on Wednesday 30 May 2018 at 11.00 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions and Resolutions 16 and 17 will be proposed as special resolutions.

1. To receive and approve the audited accounts of the group and the Company for the year ended 27 January 2018 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 page 48 and pages 49 to 71 of the Company's annual report and accounts for the year ended 27 January 2018.

3. To declare a final dividend of 11.84 pence per ordinary share of 4 1/6 pence for the year ended 27 January 2018.

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 Mr Martin Andrew Griffiths as a director of the Company.

11. To re-elect Ms Pamela Powell as a director of the Company.

12. To re-elect Mr David James Ritchie as a director of the Company.

13. To elect Ms Susan Verity Barratt as a director of the Company.

14. 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.

15. 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 £1,603,365.38; and

    (b) up to a further aggregate nominal amount of £1,603,365.38 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 2019 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.

16. THAT, subject to the passing of resolution 15 set out in the notice of the annual general meeting of the Company convened for 30 May 2018 ("**Resolution 15**"), 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 15 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 £240,504.81,

    provided that this authority shall expire on the earlier of 31 July 2019 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.

Notice of Annual General Meeting continued

17. 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 11,464,814;

    (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 2019 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

25 April 2018

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 146 to 148 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 fourteenth annual general meeting (the "AGM") of A.G. BARR p.l.c. (the "Company").

Resolutions 1 to 15 (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 16 and 17 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 27 January 2018 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 page 48 of this report).
- The directors' remuneration policy (which is set out on pages 62 to 71 of this report) sets out the Company's future policy on directors' remuneration.
- The Directors' Remuneration Report (which is set out on pages 48 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 27 January 2018. 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 2017 AGM and which it is expected will not be voted on until the 2020 AGM) for the year ended 27 January 2018. 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 11.84 pence per ordinary share of 4 1/6 pence for the year ended 27 January 2018. If shareholders approve the recommended final dividend, it will be paid on 8 June 2018 to all shareholders on the Company's register of members on 11 May 2018.

Resolutions 4 to 13 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, Ms Susan Verity Barratt will retire and offer herself 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 38 and 39 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 Ms Susan Verity Barratt) of the directors.

Resolution 14 – 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.

Explanatory notes continued

Resolution 15 – 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 15, if passed, will authorise the directors to allot shares having an aggregate nominal value of up to £1,603,365.38, representing approximately one third of the Company's issued share capital as at 24 April 2018 (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 15, if passed, will authorise the directors to allot additional shares in connection with a rights issue having an aggregate nominal value of up to £1,603,365.38, representing approximately one third of the Company's issued share capital as at 24 April 2018 (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 15. 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 15 will expire on the earlier of 31 July 2019 (being the latest date by which the Company must hold its annual general meeting in 2019) and the conclusion of the annual general meeting of the Company held in 2019.

Resolution 16 – 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 16, 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 16 would also cover the sale of treasury shares for cash.

Sub-paragraph (a) of Resolution 16 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 16 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 £240,504.81, representing approximately 5% of the Company's issued share capital as at 24 April 2018 (being the latest practicable date prior to the publication of this report).

The authority sought under Resolution 16 will expire on the earlier of 31 July 2019 (being the latest date by which the Company must hold an annual general meeting in 2019) and the conclusion of the annual general meeting of the Company held in 2019.

Resolution 17 – 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 17, 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 11,464,814 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 2019 (being the latest date by which the Company must hold an annual general meeting in 2019) and the conclusion of the annual general meeting of the Company held in 2019.

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 is anticipated that it will be completed by May 2019. 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 1 April 2018 (being the latest practicable date prior to the publication of this report), options had been granted over 497,738 ordinary shares (the "**Option Shares**") representing approximately 0.43% of the Company's issued share capital at that date. If the authority to purchase the Company's ordinary shares (as described in Resolution 17) were exercised in full, the Option Shares would have represented approximately 0.48% of the Company's issued share capital as at 1 April 2018. As at 1 April 2018, 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 28 May 2018 (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 24 April 2018 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 114,648,143 ordinary shares of 4 1/6 pence each, carrying one vote each. As at 24 April 2018, the Company did not hold any treasury shares. Therefore, the total voting rights in the Company as at 24 April 2018 were 114,648,143 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 & Young LLP, G1 Building, 5 George Square, G2 1DY, Glasgow 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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BUILDING GREAT BRANDS

A.G. BARR p.l.c.
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD
Tel: 0330 390 3900
www.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

agbarr.co.uk