AG Barr
BUILDING GREAT BRANDS

2020

A.G. BARR P.L.C.
ANNUAL REPORT AND ACCOUNTS 2020

CEO'S FOREWORD

Welcome

I am pleased to present A.G. BARR p.l.c.'s Annual Report for the year ended 25 January 2020.

We aim to provide a fair, balanced and understandable assessment of the Company, including our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

Our report includes a comprehensive assessment of not only the principal risks facing the business, but also seeks to identify and evaluate matters that are of common material interest to our stakeholders and to our business, understanding how they may affect our ability to create value over time. These matters are integral to our planning processes and help support the delivery of our strategy.

We will continue to seek opportunities to grow our business and I believe we are well placed to continue to deliver consistent long-term shareholder value.

Roger White
Chief Executive

CORPORATE GOVERNANCE

Our section 172(1) statement describing how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006 is set out in the Corporate Governance Report on **pages 50 to 61** and is incorporated by reference into this Strategic Report.

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

Revenue

£255.7m
(8.4)%

Profit before tax*
(before exceptional items)

£37.4m
(17.3)%

Net cash from operating activities**

£40.1m
(10.1)%

Basic earnings per share

26.50p
(15.9)%

IN THIS REPORT

STRATEGIC REPORT

CORPORATE GOVERNANCE

ACCOUNTS

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 162 to 164.
** Operating cash flows have increased by £3.3m in the current year following the adoption of IFRS 16, as lease payments previously included within operating activities are now disclosed as financing activities.

Our business

A.G. Barr is a UK-based branded consumer goods business focused on growth, building great tasting brands that people love.

Established over 140 years ago in Scotland and now operating across the UK and internationally, we aim to deliver long-term sustainable value, growing both organically and through partnerships and acquisition.

Employing almost 1,000 people across 9 UK locations, we are proud to be a responsible business that listens to our consumers, builds lasting customer relationships, takes care of our employees, gives something back to our communities and works to minimise our environmental impact.

AG Barr
BUILDING GREAT BRANDS

Number of employees

950

UK sites

9

Number of brands

18

At our core is our Barr Soft Drinks business unit, a successful branded soft drinks business, building a diverse and differentiated portfolio of great tasting soft drinks that people love.

We make it our business to understand what consumers want.

ALTOGETHER REFRESHING
BARR SOFT DRINKS

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

Enhancing our portfolio, we also operate long-term partnerships, complementing our own range of products with global brands **ROCKSTAR**, **SNAPPLE**, **SAN BENEDETTO** and **BUNDABERG** Brewed Drinks in the UK and beyond.

But we're not just about soft drinks – our **FUNKIN** business unit operates in the exciting and growing cocktail market. The **FUNKIN** brand provides innovative and unique purées, syrups, mixers and now ready to drink cocktails, for behind the bar and at home cocktails.

ESTD . 1999
FUNKIN COCKTAILS

STRATEGY AND KPIs

For information on our Strategy and Financial KPIs see **pages 10 and 11.**

BUSINESS MODEL

For information on our Business Model see **page 8.**

OUR STRATEGY:

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

OUR STRATEGIC PRIORITIES:

- **Connecting with consumers**
- **Building brands**
- **Building trust**
- **Driving efficiency**

OUR BUSINESS MODEL:

Make → Move → Market → Sell → Behave responsibly → Create value

OUR RESPONSIBILITY COMMITMENTS:

- **Act with integrity**
- **Respect the environment**
- **Support healthy living**
- **Give back**

Our brands

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

OUR BRANDS

You can find out more information on our full portfolio at **agbarr.co.uk/our-brands/**

Chairman's Introduction

After many years of consistent profit growth, it has been a difficult year for the business, with revenue declining 8.4% to £255.7m and profit before tax and exceptional items* falling 17.3% to £37.4m (statutory profit before tax was also £37.4m). Despite the challenging trading environment, management responded with decisive actions and I am pleased to report that the business exited the year with renewed momentum.

While our Funkin business unit had another successful year, Barr Soft Drinks faced some significant headwinds across the year. The consumer market was undoubtedly impacted by political uncertainty and the poorer weather was in sharp contrast to the prior year's record breaking summer. Looking back, we did not fully recognise the extent to which we benefited from the hot summer of 2018.

Against this backdrop the business also experienced some specific brand challenges, while also implementing its strategy to realign pricing more closely with the market, following the one-off volume led strategy of 2018 when the Soft Drinks Industry Levy was implemented.

Despite these circumstances the business maintained its strategic focus, continuing to invest in its brands, innovation, assets, people and responsibility commitments. Action has been taken to simplify and streamline the business, with benefits already in evidence.

We have a strong balance sheet, an experienced team in place and are well placed to exploit growth opportunities as and when they arise.

Dividend

An interim dividend, for the six months ended 27 July 2019, of 4.00p (2019: 3.90p) per ordinary share was paid on 25 October 2019. Our usual practice at this time of the year is to propose a final ordinary dividend to be paid in June, subject to approval by shareholders at the Annual General Meeting held in May. However, given the unprecedented circumstances arising from COVID-19, we believe it is currently important to conserve cash and maintain balance sheet flexibility. As such, the Board is not proposing a final dividend at this time, and will review the dividend position when there is greater visibility of the impact of COVID-19.

People and culture

We have a positive and result-driven culture, which has held the business in good stead across a difficult year. A wide range of initiatives have been implemented across the Group to support and foster an even stronger culture, initiatives which are being well received by employees and recognise the importance of building an even more inclusive workplace. Details are included in our Responsibility report on pages 22 to 35.

I would like to take this opportunity to thank, on behalf of the Board, the whole team across the Group for their hard work and diligence in what has been a demanding year.

Board

As previously communicated, after 9 years on the Board, Martin Griffiths will stand down following completion of the 2019/20 audit cycle. Martin will be succeeded by Nick Wharton as Audit and Risk Committee Chair while Susan Barratt has been appointed as Senior Non-Executive Independent Director and Pam Powell succeeds Susan as Non-Executive Director responsible for workforce engagement.

Andrew Memmott stepped down from the Board in September 2019 and will be leaving the business in April 2020 after 29 years' service, 11 of which as a Board member. I would like to thank Martin and Andrew for their contribution and commitment to the business.

COVID-19

Clearly there is a huge amount of uncertainty surrounding COVID-19 at present. The Board is working closely with the executive team to ensure the business takes appropriate action to protect its people and to maintain operational and financial stability in these unprecedented times. With fantastic brands, talented and engaged people, and well invested assets, A.G. Barr remains a great business and there is a unified determination across the Group to get through these difficult times and play our part. The Board remains confident in both the management and the capability of the business to adapt appropriately to the current circumstances and to deliver long-term shareholder value.

John R. Nicolson

John R. Nicolson
Chairman

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 162 to 164.

FINANCIAL REVIEW
For information on our financial performance see **pages 36 to 41.**

RESPONSIBILTY REPORT
For information on our responsible business practices see **pages 22 to 35.**

"Despite the challenging trading environment, management responded with decisive actions and I am pleased to report that the business exited the year with renewed momentum."

John Nicolson
Chairman

Our business model

We make

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

UK manufacturing facilities

3

We move

With a fleet of more than 80 vehicles, and long-standing relationships with our key distribution partners, we strive to deliver great service to all our customers, from the biggest food service customer to the smallest local shop. Operating across multiple routes to market, we have a well established and efficient distribution network, with our Barr Direct channel in particular setting us apart, by offering a tailored and personal service to thousands of independent retailers across the UK.

Number of vehicles

80

We market

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

Brands within our portfolio

18

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

We sell

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

Revenue generated in the UK

95%

We behave responsibly

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

Years of responsible actions

140+

We create value

Shareholders

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

£19m

of dividends paid during the year

Employees

We have 950 employees across the UK.

£37.8m

Salaries and wages paid

Suppliers and customers

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

£100m

Annual spend

UK economy and communities

With 95% of our revenue generated in the UK, and through our £7.9m corporation tax and £4.8m national insurance payments to the **government**, we continue to play our part in growing the UK economy while also donating over £100k to 150 good causes across our **communities**.

£100k

Donated to 150 good causes

Strategy and Financial KPIs

Our Strategy

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

OUR STRATEGIC PRIORITIES

Connecting with consumers

Consumer insight drives our business. Consumers' needs and preferences are changing and diversifying and we ensure that we take the time to listen, to understand them and to offer everyone a choice of great tasting, high quality products.

More on page 16.

Building brands

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

More on page 18.

Building trust

Building and maintaining long-lasting trust and successful relationships is central to our business and always has been. Our responsible behaviour over the last 140 years has created a firm foundation, but one we want to build upon further. Being a trusted business that acts with integrity is fundamental to our stakeholder relationships – from our consumers and customers to our suppliers and communities. As the world around us changes our strategic choices are increasingly supported by our desire to do the right thing.

More on page 20.

Driving efficiency

We continually strive for greater efficiency across our business, investing for growth while also ensuring strong financial controls are in place. 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.

More on page 21.

KEY PERFORMANCE INDICATORS

Net cash from operating activities

£40.1m

(10.1)%

Net cash from operating activities is defined as the cash generated/(used in) the ongoing regular business activities in the year. 2020 reported performance reflects a £3.3m benefit from the implementation of IFRS 16. We previously reported on Free Cash Flow, however have now replaced this with this GAAP measure.

2020	£40.1m
2019	£44.6m

Basic earnings per share

26.50p

(15.9)%

2020	26.5p
2019	31.51p

Full year dividend per share

Dividend per share has been removed as a KPI measure for the year ended 25 January 2020 given the highly unusual circumstances arising from COVID-19 and the Board's decision not to propose a final dividend at this time.

Revenue

£255.7m

(8.4)%

The decrease in value of revenue recorded relative to the prior year.

2020	£255.7m
2019	£279.0m

Gross margin*

41.1%

(284)bps

Reported gross profit divided by revenue.

2020	41.1%
2019	43.9%

Profit before tax & exceptional items*

£37.4m

(17.3)%

2020	£37.4m
2019	£45.2m

Operating margin before exceptional items*

14.9%

(152)bps

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

2020	14.9%
2019	16.4%

EBITDA margin*

20.0%

+41bps

EBITDA (defined as profit on ordinary activities before tax and before exceptional items, adding back interest, depreciation, amortisation and impairment) divided by revenue. 2020 reported performance reflects a 129bps benefit from the implementation of IFRS 16.

2020	20.0%
2019	19.6%

Return on capital employed*

16.1%

(484)bps

Profit before tax and exceptional items as a percentage of invested capital. Invested capital is defined as year 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.

2020	16.1%
2019	21.0%

Non-financial KPIs are detailed in our Responsibility report on pages 22 to 35.

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 162 to 164.

Chief Executive's Review

Overall the year to January 2020 was disappointing with our core soft drinks business underperforming both the market and our own expectations. However we responded proactively to the various challenges we faced, took decisive actions across the second half of the year and maintained our strategic focus. As a result, we ended the financial year with an encouraging trading performance which continued into the new year.

As communicated in September 2019 as part of our Interim Results, we experienced a variety of challenges during the year which combined to substantially impact our financial performance. Across the full year, revenue fell 8.4%, compared to 5.6% revenue growth in the prior year. Statutory profit before tax fell 16.0% to £37.4m, reflecting the adverse impact of the revenue decline alongside our ongoing commitment to maintain investment in our brands and business for the longer term.

In the second half our focus and efforts were directed towards a number of initiatives to support our recovery – these include portfolio changes, to address some specific brand issues identified earlier in the year, along with a business re-engineering programme aimed at simplifying and supporting a return to growth across our soft drinks business.

Our Funkin business, operating in the cocktail market, has had another very successful year with revenue increasing by over 20%. Over the past 12 months we have further progressed our multi-beverage strategy with the introduction of ready-to-drink cocktails including alcohol, while also investing in the zero proof spirits sector through our 20% minority investment in Elegantly Spirited Limited, owners of the STRYYK brand.

Our key financial metrics for the year were as follows:

- Group revenue £255.7m (2019: £279.0m)
- Profit before tax and exceptional items* £37.4m (2019: £45.2m)
- Profit before tax and after exceptional items £37.4m (2019: £44.5m)
- Operating margin* 14.9% (2019: 16.2%)
- Strong balance sheet with net cash of £3.0m (post IFRS 16) having completed our £30m share repurchase programme

Statutory profit before tax of £37.4m reflects an exceptional cost of £1.8m in the year, associated with the completion of the first phase of our business re-engineering programme, offset by a £1.8m one-off exceptional gain related to the removal of a wind turbine at our Cumbernauld site.

"PepsiCo" acquisition of Rockstar

On 11 March 2020 PepsiCo Inc. (PepsiCo) announced its intention to acquire Rockstar Energy Beverages, owner of the Rockstar energy brand. PepsiCo has been a distribution partner for Rockstar in North America since 2009.

We have been a franchise partner of Rockstar since 2007 and retain the exclusive distribution rights for the Rockstar brand in the UK, Ireland and certain European territories. We have a long-term contract, extending for several years, for the manufacture and sale of the Rockstar energy brand, which contributes approximately 8% of the Group's sales volumes.

Until this transaction is completed we will continue to work alongside the Rockstar team as normal.

Soft drinks market

Possibly the biggest impact on soft drinks this year was the weather, with an average summer following on from the hottest summer on record in 2018. Consumption levels fell across the market, with most soft drinks sub categories declining. As measured by IRI, volume in the total UK soft drinks market declined 2.5% with value broadly flat, increasing 0.4%. Carbonates benefited from distribution growth in low calorie variants and as a consequence grew 3.4% in value and 1.3% in volume. Stills, driven by water and juice drinks, declined 2.8% in value and 5.8% in volume.

After a difficult period during the course of the summer we have seen our market share position improve and in the final quarter on a year on year basis we have seen marginal share gains. (Source: IRI Marketplace 52 weeks to 26 January 2020)

Cocktail market

The cocktail market continues to grow, increasing in value by 9.9% with a growth in outlets selling cocktails up 3.2%. (Source: CGA Mixed Drinks Report Q3 2019)

Strategy execution

2018 was a year of record profit for A.G. Barr, supported by a strong soft drinks market performance. Our intentional short-term trading strategy of placing volume performance ahead of value, in a market which experienced changing pricing dynamics as a result of the Soft Drinks Industry Levy, boosted our growth and led to a significant increase in our market share. We also benefited from our ability to maintain service levels during industry CO_2 shortages during the long hot summer.

By comparison, the past twelve months were much more challenging. The beneficial external circumstances were not replicated and the many moving parts made it difficult to read the underlying dynamics. With hindsight, we underestimated the volume benefit we received in 2018 from both the one-off trading factors and the favourable weather, while also experiencing some specific brand challenges as outlined below. All of these factors impacted our financial performance.

As planned, we returned our Barr Soft Drinks business to its long-term value driven approach across the first half of 2019, resetting our price positioning, particularly for the IRN-BRU brand, and reducing our promotional intensity to align more closely with our competitor set in the market. While this had an expected impact on volume, it has delivered the planned increase in average realised price, re-establishing our consumer pricing position.

STRATEGY AND FINANCIAL KPIs
For information on our Strategy and Financial KPIs see **pages 10 and 11.**

STRATEGY IN ACTION
For information on how we are actioning against our strategy see **pages 16 to 21.**

"A.G. Barr is a results driven business with a motivated and resolute team."

Roger White
Chief Executive

Throughout a difficult year we have remained committed to our long-term strategy, investing for growth and focusing on our strategic priorities of connecting with consumers, building brands and trust, and driving efficiency.

Connecting with consumers
The connection we make with consumers, both corporately and through our brands, is central to our strategy. Over the past 12 months we have continued to invest in a wide range of consumer marketing, promotion and communication programmes across both our Barr Soft Drinks and Funkin business units.

Advertising has evolved considerably in recent years, with social and digital media proving increasingly important, complementing the more traditional media channels of TV, print and outdoor. In April 2019 we launched our new IRN-BRU campaign "Get Some IRN in You" on TV, digital and social media to ensure our number 1 brand remains fun, fresh and relevant to all. The campaign was well received by a wide range of consumers and resonated particularly well with the younger 18 to 34 year old cohort.

2019 was also our first year of significant above the line marketing investment for the Funkin brand, with the new range of ready-to-drink cocktails advertised across outdoor channels in selected cities throughout the UK. This supports the strategic objective of growing Funkin beyond its traditional strong position behind the bar into a relevant consumer brand.

Sponsorship remains an effective and exciting engagement tool and Rubicon entered its third year as official partner of the England and Wales Cricket Board. In a year that gave cricket fans both the World Cup and the Ashes, Rubicon's visibility and association with cricket increased, bringing the brand to significantly larger audiences than ever before.
Over recent years we have seen a marked consumer trend towards all things retro, with consumer brands in particular seeking to meet this fondness for nostalgia. As a brand with over 100 years of history and heritage, IRN-BRU has always enjoyed a special relationship with its consumers. In December 2019 we launched IRN-BRU 1901, a premium, limited edition IRN-BRU made to the very first 'old and unimproved' recipe dating back to 1901. The response from consumers has been very positive and has given IRN-BRU fans a chance to enjoy a unique and authentic piece of Scottish history.

Building brands
In a year of price realignment, particularly for the IRN-BRU brand, we experienced some sales decline as a result of adjustment to the new consumer price points. However, now benefitting from the planned increase in average realised price, we are pleased to report that the IRN-BRU brand returned to value growth in the final quarter of the year. Our Barr Flavours carbonates range also made progress, building on distribution gains of the prior year.

During the year, we experienced some very specific brand challenges with Rockstar energy and Rubicon juice drinks. A number of factors impacted sales across these brands, including consumer acceptance of new recipes, competitor pricing and, in the case of fruit drinks, a further decline in this category. We have taken action to address these specific brand issues, with the launch of three new Rockstar products, including a performance energy range, and improved core brand recipes. We have significantly enhanced product quality through recipe improvement for Rubicon juice drinks and have relaunched the brand, including a new overall brand design. It will take time for these actions to embed in the market and for the improvements we expect to be realised.

Our strategy to invest in bringing innovative new products to the market has delivered incremental value across the year and our innovation performance and pipeline remain strong. Our new soft drinks product launches have included a Mango Zero Added Sugar sparkling version of Rubicon, an exciting new range of adult soft drinks, St Clement's, and a new variant from IRN-BRU, IRN-BRU Energy. For Funkin, our ready-to-drink cocktails have furthered our move into multi-beverage and exceeded our initial expectations with strong rates of sale and a fast-growing number of listings secured across a broad range of channels, including travel operators and the important take-home grocery channel.

Demonstrating our flexible approach to seeking growth in new areas of the market, we completed a £1m investment in Elegantly Spirited Ltd., owners of the STRYYK brand, in June 2019. Whilst taking a 20% minority equity share in this new venture, we also secured the UK distribution rights for STRYYK via our Funkin business unit, thereby seeking to capitalise on the growth in the emerging zero proof spirits market, at the same time as we drive revenue and bring an exciting new brand to the market.

Building trust
As a long-standing UK consumer goods business we understand the privileged position we hold in our communities and the impact our actions have on a wide range of stakeholders, from our employees and consumers to our customers and suppliers. Building trust is central to this.

Climate change in particular is an area of real focus for the business. We have an important part to play in contributing towards carbon reduction and are continuing to take actions across waste, water and energy in our journey towards carbon neutral operations.

Some highlights of the year related to building trust include:

- It is our ambition to be a diverse and inclusive business that respects and values difference and allows all of our people to perform at their best. Our focus in this area has intensified across the past 12 months and we have implemented a range of initiatives in support of our ambition, from diversity and inclusion awareness training for all employees to introducing more flexible working arrangements. We have also seen improvement in our mean and median gender pay gaps and further steady progress in the representation of female senior managers within the business. Further details can be found on pages 22 to 35 in our Responsibility report.
- Our progress in introducing greater recycled content into our packaging. Having introduced 50% recycled PET ("rPET") into our Strathmore water plastic bottles, we are now extending this further across our Rubicon Spring range. While rPET material availability remains a key challenge for the food and drink industry as a whole, we remain committed to achieving at least 30% rPET across our full range of plastic bottles by 2022.
- We are working closely with the Scottish Government, producers, wholesalers, retailers and other stakeholders, on planning for the creation of an effective and efficient Deposit Return Scheme (DRS) for Scotland. Such a scheme will not only vastly improve the availability of recycled materials for re-use in drinks containers, it will also lead the way for food and drinks packaging, with drinks containers, including plastic bottles, becoming part of a truly circular economy.
- The signing of a new ten-year renewable electricity contract with Swedish energy group Vattenfall. This agreement will provide fossil-free electricity to all our sites across the UK, a big step towards reducing our carbon footprint and delivering our ambitious sustainable business goals.

A comprehensive Responsibility report, detailing our responsibility commitments and goals can be found on pages 22 to 35.

Driving efficiency
Our drive for greater efficiency and stronger financial returns continues to be a key area

of focus. However our commitment to investing for long-term growth through capital projects has been maintained.

Our £14m capital investment in a new liquid processing facility at our Cumbernauld site is nearing completion. The project delivers new ingredients handling and processing assets, along with a range of associated safety, health, efficiency and environmental improvements.

We have also undertaken the first phase of our business re-engineering programme, having completed a range of initiatives to simplify how we operate. Actions have included portfolio simplification, brand development prioritisation and reorganisation within our Commercial function. Phase 2 will focus on right-sizing our organisational structures, operational activities and our overheads, to ensure we are appropriately scaled and resourced to perform in the current market.

COVID-19

The circumstances resulting from COVID-19 are creating an unprecedented level of uncertainty for the UK and beyond. We have been following Government guidance since the outset of the COVID-19 outbreak and will continue to do so.

In response we are taking swift action across 3 priority areas:

1) Safety and wellbeing

Our primary focus is on the safety and wellbeing of our employees, suppliers, customers and consumers. We have taken steps to protect our colleagues who are considered most vulnerable across the organisation. In addition, those employees whose roles permit them to do so, are working from home. For our colleagues who work in key production, warehousing and delivery roles, we have introduced strict safety, hygiene and 2 metre social distancing measures.

2) Group operating resilience

Along with our fellow food and drink manufacturers we are working closely with the Government, and DEFRA in particular, to maintain continuity of the food and drink supply chain, helping to keep shop shelves well stocked.

Our production and logistics sites currently remain operational and we are extremely grateful to our dedicated supply chain employees and partners.

Our two main production sites Cumbernauld and Milton Keynes provide us with manufacturing capability and flexibility, and many of our formats can be produced in either location.

We have taken steps to ensure that our raw material availability and stockholding is as robust as possible and as yet have experienced no difficulties. However, in common with most food and drink manufacturers we are reliant on a number of raw materials and packaging types for which it is not possible to store more than a few days' stock locally at site. This risk is mitigated as far as possible by healthy levels of finished goods stocks and to date we have maintained strong levels of service into our customer base.

We are taking action to ensure our factories are staffed sufficiently, that our production plans optimise the capacity available at each of our sites and that we prioritise those SKUs that current consumer demand requires.

Following the Government's 'lock-down' measures, introduced on 23 March, which initially saw the closure of pubs, bars and other hospitality venues across the UK, we are now understandably also seeing a significant impact on the "out of home" consumption of soft drinks in general. Sales via our "impulse" customers (c.40% of total revenue) have significantly reduced as a result. 'Take-home' purchases have remained more resilient although sales since 23 March have been more volatile than usual. As a result, we expect there to be a material adverse impact to the Group's financial performance due to these fast changing circumstances, however at the current time the quantum of this remains uncertain.

It is our aim to maintain supply into our customers for as long as there is demand in the market and as long as Government guidance permits.

3) Financial stability

The Group has a strong financial base and our balance sheet is robust, with net cash in the bank of £10.9m at the financial year end, however given the highly unusual circumstances arising from COVID-19, we believe it is important to conserve cash at this time and maintain maximum balance sheet flexibility.

We have drawn down our £60m revolving credit facilities in full. In addition, we have now frozen all new capital projects, as well as scaling back immediate marketing and commercial activity where sensible across the Group. In accordance with the Government's Job Retention Scheme, we have commenced the "furlough" process for a limited number of colleagues at this stage. In addition the Board and Senior Executive team have agreed to a voluntary 20% salary reduction for a minimum of 3 months to help support the business through these difficult times. We continue to take a prudent and vigilant approach to all working capital to minimise risk in the current climate.

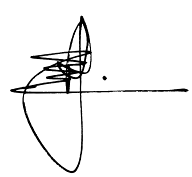
The Board is not proposing a final dividend at this time, and will review the dividend position when there is greater visibility of the impact of COVID-19.

Summary

A.G. Barr is a results driven business with a motivated and resolute team, whom I wish to thank for their ongoing resilience, commitment and flexibility.

We exited the financial year with improved trading performance and momentum, which continued into the new year however the COVID-19 situation is now materially impacting our business. There is no immediate certainty around the severity and duration of the impact on our business and as such the Board is unable to provide guidance for the current financial year at this time. However, the actions we are taking to conserve cash and reduce costs, combined with our strong financial base, give us confidence in the resilience of our business for the long term.

We will continue to monitor developments closely, responding appropriately as required, while also ensuring that we play our part in supporting our communities through these unprecedented times.

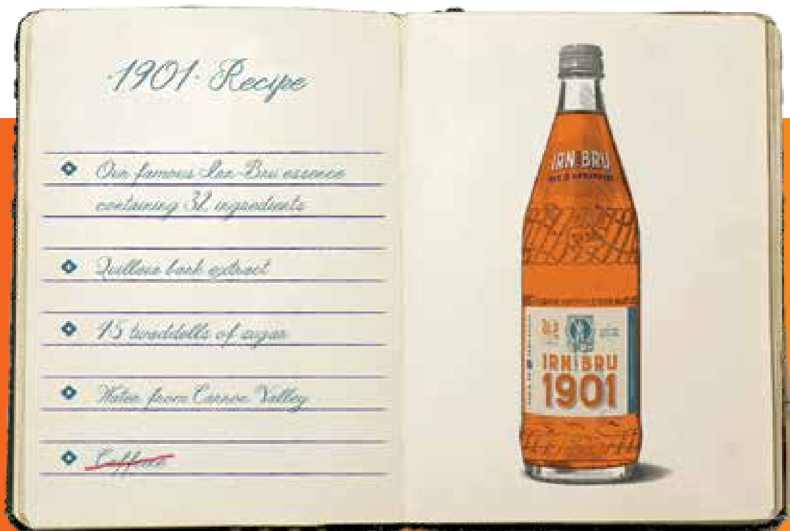


Roger White
Chief Executive

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 162 to 164.

Our strategy in action

Connecting with consumers



PREMIUM LIMITED EDITION BRU MADE TO 'OLD & UNIMPROVED' 1901 RECIPE

Made to the authentic 1901 recipe from a handwritten notebook stored deep in the Company archives for over 100 years, IRN-BRU 1901 hit the shelves in December as a limited edition.

While IRN-BRU's secret flavour essence remains unchanged, the 1901 recipe doesn't have any caffeine, but it does have a frothy head and is sweetened only with sugar to produce a rich satisfying taste. Faithfully only sold in 750ml glass bottles, just as it was back in the day, IRN-BRU 1901 has aged beautifully and has given fans the opportunity to enjoy a unique and authentic taste of Scottish history.

There's nothing like it. Not back then. Not now. Not ever.

RUBICON AND CRICKET – A STRONG PARTNERSHIP

In the year of the Cricket World Cup and the Ashes, Rubicon firmly established itself as a big hitter in the cricket ground and beyond. In its 3rd year as official partner of the England and Wales Cricket Board, Rubicon enhanced its engagement programme across a range of consumer channels. From media partnerships and targeted social media activity, to on-pack promotions and eye-catching cricket ground branding, Rubicon leveraged the cricket buzz across the summer.

SPICING UP OUR DIGITAL ENGAGEMENT

For many, Christmas wouldn't be Christmas without their favourite IRN-BRU and the iconic IRN-BRU Snowman advert which aired in December on TV and digital, marking the start of the festive season.

We delivered an extra seasonal boost to our Christmas activity in 2019 with the launch of IRN-BRU Crimbo Juice, a limited edition "Spiced Ginger" festive flavour. The launch was spiced up further with our Three Wise Queens digital campaign, with 3 slightly risqué promotional films created exclusively for social media adding some fun and frivolity to IRN-BRU's consumer engagement activity.

Building brands

IRN-BRU ENERGISED

IRN-BRU gave fans a boost in July with the launch of a great-tasting new drink IRN-BRU Energy.

The brand-new formula combines the iconic flavour of IRN-BRU's top secret essence with taurine, caffeine, B vitamins to create the taste of an energy drink.

Designed to meet the needs of today's energy drinker **IRN-BRU Energy** offers a different taste experience to regular IRN-BRU and is available in sugar and no sugar variants.

FUNKIN NITRO CANS

Launched in July, Funkin's ready-to-drink cocktails are the UK's first range of nitrogen-infused cocktails in cans.

Providing the vibrant flavours and velvety-smooth texture of bar-quality cocktails in a convenient, ready-to-drink format, cocktails no longer need to be saved for 'special' occasions and celebrations, but can be enjoyed at all social occasions.

Infused with nitrogen, every can produces a foam head when poured, mirroring the look, smooth texture and delicious taste of a shaken, bar-quality cocktail.

And we're delighted that Funkin's range of nitro cans has been listed as one of the top 10 Mintel Global Innovations of 2019, a list which includes some of the most innovative food and drink products launched during the year that stand out for being unique and capturing the spirit of the times.

NEW LOOK FOR RUBICON

Rubicon got a fresh new look in November with a new design implemented across the full range.

With its eye-catching and vibrant design, Rubicon will be more visible on shelf and consumers are telling us they love the new modern look.

The redesign also marks the launch of our new improved recipe on the stills range, bringing a fruitier taste to our still fruit drinks.

Building trust

WINNING WITH OUR CUSTOMERS

We're delighted that it's been another award winning year for the business where we have been recognised by a number of our customers.

In July we were awarded "Most Improved Supplier" at Tesco's Supplier Conference. Classified as a "Collaborative Partner", Tesco's highest supplier ranking, the award recognises the significantly stronger service levels and on-shelf availability achieved across the year. The award is a clear endorsement of all the hard work across the business that goes into building relationships, trust and service with our key customers.

More recently we had our most successful night ever at the 18th Scottish Wholesale Achievers Awards, with the best result achieved by any company since the awards began. With 5 awards up for grabs by suppliers we were delighted to win 4 out of 5 and we were runner up in the 5th. Our winners were: Sales Executive of the Year (Steven McGarry), the Project Scotland award for our IRN-BRU Energy launch, Best Advertising Campaign for IRN-BRU's "Get Some IRN in You" and finally the coveted Best Overall Service by Suppliers.

100% RENEWABLE ELECTRICITY

We take our environmental responsibilities seriously and strive for opportunities to play our part in reducing the effects of climate change. Supporting our carbon neutral ambition we have signed a deal with Swedish energy group Vattenfall to introduce fossil-free electricity across all our sites.

The ten-year contract will supply us with 22GWh per year from Vattenfall's wind farms in the UK – the equivalent electricity used by 6,000 UK homes annually.

Using home grown renewable energy is a big step towards reducing our carbon footprint and delivering our ambitious sustainable business goals.

Driving efficiency

NEW PROCESS ROOM AT CUMBERNAULD

Our £14m capital investment in a new liquid processing room at our Cumbernauld site is nearing completion.

The process room is the heart of the factory where the ingredients are added and mixed for all of our drinks and the investment includes a new building and brand new equipment.

The project delivers a range of efficiency improvements including greater automation, faster processing and waste reduction as well as reducing manual handling and improving the working environment for our process team.

GIVING OUR SALES TEAMS THE BEST TOOLS FOR THE JOB

We have been selling directly to our customers since the business was born over 140 years ago and over time our systems and processes have grown and evolved. The time was right in 2019 to consolidate our ways of working into one new and cohesive sales platform to allow our Barr Direct sales teams to benefit from using one system driven by a powerful central database.

The new system provides a range of functional capabilities that equip our sales teams with the data and insight to deliver stronger customer and category performance – from greater data capture and insight to better promotional management and reporting.

Responsibility Report and Non-Financial KPIs

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

For over 140 years we've been creating and building great tasting brands that people love and our business has grown as a result. The continued financial strength of our business is important not only to our 950 employees and our shareholders, but also on a broader basis, where our performance positively impacts a wide range of stakeholders, from customers and suppliers to the communities we operate in and the UK economy as a whole.

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

We are also mindful that our actions can contribute towards global improvements. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("SDGs"), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

While there will be actions we take which contribute both directly and indirectly to many of the SDGs, we have reviewed and updated our SDG connections to be more focused on where we believe we can play our part. These are:

GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.

AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.

DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns.

CLIMATE ACTION

Take urgent action to combat climate change and its impacts.

Behaving responsibly for over 140 years

We act with integrity

Key focus areas

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

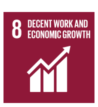
Main supporting policies

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

Long-term goals

Employee engagement 2022 Goal	Accident incident rate 2022 Goal
80%	0

Supporting the UN Sustainable Business Goals



We respect the environment

Key focus areas

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

Main supporting policies

- Environmental Policy
- Ethical Trading Policy
- Procurement Quality Manual

Long-term goals

Waste diverted from landfill 2021 Goal	Reduction in greenhouse gas emissions 2025 Goal (Baseline 2015)
100%	40%

Improvement in water usage efficiency 2025 Goal (Baseline 2015)	Recycled PET content 2022 Goal
15%	30%

Supporting the UN Sustainable Business Goals

We focus our specific responsibility goals and commitments on those areas where we believe we can make the greatest positive economic, environmental, and social impact, supporting our contribution to a sustainable future for all. We also engage with a wide range of stakeholders as set out on pages 50 to 56 to ensure that our priorities are aligned. As such behaving responsibly at A.G. Barr is underpinned by four key commitments which we believe to be material matters to both our business and our stakeholders:

We support healthy living

Key focus areas

- Calorie reduction
- Responsible advertising & marketing
- Labelling

Main supporting policies

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

Long-term goals

To continue to advertise responsibly, offer a wide range of pack sizes to assist with portion control and, by providing clear nutritional information on all of our products, enable our consumers to make informed choices

Supporting the UN Sustainable Business Goals

3 GOOD HEALTH AND WELL-BEING

We give back

Key focus areas

- Community engagement
- Charity partnership
- Employee volunteering

Main supporting policies

- Employee Volunteering Policy

Long-term goals

To support our corporate charity partnership with Mental Health UK improving the lives of those with mental health challenges by donating £150,000 over 3 years and raising awareness across our own teams.

Supporting the UN Sustainable Business Goals

3 GOOD HEALTH AND WELL-BEING

NON-FINANCIAL INFORMATION STATEMENT

The information presented here, and throughout the report as cross-referenced below, complies with the requirement under sections 414CA and 414CB of the Companies Act 2006 to provide information on certain non-financial matters. Our Responsibility report on pages 22 to 35 provides the required information in relation to content on environmental matters, our employees, community issues and social matters, as well as setting out our non-financial metrics. Our business risks are included within our risk management section on pages 42 to 47.

The Group is a UK Living Wage accredited employer. Our statement in relation to Modern Slavery can be found on the Group website at www.agbarr.co.uk. It is the Group's policy to conduct all of its business in an honest and ethical manner. It is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Group's Anti-bribery and Corruption Policy ("ABC Policy") emphasises the Group's zero tolerance approach to bribery and corruption. It sets out the Group's responsibilities, and of those working for it and parties acting on its behalf, in observing and upholding its position on bribery and corruption in compliance with applicable laws, and provides information and guidance to those working for the Group and parties acting on its behalf on how to recognise and deal with bribery and corruption issues. The ABC Policy is clearly communicated to all employees. Anti-bribery and corruption training is provided to all employees on induction and on a regular basis thereafter. The Group maintains an anti-bribery and corruption register, which records details of corporate hospitality and gifts given and received by employees over a specified value. The Group's international department undertakes appropriate due diligence on all third parties acting on its behalf and maintains a third party anti-bribery and corruption register. As confirmed on page 63, the Audit and Risk Committee reviews the effectiveness of the Group's anti-bribery systems and controls and reviews and approves the Group's ABC policy on an annual basis. No bribery and corruption issues arose during the year.

There is currently no specific human rights policy in place. As a domestic business, we comply with the full spectrum of employee protection legislation. We believe our existing policies as set out on page 31 ensure the rights of our own employees are respected fully and our robust supplier controls, as set out on page 44, provide assurance when considering human rights impacts beyond our direct control.

A description of our business model can be found on pages 8 to 9.

Non-financial KPIs

In support of our responsibility commitments we measure a range of non-financial KPIs as set out below.

NON-FINANCIAL KPIs

Employee engagement

77.0%

2019: 77.0%

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

Accident incident rate

7.4

2019: 6.3

Number of accidents (RIDDOR) relative to employee base. Further information is provided in our "Health and safety culture" section on page 27.

Reduction in greenhouse gas emissions

36.2%

2019: 28.1%

Percentage reduction in total Scope 1 and Scope 2 greenhouse gas emissions. Baseline 2015.

Improvement in water usage efficiency

(16.0%)

2019: (1.2%)

Baseline 2015. Ratio of total water used relative to total litres of product produced. Further information is provided in our "Waste and water" section on page 32.

Waste diverted from landfill

97.2%

2019: 94.5%

Quantity of waste diverted from landfill relative to total waste.

We act with integrity

Health and safety culture

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

Despite our ongoing focus on safety, our accident incident rate increased during the year, primarily as a result of falls by delivery drivers whilst descending from their vehicles and manual handling injuries in our warehousing and transport operations. In response we have introduced a range of measures specifically aimed at further improving our safety practices including in these areas:

- new truck safety features and technologies
- manual handling refresher training
- coaching with delivery drivers on good vehicle access and egress techniques

Across 2018 we partnered with the Keil Centre, chartered psychologists and ergonomists with significant safety related experience, to conduct a full health and safety cultural assessment across our supply chain function. We are now rolling out a series of interventions across our teams to drive improved safety related behaviours, awareness and decision making, and we hope to see an improved performance in the year ahead.

IN FOCUS
TOP AUDITS SCORES FOR OUR 3 FACTORIES

All 3 of our factories, at Milton Keynes, Cumbernauld and Forfar, achieved AA status in their British Retail Consortium ("BRC") food and safety audits over the past twelve months, the highest possible score attainable.

BRC certification is an internationally recognised mark of food safety and quality. The audits are completed by independent auditors and the standards have become a worldwide benchmark for best practice in the food industry.

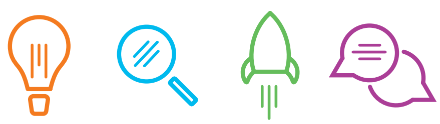
"Our goal is to make A.G. Barr a great place to work both now and in the future."

Employee engagement

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

Barr Behaviours

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



Your Voice Matters Employee Engagement Survey

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

IN FOCUS

YOUR VOICE MATTERS EMPLOYEE ENGAGEMENT SURVEY

Our 2019 "Your Voice Matters" employee engagement survey results saw our highest ever response rate with 86% of our people sharing their views and opinions with us. Our overall employee engagement score was 77% well ahead of UK FMCG benchmark averages of 71%. *(Source: Willis Towers Watson)*

YOUR VOICE MATTERS

IN FOCUS
NEW MANAGEMENT DEVELOPMENT PROGRAMME

We launched our new Management Development Programme "Manager Essentials" during the year, aimed at enhancing the skills and knowledge of our management population. The programme consists of 5 modules that build the skills and knowledge of the delegates in specially designed workshops, then invites them to continue their learning outside the classroom.

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

IN FOCUS
SUPPLY CHAIN COMPETENCIES

A competency framework is already firmly established with our Commercial team in Barr Soft Drinks, and we are now rolling this successful concept out further to our Supply Chain teams. Setting out the abilities and attributes that are important in performing effectively in a Supply Chain role, the competencies demonstrate to people that there are steps they can take to improve their skills and develop in the business. Supported by learning and development modules, the Supply Chain competencies will allow our people to improve their skill levels and set out clear paths for progression.

"Embracing diversity means that we value and respect everyone's differences, allowing us to make the most of individual talent."

Diversity and inclusion

We want to be a diverse and inclusive business that respects and values difference and allows all of our people to perform at their best. By treating people fairly and equally, and by accepting and embracing diversity in all its forms, we believe this will improve our market competitiveness, foster innovation, enhance our reputation and create an inclusive and positive working environment for all employees to thrive. Our aim is to ensure that all employees and job applicants are given equal opportunities. Embracing diversity means that we value and respect everyone's differences, allowing us to make the most of individual talent. We have made progress in this area, particularly over the past 12 months as detailed, and we will continue to work on creating the kind of environment that is inclusive, where people feel they can be themselves at work and their opinions count.

IN FOCUS
DIVERSITY AND INCLUSION AWARENESS TRAINING

Our focus on diversity and inclusion intensified across 2019 and we have progressed with a range of actions identified the previous year, following employee feedback. A key activity has been our roll-out of diversity and inclusion awareness training to all employees, where we have used a combination of face to face learning sessions and on-line modules to raise understanding of some of the key factors which lead to improvements and to allow as many of our team as possible to contribute to the creation of a more diverse and inclusive workplace.

IN FOCUS
GENDER PROGRESS

In 2019, our third year of gender pay gap reporting for Barr Soft Drinks, we were pleased to report an improvement in our mean pay gap which has reduced from 12.0% in 2017, to 4.1% in 2018 and now sits at 2.3%. Similarly, our median gender pay gap has moved from -1.9% last year to -6.8%.

We are also encouraged to see further steady progress in the representation of female senior managers within the business, with women now making up 40% of our senior management population, up from 28.9% in 2017.

	Board and Company Secretary		Senior Managers		All Employees	
	As at 26 Jan 19	As at 25 Jan 20	As at 26 Jan 19	As at 25 Jan 20	As at 26 Jan 19	As at 25 Jan 20
Male	9	8	59	55	689	672
Female	3	3	35	37	268	279
Total	**12**	**11**	**94**	**92**	**957**	**951**

Our full 2019 latest Barr Soft Drinks Gender Pay Report is available on our website at **www.agbarr.co.uk**

IN FOCUS
FLEXIBLE WORKING AT BARR SOFT DRINKS

In support of our desire to be a more inclusive business we trialled new and more flexible working arrangements across the year. The trial was successful from all perspectives – our employees benefited from a better work life balance, and our leaders considered their people to be more motivated to perform at their best. This enhanced flexibility is now embedded in the business, strengthening engagement, proving successful in recruiting a wider talent pool and supporting our drive to deliver improved business performance.

Reward

We strive to offer a fair and transparent total reward package that drives a performance-led culture.

We target our pay at the market median or above, ensuring we can attract and retain high calibre employees. We operate a number of incentive and bonus schemes, as well as performance related pay arrangements, designed to reward and motivate strong individual and collective performance.

We offer employees a modern and flexible range of benefits designed to offer choice to our increasingly diverse workforce.

We comply fully with all the regulations associated with rewarding our employees fairly and are a UK Living Wage accredited employer.

Responsible policies and practices

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

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

We respect the environment

The environment and natural resources are precious. We take our environmental responsibilities very seriously, constantly striving for opportunities to improve our sustainability and play our part in reducing the effects of climate change, whether through our energy use, our water and waste control or our general environmental impacts.

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

Energy efficiency

Recognising the emissions data in the table below, we closely monitor our energy efficiency and have taken numerous steps over recent years to reduce our energy usage, whether within our manufacturing sites, in our general offices or out on the road across our fleet of vehicles.

A.G. Barr GHG Emissions in tonnes CO_2e

	Year to 26 Jan 2019	Year to 25 Jan 2020
Scope 1	5,296	**5,467**
Scope 2	7,294	**5,719**
Intensity ratio	26.04	**26.17**

Methodology

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

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

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

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

Greenhouse gas emissions have reduced by 36.2% against the 2015 baseline which is a year on year improvement.

IN FOCUS
100% RENEWABLE ELECTRICITY

We take our environmental responsibilities seriously and strive for opportunities to play our part in reducing the effects of climate change. Supporting our carbon neutral ambition we have signed a deal with Swedish energy group Vattenfall to introduce fossil-free electricity across all our sites.

The ten-year contract will supply us with 22GwH per year from Vattenfall's wind farms in the UK – the equivalent electricity used by 6,000 UK homes annually. Using home grown renewable energy is a big step towards reducing our carbon footprint and delivering our ambitious sustainable business goals.

Waste and water

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

Our water usage efficiency has suffered over the past year as a consequence of the decline in Barr Soft Drinks production volumes. This has a negative impact on our water usage ratio calculation, as set out in our non-financial KPIs, due to shorter production runs and increased line changeovers. We remain committed to improvement in this area and we continue to take appropriate steps to optimise our water usage.

IN FOCUS
REDUCING ENVIRONMENTAL WASTE

In support of our goal to have 100% of our waste diverted from landfill by 2021, we appointed a new waste management partner during the year. This new partnership will improve the quality and consistency of our waste collection processes and is an important step towards our waste reduction targets.

Sustainable sourcing

As climate change and a rising population put pressure on our limited natural resources, it is important for all our raw materials to be sourced sustainably and used effectively. Our Ethical Trading Policy sets out our expectations in this regard and every one of our suppliers must acknowledge their compliance on an annual basis.

Alongside our own stringent supplier approval process, which audits a broad range of requirements, we use the Supplier Ethical Data Exchange ("Sedex") platform, as a secondary verification step. Sedex is a not-for-profit global membership organisation dedicated to driving improvements in ethical and responsible business practices.

Packaging

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

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

A DRS in the UK will set drinks packaging apart, as drinks containers will become part of a truly circular economy. In countries where DRS is already operational, such as Norway and Germany, return rates of plastic bottles for example reach as high as 98%. In addition, the quality of recycled material available from a DRS system is expected to be much higher than the quality produced by current household recycling. We believe this will vastly improve the availability of recycled content to go back into new containers.

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

IN FOCUS
INTRODUCING GREATER RECYCLED CONTENT INTO OUR PACKAGING

Having introduced 50% recycled PET (rPET) into our Strathmore water plastic bottles, we are now extending this further across our Rubicon Spring range. While rPET material availability remains a key challenge for the food and drink industry as a whole, we remain committed to achieving at least 30% rPET across our full range of plastic bottles by 2022.

We support healthy living

Calorie reduction

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

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

Responsible advertising and marketing

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

IN FOCUS

NEW ZERO SUGAR CHOICE FOR RUBICON MANGO FANS

In March 2019 we launched Rubicon Zero Added Sugar Mango, adding a great-tasting, authentic zero sugar mango variant to our portfolio.

Labelling

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

We give back

Community engagement

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

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

Charity partnership

In 2016, Macmillan Cancer Support became our first ever employee-chosen charity partner following a Company-wide vote. Our £150k corporate donation, combined with over £100k of employee fundraising, saw an incredible £258k raised to support Macmillan over our 3-year partnership. During the course of our successful relationship money raised went to a wide range of good causes, from nursing care to a new Support and Information Centre at the Beatson West of Scotland Cancer Centre.

In 2019 our employees had the opportunity to vote again for a new 3-year charity partner and on this occasion Mental Health UK was the clear winner. Mental Health UK brings together 4 national mental health charities working across the country and provides advice, information and support. Our corporate donation of £150k over the 3-year partnership will be supplemented by employee fundraising, and our teams are already getting behind this important charity.

IN FOCUS
FUNDRAISING FUN

Blue Monday is a name given to the day in January claimed to be the most depressing day of the year. Our team at our Middlebrook offices were determined not to let it get them down however, and arranged a fabulous day of pampering for employees, with donations for spa treatments made to Mental Health UK.

The event promoted employee wellbeing as well as providing work experience for Bolton College Beauty Therapy students and raised a fantastic £500 for Mental Health UK.

Mental Health UK

Employee volunteering

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

Financial review

The following is based on results for the 52 weeks ended 25 January 2020. Comparatives, unless otherwise stated, are for the 52 weeks ended 26 January 2019.

"The Group is financially strong and business operations remain highly cash generative. We end the year with cash in the bank and remain committed to a well-invested asset base."

Stuart Lorimer
Finance Director

Performance overview

In the year ended 25 January 2020 the Group experienced a variety of challenges which adversely impacted sales and profitability. However, significant action has been taken to address these, we exited the year with good momentum and with the foundations and strategy in place for long-term success.

Reported net sales, at £255.7m, were down 8.4% as a result of specific brand challenges within soft drinks (primarily Rubicon and Rockstar), the negative short-term impact of pricing re-alignment, (principally relating to IRN-BRU), and the backdrop of strong prior year comparatives with 2018 benefitting from the exceptional summer weather and a well-managed response by the Group to the industry wide CO_2 shortage. The Funkin business had another year of strong growth.

Statutory profit before tax at £37.4m was down 16.0%, driven by trading performance across the soft drinks portfolio, the largely fixed cost nature of our integrated manufacturing model in this area, and our commitment to sustained brand investment across the Group. These challenges were only partially mitigated by strong discretionary cost control and the initial impact of our business re-engineering programme which aims to reposition the Group for sustainable future growth.

Net cash from operating activities continues to be strong at £40.1m (£36.8m on a pre-IFRS 16 basis – cash from operating activities has increased by £3.3m with a corresponding increase in lease payments of £3.3m within financing activities) and balance sheet health remains robust, with a well-invested asset base (capital expenditure in the year was £14.8m as we continue to invest ahead of depreciation). We ended the financial year with net cash in the bank, after completing our £30m share repurchase programme, and strong working capital governance, resulting in good inventory control and minimal bad debts.

Given the highly unusual circumstances arising from COVID-19, we believe it is currently important to conserve cash and maintain balance sheet flexibility. As such, the Board is not proposing a final dividend at this time, and will review the dividend position when there is greater visibility of the impact of COVID-19.

Segmental performance

There are 3 reportable segments in our Group:

1. Carbonated soft drinks
2. Still soft drinks and water
3. Funkin

Carbonated soft drinks

Our carbonates segment represents over 76% of our revenue and almost 84% of gross profit. Revenue decline of 8.4% was driven by a 9.2% fall in volumes, against a backdrop of strong volume performance in the prior year.

The IRN-BRU brand reported net revenue down c.4%, with volumes down c.9%, due to a combination of the year-on-year challenging comparatives and the short-term negative volume impact as we realigned our price position. Innovation launches in the year, IRN-BRU Energy and limited edition IRN-BRU 1901, have both performed well. The IRN-BRU brand returned to value growth in the final quarter and exited the year on a positive footing.

The transition back to a value over volume strategy, combined with the disappointing spring and summer weather, most notably in our key markets of Scotland and the north of England, has had a short-term volume impact across the portfolio. However consumer acceptance of the new price and promotional positions was evident as the year progressed.

We have seen consumer acceptance of the new price and promotional positions.

The franchise brand, Rockstar, had a challenging year with similarly tough prior year comparators exacerbated by intense competitor activity impacting volumes resulting in volumes down 27% and revenue down 29%. In response we have launched several new product innovations towards the end of the year, and have an ongoing programme of product improvement for the core brand flavours.

While our Rubicon carbonated range was also impacted by the weather, the Rubicon Spring brand continued to perform well along with our Barr Flavours range, which grew both volume and net revenue, maintaining and building further upon the distribution gains of the prior year.

Despite our efforts to manage costs, brand contribution in the carbonates segment declined due to cost of goods inflation, arising from modest commodity increases, and the adverse impact of lower volumes on the largely fixed cost base within our soft drinks supply chain.

Stills and water
Segmental net revenue declined 18.2% driven by a 16.8% fall in volume.

Our Rubicon stills products operate in a juice drinks market which has experienced several years of decline. In addition, last year was particularly challenging as a result of the tough weather driven comparatives of the prior year and exacerbated further by some product reformulation challenges. Volumes and net sales were down c.21% in the year to 25 January 2020, however we have taken action to improve the product formulations and have launched a new and refreshed Rubicon brand identity in the last quarter of the year.

Strathmore water net revenue declined 17%, in part due to weather comparators, but also related to the price competitive nature of the water segment. While a relatively small proportion of our business, the Strathmore brand has a dedicated manufacturing operation with a largely fixed cost base, meaning lower year-on-year volumes disproportionately impact gross profit and gross profit margins.

Funkin cocktails
The Funkin business continued to deliver strong revenue, up more than 20%, and profit growth. The core on-trade focused cocktail ingredients business continued to perform well supported by the launch of Funkin branded ready-to-drink cocktails, for both the on-trade and increasingly gaining distribution in the take-home market.

Exceptional items
In the year to 25 January 2020 we incurred, and have separately disclosed, two items considered to be non-recurring and exceptional in nature. The net charge (pre-tax) of these items was £NIL.

The Board is of the opinion that the nature and materiality of these items makes it appropriate to classify these as 'exceptional' and that this provides a more useful presentation of the underlying performance of the Group. In determining whether an event or transaction is exceptional, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence as well as the size and nature of an item both individually and when aggregated with similar items for example restructuring costs, product development or asset write offs. This presentation is consistent with the way that financial performance is measured and reported to the Executive Committee and to the Board, and assists in providing a meaningful analysis of our trading results.

- **Business re-engineering costs** (£1.8m charge): In September 2019 the Group embarked on a change programme with two key objectives:
  - To simplify and streamline our operations and reshape our internal supply chain by rationalising and reducing the complexity of our portfolio and route to market. This element of the programme includes rationalising a number of products and formats (£0.6m) and the closure of our Sheffield sales depot in March 2020 (£0.5m). The product rationalisation represents a major reshaping of our portfolio on a scale well in excess of our normal product review process and in a way that will enable a significant change in our ways of working
  - An organisational change programme largely within the Commercial team to refocus resources and investment towards those areas with the greatest profitable growth potential (£0.7m)

As a result of these activities, the Group has incurred exceptional costs relating to product write-offs and employee severance. This is a 2-year programme with further phases of activity planned in the year ahead with further exceptional costs are expected to be at a level similar to the year ended 25 January 2020.

- **Wind turbine removal** (£1.8m credit): For a number of years a wind turbine has been in operation at our Cumbernauld site. This turbine has now been removed, with an associated compensation payment made. The turbine's removal will facilitate the construction and operation of additional large scale wind energy projects in Scotland which are important elements supporting the achievement of Scottish climate change targets.

The cash impact of the exceptional items was a £0.2m outflow with £1.6m of the wind turbine removal credit received shortly after the end of the financial year.

Further details on exceptional items can be found on pages 128 to 129.

In the prior year, an exceptional expense of £0.7m was recognised. This reflected a past service cost in respect of the equalisation of guaranteed minimum pension ("GMP") benefits following a High Court judgement relating to Lloyds Banking Group. The judgement has implications for many pension schemes, including the A.G. Barr defined benefit scheme. We continue to work with our actuarial advisers to understand the implications of the judgement for this scheme and the £0.7m pre-tax cost recognised in 2019 remains the best estimate of the effect on our reported pension liabilities.

Interest

Net finance charges, totalling £0.6m, largely comprised notional finance costs associated with the defined benefit pension deficit (under IAS 19). Lease interest costs (under IFRS 16) and debt facility charges remain minimal reflecting our relatively low use of leasing and our continued strong net cash position.

The constituent elements of the interest charge comprised:

	2020 £m	2019 £m
Interest related to Group borrowings	**(0.2)**	(0.2)
Lease Interest	**(0.1)**	–
Finance costs related to pension	**(0.3)**	(0.4)
Net finance costs	**(0.6)**	(0.6)

Taxation

Our reported tax expense of £7.6m (2019: £8.7m) represents an effective tax rate of 20.3% (2019: 19.5%). This is higher than the UK statutory rate of 19.0%, primarily due to the impact of depreciation and amortisation of non-qualifying assets and certain non-allowable expenses.

Earnings per share

Basic EPS was 26.50p (2019: 31.51p), a decrease of 15.9%, based on a basic weighted average of 112,452,517 shares (2019: 113,626,941 shares), reflecting the impact of the challenging trading environment on reported profit. The reduction in the basic weighted average number of shares is predominantly due to 1.9 million ordinary shares being repurchased and cancelled during the year as part of the share repurchase programme. Based on a diluted weighted average of 112,510,448 shares, diluted EPS was 26.49p (2019: 31.47p).

Balance sheet and cash flow

The Group balance sheet remains strong and we remain cash positive (with no bank debt) as of 25 January 2020. This provides the Group with financial resilience and the flexibility to pursue our strategic objectives. Net asset movement is a combination of a strengthening fixed asset base, a £3.0m reduction in pension liabilities under IAS 19, increased dividends paid to shareholders of £19.0m (2019: £17.9m) and £11.5m of share repurchases (2019: £10.3m).

Return on capital employed ("ROCE")* decreased from 21.0% in 2019 to 16.1% in 2020 as a consequence of our operating profit decline and our modestly larger asset base.

The Group remains financially strong and highly cash generative, with net cash from operating activities of £40.1m (2019: £44.6m) and net cash balances of £10.9m.

EBITDA* reduced by £3.5m to £51.1m in line with the weaker trading performance, delivering an EBITDA margin* of 20.0%, marginally higher than the prior year (19.6%). Working capital cash flow was a £0.8m outflow as lower receivables were only partially offset by lower inventories and payables again all related to trading performance. Bad and overdue debts were minimal at the year end. We have continued to apply a disciplined approach to cash management across the Group. IFRS 16 has no overall impact on cash flow however it has improved EBITDA by £3.3m and EBITDA margin by 129bps.

We remain committed to a well-invested asset base and have continued to invest in line with our long-term programme of replacement and expansion. At £14.8m, our cash capex spend in the year was, as planned, significantly ahead of the prior year (£8.9m). Our major project in the year was the replacement and upgrade of our liquid to line processing equipment and technology within our Cumbernauld factory. We also supported the ongoing investment in our logistics vehicle fleet to ensure we have a safe, efficient and increasingly environmentally friendly fleet. The liquid to line upgrade has been a major multi-year project (£14.0m overall capital investment with £7.5m spent in 2019/20) which is now in the commissioning stage. The project is on budget and expected to complete in 2020.

We ended the year with cash in the bank and no bank debt (net funds* £3.0m post IFRS 16). Since the financial year end we have concluded the extension of certain existing banking facilities at rates in line with current facilities. Our new arrangements result in the Group maintaining three revolving credit facilities – two £20m facilities with two years remaining and one £20m facility over a five year period. These arrangements provide flexibility to support both short-term operational variability and optionality should debt capacity be required to facilitate corporate opportunities. As a result of the increased uncertain trading environment we felt it was prudent to draw down the full £60m of these revolving credit facilities in the early stages of the COVID-19 pandemic.

Investment in associate – Elegantly Spirited Limited (STRYYK brand)

On the 7 June 2019, the Group made a 20% minority equity investment in Elegantly Spirited Limited ("ESL"), a new business start-up in the nascent zero proof spirits market, and the owner of the STRYYK brand, a range of zero proof spirits products. ESL is now fully trading following the business establishment period and is performing in line with expectations. ESL is recognised as an associate and the investment has been accounted for under the equity method of accounting, with the investment initially recognised at the transaction investment price (£1.0m) and subsequently adjusted to reflect the Group's share of the loss since our investment (£0.1m). The Group has the right, but not the obligation, to participate in future equity funding initiated by ESL.

Share repurchase programme

During the financial year the Group successfully completed the £30m share repurchase programme approved by shareholders in May 2017. Share purchases in the year to 25 January 2020 totalled 1.9m shares at a cost of £11.5m and an average cost per share of £6.06. Over the whole £30m programme 4.7m shares were repurchased at an average cost of £6.33 per share. All shares purchased under the programme (representing 4.1% of the issued share capital) were subsequently cancelled.

Financial risk management

The Group's risk management process is owned by the Board and operates at every level within the business to support the successful delivery of our strategic objectives. The process is based on a balance of risk and reward, determined through assessment of the likelihood and impact of the risk and within the context of the Group's risk appetite as established annually by the Board. Both the risks and the risk appetite are regularly reviewed by the Board and the Executive Committee. Risks are monitored throughout the year with consideration to internal and external factors and the Group's risk appetite, and updates to risks and mitigation plans are made as required. The principal risks that could potentially have a significant impact on our business have not changed since the end of the financial year and are set out on pages 150 to 151.

Exit from the European Union

The Company has had a Brexit Working Group in place since shortly after the UK Referendum in 2016. This group is chaired by the Head of Group Risk with input from external advisors and representation from relevant business areas. This group monitors developments, reviews the implications of various exit scenarios and has taken action where it has considered this to be appropriate. The outputs of the Brexit Working Group are reviewed by the Audit and Risk Committee and covered in more detail on page 43. Since the UK's formal exit from the European Union on the 31 January 2020 the working group's focus has moved to planning for the lead up to, and ongoing operations after, December 2020.

We continue to believe that the Group's overall Brexit risk remains largely around the potential for short-term supply chain disruption and foreign exchange volatility rather than longer term commercial or consumer demand concerns. Therefore this is considered not to be a principal risk. As part of our corporate viability evaluations we have modelled the impact of what we consider to be a severe but possible Brexit scenario. This evaluation indicated that there was no significant viability risk to the business from the exit from the EU.

Treasury and commodity risk management

The treasury and commodity risks faced by the Group are identified and managed by a Group Treasury Committee whose activities are carried out in accordance with Board approved policies and subject to regular Audit and Risk Committee reviews. No transaction is entered into for speculative purposes. Key financial risks managed by this committee include exposures to foreign exchange rates, and the management of the Group's debt and liquidity positions. The Group uses financial instruments to hedge against foreign currency exposures. As at 25 January 2020, in addition to the Group cash position, the Group had £60m of committed and unutilised debt facilities, consisting of 3 revolving credit facilities spread over 3 long-standing relationship banks, providing the business with a secure funding platform. As a result of the increased uncertain trading environment we felt it was prudent to draw down the full £60m of these revolving credit facilities in the early stages of the COVID-19 pandemic.

The Group seeks to mitigate risks in relation to the continuity of supply of key raw materials and ingredients by developing strong commercial relationships with its key suppliers. The Group manages commodity pricing risk actively and where commercially appropriate, will enter into fixed price supply contracts with suppliers to improve certainty. We have not directly entered into commodity hedge contracts.

In addition, the Group enters into insurance arrangements to cover certain insurable risks where external insurance is considered by management to be an economic means of mitigating these risks.

Accounting policies

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the Listing Rules of the Financial Conduct Authority. Details of the basis of preparation and the significant accounting policies are outlined on pages 116 to 125.

The only change to the accounting policies applied this year has been the adoption of IFRS 16, the new financial reporting standard on accounting for leases, which was adopted using the 'modified retrospective' transition approach, meaning that comparative financial information at 26 January 2019 will not be restated and the cumulative impact on prior years has been reflected by adjusting opening reserves as at 27 January 2019. The new standard requires the majority of leases to be recognised on the balance sheet as Right of Use Assets, generating depreciation and interest charges, in place of lease expenses. The adoption of the standard has not had a material impact on profit before tax and there is no cash impact, but it does result in a change in the way assets, liabilities and related income statement balances are presented. As a consequence of adopting IFRS 16, the key alternative performance measure, EBITDA, has improved. Further detail on the impact of IFRS 16 can be found in Note 1 to the financial statements.

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 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 defined benefit scheme triennial actuarial valuation (as at April 2017), approved by the Pension Scheme Trustee on 8 March 2018, identified a £4.8m deficit based on an agreed range of actuarial assumptions. Subsequent to the valuation, the Group and the Pension Scheme Trustee agreed a pension repayment plan intended to eliminate the deficit by 2021. This plan was submitted to and accepted by the Pension Regulator. The next triennial actuarial valuation will be in April 2020.

On an IAS 19 valuation basis, which is before the benefit of the asset back funding arrangement, the deficit reduced from £13.5m as at 26 January 2019 to £10.5m as at the balance sheet date. The fall in the deficit is primarily due to asset returns being higher over the year than the discount rate (the "expected" return under IAS 19) as well as the benefit of contributions paid by the Company. The Group continues to work proactively with the Pension Trustee to de-risk the pension liabilities and secure the commitments to employee benefits as part of the Group's ongoing strategic risk management. The Group remains of the view that the overall pension deficit is manageable.

Share price and market capitalisation

On 25 January 2020, the closing share price for A.G. BARR p.l.c. was £5.59, a decline of 26.6% on the closing January 2019 position. The Group is a member of the FTSE 250, with a market capitalisation* of £626m at the financial year end.

Stuart Lorimer
Finance Director

Note: The Group utilises a range of financial and non-financial performance indicators to manage and report on the business. These are set out on page 11 and page 26. Financial metrics marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 162 to 164.

Risk Management

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 and Risk Committee (the "ARC") 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 long-term 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 long-term strategy.

Robust risk assessment

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

The Board and the ARC carry out a robust assessment of the Group's emerging risks twice each year using a horizon scanning approach together with internal and external insights. The purpose of these assessments is to identify key emerging risks for further evaluation, monitoring and action planning. Emerging risks are captured on the Group's emerging risk register and are subject to ongoing review. Emerging risks are also assessed at a functional level and captured on the relevant function's risk register, and are also subject to ongoing review. The Risk Committee assesses emerging risks at a Group level and reviews the Group's emerging risk register on a bi-monthly basis. The Risk Committee has annual oversight of emerging risks at a functional level. Emerging risks remain on the relevant emerging risk register until they are captured on an appropriate risk register or are no longer deemed to be an emerging risk. The Board has completed a robust assessment of the Group's emerging risks, including those related to climate change and technology, during the period.

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 ARC.

During the year the ARC 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 ARC 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 ARC can be found on pages 62 to 65.

Principal risks and uncertainties

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

The volatile and uncertain economic environment created by the UK's decision to leave the European Union ("EU") has continued over the past twelve months. Like many other businesses, we have continued to monitor developments in this area. Overseen by the Risk Committee, the Company's Brexit Steering Group has continued to monitor the potential impact of Brexit on the Group and to take appropriate actions to ensure that the business is as well prepared as possible for Brexit on 31 December 2020. The Brexit Steering Group has continued to prepare for a range of Brexit outcomes, including "no deal". Given the continuing uncertainty regarding the final outcome of Brexit, it is challenging to quantify or determine the impact of Brexit on the Group. However, given that the Group is a UK-based Group whose sales are predominantly made in the UK, our ongoing assessment continues to be that Brexit will not have a significant impact on the Group. We do not therefore consider Brexit to be a principal risk. Key potential Brexit-related impacts on the business and mitigating actions taken are as follows:

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

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

Coronavirus

As the situation around the COVID-19 virus outbreak continues to evolve, our primary concern is for the welfare of our people, their families and the communities in which we operate. Since the news of the virus broke in February, we have followed the advice from the Government and the NHS at all times and will continue to do so. We have taken action as appropriate to protect our people and our operations. We are following the situation closely, however at this time it is unclear how the outbreak will develop and it is therefore difficult to fully assess the potential impact on our business. The impact on our business will depend on the severity and duration of the COVID-19 pandemic. There is the potential for an adverse impact on our operations and on the demand for our products and we are taking action to mitigate possible consequences. We will continue to follow developments closely and will take further action to protect our people and business as appropriate.

For more details on the Board's consideration of the impact of COVID-19, please refer to the Chief Executive's statement on page 15, and the viability disclosures on page 47.

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

Movement No Change ↔ Increased ↑ Decreased ↓ New Risk NR

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 investment in both reformulation and innovation across the year we have adapted our portfolio to align with these changing consumer needs.	↔

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

Risk	Impact	Controls and mitigating actions	Movement
Government intervention on climate change and environmental issues, e.g. packaging waste	Government intervention on climate change and environmental issues, e.g. the introduction of a Deposit Return Scheme or a plastics tax, could have an adverse impact on consumer consumption patterns, sales and operating profits.	The increased pace of change and level of environmental campaigning in relation to climate change and areas such as packaging reported last year has continued during the year, particularly in relation to single use plastic bottles. We have clearly defined responsibility commitments with regard to waste, water, energy and packaging. We are working constructively with the British Soft Drinks Association, the UK and Scottish governments, and other key stakeholders in relation to potential interventions, such as the planned introduction of a Deposit Return Scheme ("DRS") in Scotland, the possible introduction of a DRS in England, and the possible introduction of a single use plastics tax. During the year we have completed consultations on a range of environmental proposals, including DRS, plastics tax and extended producer responsibility. We have created a working group to proactively manage packaging related risks in a holistic manner ongoing, overseen by the Risk Committee. Internally, various projects and environmental initiatives are being progressed to mitigate the potential impact of government intervention on packaging.	↑
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 Executive Committee by trade channel and customer as appropriate. This includes monitoring of metrics which review brand equity strength, financial and operational performance. The Group focuses on delivering high quality products and invests heavily in building brand equity. We work closely in partnership with our customers on an ongoing basis. Members of the senior management team meet with key customers throughout the year. The ongoing consolidation in channels and route to market has increased the level of gross risk in this area. A project commenced in 2018 to determine the potential impact of this consolidation in the retail grocery market on the Group and to take appropriate actions; this has continued to be a focus area during the year.	↔
Inability to protect the Group's intellectual property rights	Failure to protect the Group's intellectual property rights could result in a loss of brand value.	The Group invests considerable effort in proactively protecting its intellectual property rights, for example through trademark and design registrations and vigorous legal enforcement as and when required.	↔
Failure of the Group's operational infrastructure	A catastrophic failure of the Group's major production or distribution facilities could lead to a sustained loss in capacity or capability.	Assets within the Group are proactively managed and maintained. Risk assessments are carried out on a regular basis and appropriate actions taken. Robust business continuity plans are in place and are regularly tested.	↔

Risk	Impact	Controls and mitigating actions	Movement
Failure of critical IT systems or a breach of cyber security	A failure of critical IT systems could result in a loss of key systems, business interruption, lost sales or lost production. A cyber security breach could lead to operational disruption, financial loss and reputational damage.	IT assets within the Group are proactively managed and procedures exist that support rapid and clean recovery. Robust business continuity plans and contingency measures are in place and are regularly tested. The risk of cyber attacks increases on an ongoing basis. An assessment of our cyber security maturity against the UK Government's "10 Steps to Cyber Security" was completed during the year by our internal auditor, which showed improvement in our cyber security controls since the previous maturity assessment carried out in 2018 and concluded that our approach is generally in line with industry practice. Employee awareness campaigns and training continued during the year to increase employee cyber risk awareness. A Digital Governance Group is in place, overseen by the Risk Committee, the purpose of which is to manage the risks related to the Group's externally facing digital properties.	⟷
Financial risks	The Group's activities expose it to a variety of financial risks which include market risk (including medium term movements in exchange rates, interest rate risk and commodity price risk), credit risk and liquidity risk.	Our underlying objective is to reduce foreign currency related volatility through our cost of goods. Financial risks are reviewed and managed by the Treasury and Commodity Committee, which seeks to minimise adverse effects on the Group's financial performance through hedging known currency exposures throughout the year. Brexit's potential impact on foreign exchange rates to which the Group is exposed through the purchase of certain commodities is referred to above. The Group's finance team reviews cash flow forecasts throughout the year, with headroom against banking covenants assessed regularly. The finance team uses external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. The Group's financial control environment is subject to review by both internal and external audit. Internal audit's focus is to work with and challenge management to ensure an appropriate control environment is maintained.	⟷
Third party relationships	Termination of existing partnerships or renewal on less favourable terms could result in lost brand contribution and under-recovery of supply chain infrastructure costs.	We have robust relationships with our various partners and proactively manage the effective building of our partners' brands.	⟷

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the viability of the Company over a three year period to January 2023, 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 time frame given the dynamic nature of the FMCG sector and given that this is in line with the Group's strategic planning period. The starting point for the viability assessment is the strategic and financial plan which makes assumptions relating to the economic climate, market growth, input cost inflation and growth from the Group's performance drivers. The prospects of the Group have been taken into account, including the size of the current market, the strength of the Group's brands and past production capacity investment. The model was then subject to a series of theoretical "stress test" scenarios based on the materialisation of principal risks, with input from the business functions.

The directors have considered the impact of a number of severe but plausible scenarios associated with the principal risks, including:

- Significant changes in consumer preferences and governmental impact in relation to sugar, plastics and the introduction of a Deposit Return Scheme, specifically in Scotland.
- Financial impact from a significant supply chain disruption (Brexit, technology or material supply).
- In addition the directors measured the impact of a number of scenarios occurring together.
- Finally a reverse "stress test" was performed allowing the Board to assess scenarios and circumstances that would render its business model unviable.

These tests were then reviewed against the Group's current and projected future net cash/debt and liquidity position. During the viability period, 2 out of 3 of the Group's current facilities, totalling £40m, will expire, however given the Group's current covenant strength and that no current covenant breaches are anticipated under the tests above, the Group anticipates it would be able to renew or extend facilities if it was required or desirable.

COVID-19

In addition to these scenarios due to the emergence of COVID-19 and the ongoing health emergency linked to the global pandemic, the directors considered the impact of the current COVID-19 environment on the business for the next 12 months, the viability period and the longer term. Whilst the situation evolves daily, making scenario planning difficult, we have considered a number of impacts on sales, profits and cash flows. We have assumed that our operations remain open and that we will continue to be able sell our products to customers, consistent with DEFRA guidance. Whilst the virus may impact across many functions of the business from supply chain to the ability of our customers to service consumers, it would most likely manifest itself in lost volumes and require significant action in relation to operational cost reductions.

Impact on the business

The major variables are the depth and the duration of COVID-19 measures. The 2 main divisions will be impacted differently, with Barr Soft Drinks operating mainly in multiple retail (take home) and convenience (out of home) outlets and Funkin mainly within the on-trade and leisure sectors. Overall, we scenario planned several out turns with volumes dropping significantly (in the range of 30-40%) and the impact lasting for a significant part of 2020. The revenue and operational leverage impact of such a volume loss would have a major negative impact on Group profitability however the scenario modelling would indicate that the Group would remain profitable over the next 12 months and we would anticipate a recovery in the following years.

Impact on costs and potential mitigations

The test has been based on the most severe but plausible scenario currently envisaged by the Board with a significant volume reduction being mitigated with identifiable cost savings, particularly discretionary spend but including government support and longer term options that recognise the relatively fixed cost nature of the soft drinks operation. While we have curtailed capital investment in 2020 we have maintained our investment in our asset base in line with current strategy over the medium term, again we will look closely at all capital plans to ensure the spend is realistic given the external environment.

Credit facilities

The Group has access to liquidity and has facilities to meet its needs over the next 36 months as follows: 12–24 months £60m, 24–36 months £20m as 2 facilities expire. These take the form of revolving credit facilities. As noted on page 15 since the year end these have been fully drawn down. In addition the Group has access to an overdraft facility which, as an on-demand facility, has been ignored in relation to the viability testing. The revolving credit facilities have two financial covenants, relating to interest cover and leverage, and a material adverse change clause.

Result of stress test

The result of the stress test carried out as a response to COVID-19 shows that the Group has adequate headroom over the next 12 and 36 months and does not breach any financial covenant. We will closely monitor cash conversion and covenants over this period.

Government support for business

We welcome the announcement made by the Chancellor of the Exchequer on Tuesday 17th March 2020, pledging government support which will go far to stabilise many businesses through this troubled time. Given the significant impact of COVID-19 on our business it would be our intention to access this support, including, but not limited to, delaying payment of taxes and employee cost support.

The results of these tests were reviewed taking into account the Group's current position, the Group's experience of managing adverse conditions in the past and mitigating actions available to the Group. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to January 2023.

The Strategic Report set out on pages 2 to 47 of this annual report has been approved by the Board.

By order of the Board

J.A. Barr
Company Secretary
8 April 2020

BOARD OF DIRECTORS

John R. Nicolson B.A. (Hons) Chairman	Roger A. White M.A. (Hons) Chief Executive	Stuart Lorimer BAcc. (Hons), C.A. M.C.T. Finance Director	Jonathan D. Kemp B.A. (Hons) Commercial Director	Martin A. Griffiths L.L.B. (Hons), C.A. Senior Independent Non-Executive Director
Biography				
John's career was spent with ICI, Unilever, Fosters Brewing Group, Scottish and Newcastle PLC and Chairman of Baltika SA (Russia). 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. John brings extensive knowledge of the role of a Director on Boards both UK Plc's and listed international companies since 2000, and as a Chairman since 2005. He has an Executive background in Commercial activities, and Corporate Development acquired while being responsible for a large number of international businesses.	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. Roger brings a wealth of consumer goods experience and corporate leadership.	Stuart was with Diageo for 22 years in a range of roles and countries, ultimately as the FD for Diageo's Global Supply Operation. Stuart brings significant experience in FMCG in both alcoholic and soft drinks sectors and a strong background in governance and performance management as a qualified CA and FD.	Jonathan has had a successful career in various commercial roles within Procter and Gamble. Jonathan brings FMCG specialism in Customer Business Development, Consumer Brand Building and Commercial Proposition Optimisation.	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. Martin brings extensive financial expertise together with strong general management and leadership skills and experience to the Board.
Term of Office				
Joined the Company in 2013 as a Non-Executive Director. Appointed Chairman January 2015.	Joined the Company in 2002 as Managing Director. Appointed Chief Executive in 2004.	Joined the Company as Finance Director in January 2015.	Joined the Company in 2003 as Commercial Director.	Joined the Company in 2010 as a Non-Executive Director.
External Appointments				
Non-Executive Director of Stocks Spirits Group PLC. Non-Executive Director of PZ Cussons PLC.	Non-Executive Director of Troy Income & Growth Trust. Non-Executive director of William Jackson Food Group Ltd, Director of Elegantly Spirited Limited.	None	Non-Executive Director of Cricket Scotland Ltd.	CEO of Stagecoach Group, Non-Executive Co Chairman of Virgin Rail Group.
Committee Membership				
Nomination Committee (Chair)				Audit and Risk Committee (Chair) Nomination Committee Remuneration Committee

	W. Robin G. Barr	**Pamela Powell**	**David J. Ritchie**	**Susan V. Barratt**	**Nick B. E. Wharton**
	C.A. Non-Executive Director	B.A., M.B.A. Non-Executive Director	B.A. (Hons), A.C.A. Non-Executive Director	B.A. (Hons), A.C.A. Non-Executive Director	A.C.A. Non-Executive Director
Biography	Robin is a past President of the British Soft Drinks Association. Robin brings financial skills and an extensive understanding of UK markets to the Board. As Executive Chairman from 1978 to 2009 Robin brings a historical background to discussions to the Board and as a qualified accountant he is a Trustee of the Company's two pension schemes.	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. Pam brings food and beverage sector experience, consumer marketing capability, international expertise and knowledge of plc governance.	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. David brings significant operational experience and governance knowledge from his 15 years leading a listed FTSE250 company plus strong financial oversight through his 30 years as a financial professional.	Susan is a Chartered Accountant and spent the earlier part of her career in senior finance roles at Geest plc, Whitbread plc and Laurel pub company. Formerly CEO of Natures Way Foods Ltd and Eldridge Pope plc. Susan brings considerable operational experience and knowledge of the FMCG industry.	Nick is a qualified Chartered Accountant and was formerly CFO of both Superdry plc and Halfords Group Plc and CEO of Dunelm plc. He has held a number of senior executive roles across retail and FMCG businesses, including Boots and Cadbury Schweppes, and until December 2019 was a non executive director and Chair of the Audit Committee at Mothercare Plc. Nick brings extensive retail experience both in the UK and internationally, substantial Plc and governance experience from executive and non-executive roles on listed company boards and significant financial experience as a qualified chartered accountant and CFO.
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.	Joined the Company in 2013 as a Non-Executive Director.	Joined the Company in April 2015 as a Non-Executive Director.	Joined the Company in January 2018 as a Non-Executive Director.	Joined the Company in November 2018 as a Non-Executive Director.
External Appointments	None	Non-Executive Director of Premier Foods PLC. Non-Executive Director of Cranswick PLC.	CEO of WElink Homes UK. Exec Chair of Lucas Design Group.	CEO of Institute of The Grocery Distribution. Non-Executive Director of Higgidy Ltd.	Group Chief Financial Officer of Pepco Group Ltd.
Committee Membership	Nomination Committee	Audit Committee Nomination Committee Remuneration Committee	Audit and Risk Committee Nomination Committee Remuneration Committee (Chair)	Audit and Risk Committee Nomination Committee Remuneration Committee	Audit and Risk Committee Nomination Committee

CORPORATE GOVERNANCE REPORT
CHAIRMAN'S INTRODUCTION

"I am pleased to present our Corporate Governance Report for the year ended 25 January 2020."

John R. Nicolson
Chairman

Dear Shareholder,

This year's Corporate Governance Report describes our approach to governance and sets out how the principles of the 2018 UK Corporate Governance Code have been applied during the year. Information about the operation of the Board and its committees, and an overview of the Company's system of internal controls are also included.

A.L. Memmott, Supply Chain Director, resigned from the Board with effect from 24 September 2019 and will continue in role until 30 April 2020, when his employment with the Company will terminate. The role of Supply Chain Director is no longer a Board appointment. A.L. Memmott's successor in role is K. Donnan. Otherwise there were no changes to the Board during the year.

Further details of the Board's composition are given on pages 48 and 49.

John R. Nicolson

John R. Nicolson
Chairman
8 April 2020

The Board

The Company is led by a strong and experienced board of directors (the "Board") which brings a depth and diversity of expertise to the leadership of the Company. The Board is committed to ensuring that it has an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. The Nomination Committee report set out below describes how the Board achieves that aim. The Board currently has ten members, comprising three executive directors, the non-executive Chairman, four independent non-executive directors and two non-independent non-executive directors. Biographical details of the directors are set out on pages 48 and 49.

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 Chairman also facilitates constructive Board relations and ensures the effective contribution of all non-executive directors. The Chairman ensures that the Board receive accurate, timely and clear information. The annual Board performance evaluation referred to below evaluates the Chairman's performance in these areas. The Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated from the Board. The non-executive directors support the development of the Group's strategy and provide constructive challenge to the executive directors. The senior independent non-executive director, M.A. Griffiths, is available to shareholders if they have concerns which have not been resolved via the normal channels of Chairman, Chief Executive, or the other executive directors, or where communication through such channels would be inappropriate. Please note the comments below regarding the Board's consideration of M.A. Griffiths' independence as a non-executive director.

The Board considers that S.V. Barratt, P. Powell, D.J. Ritchie and N.B.E. Wharton are independent for the purposes of provision 10 of the 2018 UK Corporate Governance Code, issued by the Financial Reporting Council in July 2018 (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. M.A. Griffiths was appointed as a non-executive director to the Board on 1 September 2010. The Board considers that M.A. Griffiths was independent for the purposes of the Code until 31 August 2019 and was non-independent with effect from 1 September 2019. The Board considers that, on appointment, the Chairman was independent for the purposes of provision 9 of the Code. In addition to his role as Chairman of the Company, J.R. Nicolson is a director of Stocks Spirits Group PLC and a director of PZ Cussons PLC. 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. During the year, the Nomination Committee approved the appointment of R.A. White as a non-executive director of William Jackson Food Group Limited, a private company; the Nomination Committee considered this appointment in light of R.A. White's other time commitments and agreed that it would not impact on his ability to discharge his duties as Chief Executive of the Company effectively. M.A. Griffiths fulfilled the role of senior independent director during the year to 25 January 2020. Please note the comments above regarding the Board's consideration of M.A. Griffiths' independence as a non-executive director. M.A. Griffiths will resign as a non-executive director on 30 April 2020 following completion of the audit cycle for the year to 25 January 2020 and S.V. Barratt will become the senior independent director with effect from 1 May 2020.

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 66 to 95.

Role of the Board

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

The Board's governance supports the delivery of its strategy to deliver long-term sustainable value through:

- Leadership: the Board is collectively responsible for the long-term sustainable success of the Company. The composition of the Board and an explanation of their skills, experience and contribution are set out on pages 48 and 49. Further information on the Board's leadership, its division of responsibilities and the role of the non-executive directors in providing constructive challenge and supporting the development of strategy is set out above. The Board approves the Group's strategy and annual budget, reviews subsequent progress and makes decisions related to matters reserved for the Board in order to support the delivery of its strategy.
- Effectiveness: the Board's governance framework ensures the effectiveness of the Board. Please see below for information on induction, training and development for directors and the Board performance evaluation.
- Accountability: the Audit and Risk Committee report (pages 62 to 65) and the report on Risk Management (pages 42 to 47) describe how the Board ensures a fair, balanced and understandable assessment of the Company's performance and prospects and how it assesses its principal risks. The Audit and Risk Committee report sets out how the Company maintains an appropriate relationship with its external auditor, consistent with the Code and statutory requirements.
- Remuneration: the proposed Directors' Remuneration Policy (pages 66 to 69) and detailed remuneration report (pages 70 to 95) describe how the Remuneration Committee ensures that the executive directors' remuneration is designed to promote the long-term success of the Company.
- Shareholder relations and engagement: the section 172(1) statement set out below describes how the Company engages with shareholders.

Section 172(1) statement

Stakeholder engagement

Effective engagement with our key stakeholders is critical to the long term success of the Company. Understanding the perspectives of our stakeholders and building good relationships enables their views to be taken into account in Board and Committee discussions and decision-making. The Board will continue to focus on enhancing its engagement with key stakeholders. The table below sets out our key stakeholders, how we engaged with them during the year, and the impact of that engagement on the Company's strategy and the principal decisions taken during the year.

KEY STAKEHOLDER	FORM OF ENGAGEMENT	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
Shareholders	We have regular discussions with, and briefings for, investors. The Company endeavours to ensure senior management is available to interact with existing and potential shareholders on as flexible a basis as possible. The Chief Executive and Finance Director offer meetings to institutional shareholders twice annually as a minimum in order to communicate business updates and to develop an understanding of their views on governance and performance against strategy. All directors have the opportunity to attend these meetings. Board committee chairs seek engagement with shareholders on significant matters related to their areas of responsibility. The Chairman ensures at each Board meeting that the Board as a whole has a clear understanding of the views of shareholders. 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.	The Chief Executive and Finance Director brief the Board on discussions with investors and institutional shareholders. Independent feedback following key meetings is coordinated by brokers and financial PR agencies and provided to the Board on a regular basis. Board members listen and respond to the views of investors and institutional shareholders and feedback to the business as necessary. The CEO, R.A. White, consulted with major shareholders during the year following the release of a trading update to the market on 16 July 2019. The Chair of the Remuneration Committee, D.J. Ritchie, consulted with major shareholders during the year in relation to the proposed changes to the Remuneration Policy. The feedback received was considered by the Remuneration Committee and informed the final proposed Remuneration Policy.

KEY STAKEHOLDER	FORM OF ENGAGEMENT	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
Customers	We have regular engagement with our customers through face-to-face meetings, conferences and events. Regular reviews of joint business plans take place to ensure that we are aligned on our shared goals. Structured feedback from customers is received via the results of customer Advantage Surveys. During the year we engaged with customers in relation to key product launches. We also engaged with customers on their views and attitudes towards sugar and sweeteners, plastic packaging and the planned Deposit Return Scheme ("DRS") in Scotland.	The Commercial Director provides a commercial update to every Board meeting. A formal review of customers and channels is presented to and discussed by the Board annually. Short, medium and long-term actions are taken in response to feedback from customer Advantage Surveys. During the year the Board considered the retail trading environment and endorsed the Company's decision to extend its trade credit insurance for a further year. The Board endorsed a restructure of the commercial team during the year in response to the changing customer landscape. During the year, the Board discussed updates provided to it regarding customer pricing architecture and customer investment. Feedback from customers in relation to plastic packaging informed discussions and helped drive internal decision-making regarding various environmental initiatives during the year. Engagement with key customers during the year informed the Board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group.
Suppliers	We ensure that we source raw materials in a responsible manner and require our suppliers to commit to our Ethical Trading Policy and to comply with the provisions of our Modern Slavery Statement and Anti-bribery and Corruption Policy. We have regular engagement with our suppliers through face-to-face meetings, conferences and events. During the year we engaged with key suppliers on matters related to climate change, including innovation in sustainable packaging. We engaged with key suppliers to ensure we had sufficient stocks of key raw materials and finished goods in preparation for Brexit. The Company complies with the Prompt Payment Code guidelines, paying in excess of 90% of its supplier invoices on time.	Updates on supply chain activities, including key suppliers, are provided to every Board meeting and are considered and discussed by the meeting. A review of supply chain strategy, including procurement, is presented to and discussed by the Board annually. Engagement with key suppliers during the year informed the Board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group.

KEY STAKEHOLDER	FORM OF ENGAGEMENT	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
Employees	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. Leadership team "hangouts" take place on a monthly basis to keep this group updated and to provide the opportunity for them to ask questions on business related matters. 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. The Group's intranet site provides up-to-date information regarding the Group's activities. In addition, an employee engagement survey "Your Voice Matters" is carried out on an annual basis, which seeks feedback from all employees on a range of areas; action plans are created to respond to the results of each survey. To further strengthen the Company's existing employee engagement mechanisms, and as required by the UK Corporate Governance Code, during the year the Board considered and approved the appointment of a designated non-executive director as an appropriate mechanism for workforce engagement. S.V. Barratt was the designated workforce engagement director throughout the year. A structured plan for workforce engagement is developed for each year. With effect from 19 March 2020, P. Powell became the designated workforce engagement director. The Company has a "Speaking Up" Policy in place, which complies with the 2018 UK Corporate Governance Code, together with associated procedures, including employee awareness and training, to ensure that employees are encouraged to raise any matters of concern in a timely manner. The Speaking Up Policy is communicated to all employees through a variety of channels. A designated email address is available to employees to enable them to raise any matters of concern. Further information on how we engage with our key stakeholders is set out in the Strategic Report on pages 2 to 47 and in the Directors' Report on page 98.	The results from the employee engagement survey "Your Voice Matters" were presented to and discussed by the Board; action plans were created to respond to the results of the survey. The appointment of a designated non-executive director as a mechanism for workforce engagement strengthens the link between employees and the Board, helps to build an open and transparent culture and to ensure that all employees have a voice in the Company's future success. It also helps the Board to make better informed decisions based on the broad perspectives of the workforce. Updates on progress regarding workforce engagement are provided at every Board meeting. During the year, it was reported that, overall, there was a good level of workforce engagement and feedback from the employee engagement sessions was positive. No significant issues or concerns were raised by employees during the year. During the year, the Board reviewed and approved the Company's "Speaking Up" Policy and associated procedures.

KEY STAKEHOLDER	FORM OF ENGAGEMENT	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD/COMMITTEE DISCUSSIONS AND DECISIONS
Government	We engage with governments and political bodies in an open and constructive manner on issues which affect our business, both directly and through relevant trade associations. During the year we had regular and proactive communication with governments and government working groups to ensure our interests in relation to the proposed DRS in Scotland and packaging waste were understood and where possible factored into proposals, including DRS design. We also provided input to the Scottish government's consultation on the draft DRS regulations and the UK government's consultation on the introduction of a DRS in England. During the year we also completed consultations on a range of environmental and health and diet related policy proposals. We also supported general food and drink industry representations to the UK government to review the current processes relating to Packaging Recovery Notes.	Updates on engagement with governments and political bodies were provided to the Board by the Chief Executive throughout the year and influenced its discussions. This engagement also shaped internal activity in relation to these areas during the year. Engagement with governments and political bodies during the year informed the Board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group.
Trade associations	We are active members of relevant trade associations, including the British Soft Drinks Association ("BSDA"), the Scottish Wholesale Association and the Scottish Grocers' Federation. We work in partnership on pertinent matters, for example to understand potential changes to the regulatory framework. During the year the BSDA proactively engaged on a range of environmental and diet and health related policy matters, including the proposed DRS in Scotland and packaging waste.	Updates on engagement with the BSDA were provided to the Board by the Chief Executive throughout the year and influenced its discussions. This engagement also shaped internal activity in relation to these areas.

Corporate culture and reputation

The Board and the Executive Committee have a critical role in creating and embedding the right corporate culture for the business. The Board aims to maintain the Company's reputation for the highest standards of business conduct and to create a culture that is responsible, diverse and inclusive. The Company's workforce is critical to its future success. The Company's focus on employee engagement will continue in order to create a culture that enables and supports a highly motivated and diverse workforce, to ensure that its workforce do the right thing for its stakeholders and deliver long term sustainable success for the business. The Board regularly assesses and monitors the Company's culture, primarily through feedback from employees from the annual employee engagement survey "Your Voice Matters", and ensures that appropriate actions are taken to address the findings thereof. During the year, a review of the Company's health and safety culture took place in conjunction with the Keil Centre and actions were taken in response to the findings of the review. Further information on the Company's culture and workforce engagement is included in the Directors' Report on pages 96 to 100 and in the Strategic Report on pages 2 to 47.

Community and environment

Information regarding the impact of the Company's operations on the community and the environment is included in the Strategic Report on pages 2 to 47.

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.

Professional advice

All directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. The non-executive directors have access to senior management of the business.

Induction, training and development

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Group's businesses, the risks and strategic challenges the Group faces, and the economic, competitive, legal and regulatory environment in which the Group operates. The induction includes, amongst other activities, meetings with Board members, the Company Secretary, senior management and other employees, site visits, market visits and the provision of information relating to the Group, including briefings on key business activities. The Company Secretary provides information to new directors regarding Board policies and procedures, and corporate governance matters. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the Group's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

Board performance evaluation

Every year the performance and effectiveness of the Board, its committees and individual directors is evaluated. In line with the Code, this year the evaluation was externally facilitated, having last been externally facilitated during the year to January 2017. During the year Independent Audit Limited ("Independent Audit") conducted a formal, externally-facilitated review of the effectiveness of the Board and its principal committees. Independent Audit is an independent adviser with no other connection to the Company or any of the individual directors. The evaluation was conducted by the completion of detailed and comprehensive written survey questionnaires by all Board members and the Company Secretary. Independent Audit agreed the questionnaires with the Company Secretary and the Chairman. The Board questionnaire covered such themes as strategy and risk taking, leadership and accountability, how the Board works, Board culture, line of sight and risk management, with a similar degree of coverage for each of the committees. Independent Audit provided a full, written report based on the responses to the survey, which they discussed with the Chairman. The full report was shared with and discussed by the Board and each of the committees. Overall, the review found that the Board and its committees were functioning in an effective manner and performing satisfactorily, with no major issues identified. Actions will be taken to address certain areas arising from the evaluation, including the dedication of more time to people issues and understanding how technology can support delivery of the Company's strategy, an increased focus on risk appetite, increasing the non-executive directors' contact with the business and certain improvements to the Board papers.

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

Meetings and attendance

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

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

The attendance of directors at scheduled Board and committee meetings in the year to 25 January 2020 is set out below. During the year, the Board also convened one additional Board meeting in relation to a trading update. All of the directors attended that Board meeting.

	Board Maximum 8	Audit and Risk Committee Maximum 4	Remuneration Committee Maximum 6	Nomination Committee Maximum 5
Executive				
R.A. White*	8	–	5	5
S. Lorimer**	8	4	–	–
J.D. Kemp	8	–	–	–
A.L. Memmott***	6	–	–	–
Non-executive				
J.R. Nicolson****	8	–	5	5
W.R.G. Barr	8	4	6	5
S.V. Barratt	8	4	6	5
M.A. Griffiths	8	4	6	5
P. Powell	8	4	5	5
D.J. Ritchie	8	4	6	5
N.B.E. Wharton****	8	4	1	5

* R.A. White attended Board committee meetings during the year by invitation.
** S. Lorimer attended Audit and Risk Committee meetings during the year by invitation.
*** A.L. Memmott resigned from the Board on 24 September 2019 and could have attended a maximum of six Board meetings.
**** J.R. Nicolson and N.B.E. Wharton attended Remuneration Committee meetings during the year by invitation.

Committees of the Board

The terms of reference of the principal committees of the Board – Audit and Risk, 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 and Risk Committee is described within the Audit and Risk Committee's Report on pages 62 to 65. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 66 to 95.

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. R.A. White and S. Lorimer both attended the one meeting of the Market Disclosure Committee held during the year.

Nomination Committee

The Nomination Committee comprises J.R. Nicolson, W.R.G. Barr, S.V. Barratt, M.A. Griffiths, P. Powell, D.J. Ritchie and N.B.E. Wharton. The Nomination Committee is chaired by J.R. Nicolson. The Nomination Committee leads the process for making appointments to the Board and ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The remit of the Nomination Committee also includes reviewing the composition of the Board through a full evaluation of the skills, knowledge and experience of directors and ensuring plans are in place for orderly succession for appointments to the Board. When identifying potential new directors for appointment to the Board, the Nomination Committee retains the services of an external search consultant. The Nomination Committee makes recommendations to the Board on its membership and the membership of its principal committees. No appointments were made to the Board or its committees during the year.

The Nomination Committee is required, in accordance with its terms of reference, to meet at least once per year. The Nomination Committee met five times during the year and, amongst other matters, considered the structure, size and composition of the Board and its committees, cognisant of the need to ensure that they have the right combination of skills, experience and knowledge, and bearing in mind the length of service of the Board as a whole and the need to regularly refresh its membership. The Nomination Committee considered a corporate succession plan for the Board and senior management, based on merit and objective criteria and cognisant of the need to build a diverse and inclusive culture. The Nomination Committee also approved the Board's current mechanism for workforce engagement and recommended the workforce engagement terms of reference to the Board for approval.

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 Executive Committee Diversity Policy ("Diversity Policy") provides that these aspects will be considered in determining the optimum composition of the Board and Executive Committee, with the aim of achieving an appropriate balance. All appointments to the Board and Executive Committee are made on merit, against objective criteria, and with due regard for the benefits of diversity and inclusion. Whilst no formal measurable objectives have been set for female representation at Board or Executive 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 Executive Committee within a reasonable timeframe. The Nomination Committee is responsible for overseeing the implementation of the Diversity Policy. The Nomination Committee reviews the Diversity Policy at least annually to ensure its effectiveness, with any amendments recommended to the Board for approval. Prior to the resignation of A.L. Memmott as an executive director on 24 September 2019, 18% of the Board were female. Following A.L. Memmott's resignation, 20% of the Board were female. As at the date of this report, 20% of the Executive Committee are female and 35% of the Executive Committee's direct reports are female. The disclosure relating to gender diversity within the Company is included in the Strategic Report on page 30.

Treasury Committee

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

Internal control

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

The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, in accordance with the Code for the period from 27 January 2019 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.

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 25 January 2020 and up to the date of the approval of this annual report. The Board has carried out a robust, systematic assessment of the principal and emerging risks facing the Group during the period, including those which would threaten its business model, future performance, solvency or liquidity. Information on the Group's risk management framework, including the operation of the Group's Risk Committee, is set out in the Strategic Report on pages 42 to 46.

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

Audits and reviews

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

The review of the internal auditor's work by the Audit and Risk 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 25 January 2020 with the provisions of the Code, except as set out below.

The composition of the Board did not comply with provision 11 of the Code at all times during the year to 25 January 2020 due to the fact that, with effect from 1 September 2019, less than half of the Board, excluding the chairman, comprised independent non-executive directors. During this period, the Board comprised four executive directors (three executive directors from 24 September 2019), the non-executive Chairman, four independent non-executive directors and two non-independent non-executive directors. As stated above, the Board considers that M.A. Griffiths was independent for the purposes of the Code until 31 August 2019 and was non-independent with effect from 1 September 2019. W.R.G. Barr was a non-executive director during the year although he is not considered by the Board to be independent. The Board considers that, despite this non-compliance, the Board had an appropriate balance of skills, knowledge and experience to enable it to discharge its duties and responsibilities effectively. No concerns regarding the Board's non-independent majority were raised as part of the Board performance evaluation carried out during the year and referred to above. M.A. Griffiths is the current chair of the Audit and Risk Committee and will resign as a non-executive director on 30 April 2020, following completion of the audit cycle for the year to 25 January 2020. Following M.A. Griffiths' resignation the composition of the Board will comply with the Code in full.

The Company did not comply with provision 12 of the Code at all times during the year because M.A. Griffiths was not deemed to be independent for the purposes of the Code at all times during the year. As stated above, the Board considers that M.A. Griffiths was independent for the purposes of the Code until 31 August 2019 and was non-independent with effect from 1 September 2019.

The composition of the Audit and Risk Committee and the Remuneration Committee did not comply with provisions 24 and 32 of the Code respectively during the year to 25 January 2020 due to the fact that W.R.G. Barr, a non-independent non-executive director, was a member of those Committees. In addition, M.A. Griffiths was a member of the Remuneration Committee and chaired the Audit and Risk Committee during the year to 25 January 2020. As stated above, the Board considers that M.A. Griffiths was independent for the purposes of the Code until 31 August 2019 and was non-independent with effect from 1 September 2019. W.R.G. Barr resigned from the Audit and Risk Committee and the Remuneration Committee with effect from 16 January 2020. M.A. Griffiths will resign as a non-executive director on 30 April 2020, following completion of the audit cycle for the year to 25 January 2020. Following these resignations the composition of the Audit and Risk Committee and the Remuneration Committee will comply with the Code in full.

Provision 39 of the Code states that executive directors' contracts should contain a maximum notice period of one year. As disclosed in the Directors' Remuneration Report, the service contracts with R.A. White and J.D. Kemp 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, to ensure that future executive directors' service contracts comply with provision 39 of the Code.

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
8 April 2020

Composition

During the year the Audit and Risk Committee (the "ARC") comprised six non-executive directors: M.A. Griffiths, W.R.G. Barr, S.V. Barratt, P. Powell, D.J. Ritchie and N.B.E. Wharton. W.R.G. Barr resigned from the ARC with effect from 16 January 2020. The ARC is chaired by M.A. Griffiths. The Board is satisfied that M.A. Griffiths has recent and relevant financial experience as required by provision 24 of the Code. The Board has determined that the current composition of the ARC 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 ARC members are shown on pages 48 and 49.

Meetings

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

Role and responsibilities

The primary role of the ARC 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 the Group's risk register and emerging risks;
- reviewing and approving the terms of reference for the Company's Treasury and Commodity Committee;
- reviewing the Group's delegated authority limits;
- reviewing and monitoring the Group's tax risk management policy;
- reviewing and monitoring the Group's Anti-facilitation of tax evasion policy;
- reviewing and monitoring the appropriateness of the Group's "Speaking Up" and Anti-bribery policies and 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 and Risk Committee

During the period under review, the ARC 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 27 July 2019;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 25 January 2020;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 25 January 2020, which included comments on its findings on internal control and key audit risks and a statement on its independence and objectivity;
- received and reviewed reports from management regarding their approach to key accounting considerations and judgements in the half year and full year financial statements;
- reviewed the half year and full year financial statements;
- received reports on the operation of the Group's Risk Committee, including reports on the operation of the Group's Brexit Steering Group which is overseen by the Risk Committee;
- reviewed the Group's risk register and the Group's principal risks, together with the systems and processes for mitigating those risks;
- reviewed the Group's emerging 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, including work related to the impact of coronavirus;
- reviewed and approved the terms of reference for the Company's Treasury and Commodity Committee;
- reviewed and recommended the Group's tax risk management policy to the Board;
- reviewed and approved the Group's Anti-facilitation of tax evasion policy;
- reviewed the appropriateness of the Group's "Speaking Up" procedures and reviewed and approved the Group's Speaking Up Policy;
- reviewed the effectiveness of the Group's Anti-bribery systems and controls and reviewed and approved the Group's Anti-bribery and Corruption policy;
- received reports from internal audit covering various aspects of the Group's operations, controls and processes;
- reviewed the Group's delegated authority limits;
- approved the reappointment of the internal auditor;
- made recommendations to the Board on the appointment and remuneration of the external auditor and monitored the performance of the auditor;
- monitored and reviewed the performance of the incumbent internal auditor and the effectiveness of the Group's internal audit activities;
- reviewed its policies on the supply of non-audit services by the external auditor and on the employment of former employees of the Group's external auditor;
- reviewed the non-audit services provided to the Group by the external auditor and monitored and assessed the independence of both the external and internal auditors;
- considered the new requirements of the 2018 UK Corporate Governance Code relevant to the ARC; and
- reviewed the performance of the ARC and its terms of reference.

At the request of the Board, the ARC also considered whether the Annual Report and Accounts for the year ended 25 January 2020, 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 ARC recommended to the Board that it could make the required disclosure as set out in the Directors' Responsibilities Statement on page 101.

Significant areas

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

- Revenue recognition – brand support accruals: judgement is required by management when determining the level of brand support accruals at the year end. During the year the ARC received and considered reports from management on the level of accruals at the half year and at the year end. It also received and considered reports from the external auditor following their review of net revenue and brand support accruals during the period. The ARC considered these reports and was satisfied that the estimates and judgements made by management are appropriate.
- Management override of controls: there is a risk of fraud associated with the potential override of internal controls by management. During the year, the ARC 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 ARC also received and considered a report during the year from the internal auditor following their review of "Accounts Receivable", including related internal controls. The ARC considered these reports and was content that there were no issues arising.

Other areas

Other matters considered by the ARC during the year were:

- The presentation and explanation of the use of alternative performance measures.
- The adoption of IFRS 16: during the year, the ARC reviewed the process undertaken by management to assess the impact of the adoption of IFRS 16 (Leases), and considered and was satisfied with a report received from the external auditor related to the Company's adoption of IFRS 16 for the year and the application of the modified retrospective approach on transition.
- 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 ARC received and considered a report from the external auditor which stated that it had carried out a review and benchmarking exercise of the assumptions used by Hymans Robertson and concluded that they were within an acceptable range. The ARC was satisfied that the assumptions used were reasonable.
- Exceptional items: the ARC considered a report received from management in relation to the classification and presentation of certain costs related to a business reorganisation and a significant and strategic stock-keeping unit (or "SKU") rationalisation programme as exceptional, and a gain related to the removal of a wind turbine at the Cumbernauld site as exceptional, and was satisfied with the treatment and presentation of these items which arose during the year as exceptional.

The ARC receives regular presentations from members of the senior management team. During the year, the ARC has considered presentations from representatives of the management team on health and safety, procurement risk management, Brexit, franchise brand risk management, product integrity, procedures to prevent the facilitation of tax evasion, pension schemes, a review of Funkin Limited's financial controls, and a project related to the Company's environmental footprint.

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 ARC reviews the external auditor's performance, independence and objectivity annually. The ARC ensures that procedures are in place to safeguard the external auditor's independence and objectivity. The external auditor reports regularly to the ARC 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 ARC, unless the engagement is urgent, in which case the Finance Director can agree the work with the Chair of the ARC and report thereon to the next ARC 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 other than audit related services require prior approval by the Finance Director and the Chair of the ARC. With effect from 15 January 2020, this policy was amended to remove the £30,000 materiality threshold in respect of permitted non-audit services, such that any permitted non-audit services require approval by the ARC. The policy was complied with during the year.

Details of the amounts paid to the external auditor during the year for audit and non-audit services are set out in Note 3 to the financial statements. The ratio of fees for non-audit services to those for audit services for the year was 17%, within the 70% cap in the FRC's guidance. The ARC 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 work regarding foreign sales volumes and the performance of the half year review. The nature of and level of fees for the non-audit services provided were considered by Deloitte who concluded that they did not present a threat to Deloitte's independence.

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

During the year, the ARC reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the external audit process. The ARC 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 ARC 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 ARC also received comprehensive papers from management in relation to the half year review and the year end audit. The ARC 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 ARC was satisfied with the internal processes run by management and their response to challenge by the external auditor.

The ARC carried out a review of the effectiveness of the external auditor and the external audit process during the year, led by the Chair of the ARC. This review included an externally facilitated detailed and comprehensive evaluation of the Group's external auditor and the external audit process using written survey questionnaires, which were completed by members of the ARC, the executive directors and relevant members of senior management. The results of the evaluation were shared with the ARC and the external auditor.

Following these reviews and meetings, the ARC was satisfied with Deloitte LLP's performance during the year, that it was objective and independent, and that the external audit process remains effective, with no major issues identified. The ARC has recommended to the Board that a resolution proposing the appointment of Deloitte LLP be put to shareholders at the 2020 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 ARC approves the internal audit plan and receives updates on progress against the plan and the recommendations arising from the internal audits throughout the year, together with updates on management's progress against outstanding actions. The ARC held meetings with the internal auditor in the absence of management to discuss the internal audit findings and processes.

The ARC carried out a review of the effectiveness of the internal audit function and the Company's risk management and internal control systems during the year, led by the Chair of the ARC. This review included an externally facilitated detailed and comprehensive evaluation of these matters using written survey questionnaires, which were completed by members of the ARC, the executive directors and relevant members of senior management. The results of the evaluation were shared with the ARC and the internal auditor.

Following these reviews and meetings, the ARC was satisfied that the internal audit function was performing in an effective manner and that the Company's risk management and internal control systems were effective, with no major issues identified.

Audit and Risk Committee evaluation

The ARC carried out a review of the performance and effectiveness of the ARC during the year, led by the Chair of the ARC. This review included an externally facilitated detailed and comprehensive evaluation of the performance and effectiveness of the ARC using written survey questionnaires, which were completed by members of the ARC and the Company Secretary. The results of the evaluation were shared with the ARC. Overall, the review found that the ARC was functioning in an effective manner and performing satisfactorily, with no major issues identified.

Martin A. Griffiths
Chair of the Audit and Risk Committee
8 April 2020

Remuneration Committee – Chair's Statement

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 25 January 2020, which sets out the new Directors' Remuneration Policy intended to take effect from the close of the 2020 AGM on pages 70 to 71, and the Annual Report on Remuneration which provides details of the amounts earned by the directors in respect of the year ended 25 January 2020 and how we intend to operate the Policy for the year commencing 26 January 2020 on pages 72 to 81. The new Policy will be subject to a binding vote and the Annual Report on Remuneration will be subject to an advisory vote at the 2020 AGM.

I am delighted to report on the ongoing strong level of support received from shareholders last year, as evidenced by the voting outcome at the 2019 AGM. The resolution seeking approval of the Annual Report on Remuneration was supported by over 93% of the votes cast.

I am also pleased to report a successful period of consultation with shareholders on the planned new Policy, which was undertaken in January and February of this year prior to the Remuneration Committee finalising the planned changes in the Policy. Shareholders representing c.70% of the shares on the register were consulted. Whilst there were some questions raised about why the Policy was being reviewed at this time (explained based on the three year governance requirement) and concern raised over the proposed increase in variable reward opportunity, there was support for the changes proposed on the basis of our relatively modest levels of total pay, compared to companies of comparable size and complexity, combined with the normal challenging performance targets set by the Remuneration Committee each year. There was also widespread support for the planned changes which align the Policy with current governance requirements. Whilst individual stakeholder views did vary, we take comfort from the broad consensus of supportive shareholder feedback received as we finalised the new Policy.

During the last year, both J.R. Nicolson and W.R.G. Barr resigned as members of the Remuneration Committee to ensure improved compliance with the 2018 UK Corporate Governance Code. On some occasions, J.R. Nicolson, in his role as Chairman, is invited to attend the Remuneration Committee meetings and provide guidance on behalf of the Board as required. Otherwise there were no changes to the composition of the Remuneration Committee during the year. The Remuneration Committee carried out a review of its performance and effectiveness during the year, led by me. This review included an externally facilitated detailed and comprehensive evaluation of the performance and effectiveness of the Remuneration Committee using written survey questionnaires, which were completed by members of the Remuneration Committee and the Company Secretary. The results of the evaluation were shared with the Remuneration Committee. Overall, the review found that the Remuneration Committee was functioning in an effective manner and performing satisfactorily, with no major issues identified.

Revised Directors' Remuneration Policy

As required by the 2018 UK Corporate Governance Code, the Remuneration Committee has completed an extensive review of the Policy at the third anniversary of the last shareholder approval having held the existing Policy steady over the last three years. In completing this, the Remuneration Committee has reviewed the appropriateness of the existing Policy based on the Company's strategy and culture, market conditions and corporate performance since the last Policy review, alongside the changes to the UK Corporate Governance Code and developments in market practice. Following this review, the Remuneration Committee is planning certain changes to the Policy to ensure that it is appropriate for the next three years, so that it complies with the 2018 UK Corporate Governance Code and effectively supports the delivery of our business strategy, is aligned with our culture and values, adequately rewards strong performance and suitably aligns reward with the creation of shareholder value. The details of the new Policy are set out on pages 70 to 71. In summary, the changes planned for the Policy as compared to the existing Policy approved at the 2017 AGM are as follows:

- **Annual bonus:** an increase in the maximum annual bonus opportunity to 125% of base salary for executive directors (from 100% currently) – alongside the introduction of mandatory bonus deferral into shares for two years of 20% of any bonus earned.
- **LTIP opportunity:** an increase in the "normal" maximum LTIP opportunity to 150% of base salary for executive directors (from 125% currently) – alongside the introduction of a two year post-vesting holding period for the entire vesting award (subject to the director's actual shareholding being less than 300% of base salary).
- **Pensions:** the alignment of pension contributions for new hire executive directors to the wider workforce. A reduction in the current CEO's and Finance Director's pension contributions from 26% to 24% of base salary effective from 26 January 2020.
- **Minimum shareholding guidelines:** an increase in the current share ownership guidelines from 125% to 200% of basic salary for the CEO and from 125% to 150% of basic salary for the other executive directors; and
- **Post-cessation shareholding requirement:** the introduction of a requirement for executive directors to retain for one year post-employment any shareholding arising from shares awarded/vesting from both the bonus (20% of earned bonus) and LTIP after 26 January 2020, up to the above shareholding guidelines.

Whilst the Remuneration Committee has concluded that the planned changes to the Policy remain valid for the medium term, in light of the immediate challenges facing the country, the Remuneration Committee will judge carefully and prudently how, in the near term, it should implement the Policy and its associated level of reward opportunity.

A table setting out the rationale behind the changes being proposed to the Policy is set out on page 71.

Whilst not a change to the Policy, the Remuneration Committee has reviewed the performance measures operating within the LTIP and as a result has decided to introduce a second performance measure (relative Total Shareholder Return, "TSR") in respect of awards granted under the LTIP in addition to the current cumulative EPS measure.

Key activities in the year

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

- Undertook a review of the existing Remuneration Policy at the required three year point, assessed the appropriateness of the Policy and agreed planned changes to the Policy;
- Consulted with major shareholders in relation to the proposed changes to the Remuneration Policy, the LTIP performance metrics and the Finance Director's future base salary;
- Reviewed and set annual salaries for the executive directors consistent with the wider workforce;
- Reviewed and set annual salaries for the Executive Committee;
- Set targets for the annual bonus for the executive directors and the Executive Committee;
- Set targets for the Long Term Incentive Plan ("LTIP") for the executive directors;
- Reviewed achievement against targets set and determined the appropriate level of pay-out for the annual bonus for the executive directors and the Executive Committee in the context of wider business performance;
- Reviewed achievement against targets set and determined the appropriate level of pay-out for the LTIP for the executive directors in the context of wider business performance;
- Reviewed and approved participation by the executive directors in the LTIP;
- Considered and updated the performance metrics for the LTIP;
- Reviewed market and corporate governance updates to ensure the Remuneration Committee remained up to date on the quickly evolving governance landscape and best practice; and
- Carried out an external market benchmarking review of executive directors' remuneration packages.

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

Pay for performance in 2019/20

As described in the Strategic Report on pages 2 to 47, against challenging soft drinks market conditions, the Group delivered revenue for the year ended 25 January 2020 of £255.7m, a decrease of 8.4% on the prior year. The UK soft drinks market was broadly flat, increasing 0.4% in value and decreasing 2.5% in volume over the same period of time. Profit before tax decreased by 16% on the prior year.

The Remuneration Committee remains committed to a responsible approach to executive pay and believes that variable pay should only be earned for achievement against stretching targets.

Achievement against annual bonus targets – no bonus to be paid

The executive directors were set stretching targets for profit before tax ("PBT"), which accounts for 80% of bonus opportunity for each director. The target range of £45.0m to £49.0m reflected the ambitions for growth of the business set against challenging external conditions. The business profit performance was significantly weaker than planned and the threshold profit target of £45.0m was not met in respect of the year. The Remuneration Committee therefore concluded that no element of the PBT bonus was payable.

Each of the executive directors was also set stretching individual strategic objectives tailored to their business area and responsibilities, which account for 20% of bonus opportunity for each director. The Remuneration Committee reviewed each of the directors' strategic objectives in turn, to fully understand the extent to which each strategic objective had been achieved and which elements of any objectives remained outstanding. Whilst the Remuneration Committee was satisfied that strong progress had been achieved by each of the executive directors towards their strategic objectives, the Remuneration Committee concluded that it should use its discretion over any bonus payable, and agreed that no bonus would be paid.

As a result, the Remuneration Committee confirmed that no annual bonus payments are to be paid to the executive directors in respect of the year ended 25 January 2020, which we feel is a proportionate outcome given the Company's performance. Further details can be found on page 85.

Achievement against LTIP targets – LTIP 2017 awards lapse in full

Under the LTIP, the Remuneration Committee has in recent years used the key metric of cumulative Earnings Per Share ("EPS") to assess the long-term performance of the executive directors. The cumulative EPS over the three years ended 25 January 2020 was 89.1p, which compared to the EPS target range set in April 2017 of 90.0p to 102.0p. Given this outcome, the Remuneration Committee concluded that none of the LTIP 2017 awards will vest and these awards will lapse in full according to the rules. Further details can be found on pages 85 and 86.

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

The Remuneration Committee concluded that in light of both wider business performance and shareholder experience during the year, the decisions to pay no annual bonus for the year and for the 2017 LTIP to lapse without any vesting were fair and appropriate.

Employee engagement

The Remuneration Committee recognises the importance of culture and effective employee engagement in the creation of a good workplace. The Board's role is to ensure that effective processes and procedures are in place for gathering workforce views and engaging in meaningful dialogue with employees. The Board receives regular updates on workforce engagement throughout the year. Further information on employee engagement is included in the Corporate Governance Report on page 28.

Looking forward – implementation of Policy in 2020/21

Base salary

In line with the decision to not award any salary increases across the Group, the Remuneration Committee has concluded that there should not be any increases to the base salaries of directors or non-executive directors' fees at this time, subject to review at a later date.

Prior to the recent impact of coronavirus, the Remuneration Committee had agreed a substantial increase of c.16% (from £278,980 to £325,000) for the Finance Director's base salary to reflect the fact that he has now been in post for five years, having been appointed in 2015 on a base salary significantly below market levels. The Remuneration Committee has now agreed to defer this increase until there is a greater level of certainty over economic conditions. Since appointment, the Finance Director's performance has been consistently strong, he has developed significantly in role to operate at a high level expected of an experienced PLC Finance Director and he has taken on increased responsibility particularly in the supply chain area of the business. The Remuneration Committee therefore considers that the agreed increase is necessary to correctly reflect the incumbent's maturity in role and to reduce and manage an increased retention risk. When implemented, the increase will bring the Finance Director's salary in line with the lower quartile salary of the Remuneration Committee's selected external benchmark for this review (being companies in the lower half of the FTSE 250).

Pensions

Incumbent executive directors will receive pension contributions at 19% of basic salary up to the age of 50 and 24% of basic salary thereafter. The Remuneration Committee will continue to review the appropriate level of pension contributions through the Policy period. Newly appointed executive directors will receive pension contributions aligned to the wider workforce.

Annual Bonus

Performance measures: Bonus awards will continue to be subject to a combination of PBT and individual strategic objectives. The Remuneration Committee will assess the appropriate targets for the forthcoming financial year as greater certainty around economic conditions is available. These performance targets will be disclosed in the Annual Report on Remuneration for the year ending 30 January 2021.

Opportunity and deferral: as described above, the Remuneration Committee is proposing an increase in the maximum annual bonus for the year ending 30 January 2021 to 125% of base salary for the executive directors (from 100% currently), alongside the introduction of mandatory bonus deferral into shares for two years of 20% of any bonus earned. In setting the level of mandatory bonus deferral, the Remuneration Committee took into consideration the long standing shareholding of the executive directors.

Long Term Incentive Plan

Performance measures: the Remuneration Committee completed a review of the LTIP performance measures in 2019, taking into account shareholder feedback regarding the potential limitations of the historical position of having only one performance measure linked to EPS. As a result of this review, we concluded that the LTIP would benefit from the introduction of a second performance measure, being Total Shareholder Return ("TSR"), to further align the interests of the executive directors with those of shareholders.

It is therefore proposed that relative TSR is introduced in addition to the current cumulative EPS measure in respect of awards granted under the LTIP for the year ending 30 January 2021. EPS is a key performance indicator for the Company and shareholders, and remains a highly credible measure of long term performance. Significant uncertainty for UK focused consumer goods businesses remains, therefore setting a three year forward looking cumulative EPS target is challenging. The Remuneration Committee has concluded that it is not appropriate to grant awards under the LTIP at this time and will review this position through 2020. Performance targets will be set when appropriate at the date such awards are granted and will be disclosed in the Annual Report on Remuneration for the year ending 30 January 2021.

Opportunity and holding period: as described earlier, following the review of the Policy, the Remuneration Committee is planning an increase in the "normal" maximum LTIP opportunity to 150% of base salary for executive directors (from 125% currently), alongside the introduction of a two year post-vesting holding period for the entire vesting award (subject to the director's actual shareholding being less than 300% of salary).

I look forward to your support at the upcoming AGM.

David J. Ritchie
Chair of the Remuneration Committee
8 April 2020

Directors' Remuneration Policy

Changes to Policy

Element	Current Policy – summary	Proposed Policy – summary
Annual bonus	**Quantum** Maximum opportunity of 100% of base salary for all executive directors. **Deferral** Annual bonus is not currently subject to deferral.	**Quantum** Increase in maximum opportunity to 125% of base salary for all executive directors. **Deferral** 20% of any bonus earned will be deferred into shares for two years.
Long term incentive plan ("LTIP")	**Quantum** 'Normal' annual grant of 125% of base salary for all executive directors. **Holding period** LTIP awards are not currently subject to a holding period.	**Quantum** Increase in the 'normal' annual grant to 150% of base salary for all executive directors. **Holding period** Where an executive director's actual shareholding is less than 300% of base salary, the entire LTIP award will be subject to a two year holding period post-vesting.
Retirement benefits	**Defined benefit** The defined benefit scheme is closed to future accrual. Deferred members of the defined benefit section of the Scheme will continue to receive benefits as described in the Policy table below. **Defined contribution** The maximum combined Company contribution under the defined contribution section of the Scheme and the URBS in respect of the executive directors is 19% of salary rising to 26% of salary following the executive's 50th birthday.	**New executive directors** New hires will receive a pension contribution which is capped so that it will not exceed that which applies for the wider workforce (currently 17% of salary). **Incumbent executive directors** *Defined benefit* No change for deferred members of the defined benefit scheme. *Defined contribution* The combined Company contribution under the defined contribution section of the Scheme and the URBS in respect of the executive directors is 19% of salary rising to 24% of salary following the executive director's 50th birthday. The Remuneration Committee will continue to review its position on pensions; any further reductions will be disclosed in the relevant annual report.
Shareholding guidelines	**During Employment** Shareholding guidelines of 125% of base salary for all executive directors. **Post-cessation of employment** No requirement currently.	**During Employment** An increase in the shareholding guideline to 200% of base salary for the CEO and 150% of base salary for the other executive directors. **Post-cessation of employment** Introduction of a one year post-cessation shareholding requirement over shares awarded/vested by the Company from both the LTIP and the bonus (20% of earned bonus) after 26 January 2020 up to the above shareholding guidelines.

Overview of the Policy and rationale for change
When reviewing the Policy, the Remuneration Committee considered a wide range of material from a number of sources. This included feedback from internal stakeholders, an assessment of pay conditions across the entire Company, the views of major shareholders, comments from the proxy voting agencies, a review of the Company's performance over the last three years, changes in regulation since the last Policy was approved – particularly the 2018 UK Corporate Governance Code – and the total pay opportunity compared with other businesses of a similar size and complexity. The Remuneration Committee also engaged with independent external advisers to minimise the risk of any conflicts of interest. The Remuneration Committee took a holistic view when reviewing the Policy and gave equal consideration to these diverse viewpoints.

The Remuneration Committee has strived to create a refreshed Policy which is clear and simple, and aligned to Company culture, values and strategy. It wants participants to be able to understand the Policy and have a clear line of sight between their decisions and behaviours and the effect that these decisions will have on the variable reward outcomes. Equally, it wants to ensure that reward for executive directors is straight-forward for both shareholders and the wider workforce to understand. It also wished to ensure that there is an appropriate balance between risk and reward and, as such, the Remuneration Committee has retained a broad discretion to alter the formulaic outcomes of the variable rewards to ensure that payments to directors reflect the Company's performance in the round.

Following its review, the Remuneration Committee decided that the existing remuneration structure remained largely fit for purpose and continues to be aligned with Company strategy, through choosing performance metrics which reflect the Company's most important KPIs and are aligned with Company culture and values. The changes made fit into two broad categories: shareholder experience and market positioning:

- **Shareholder experience:** it is exceptionally important for the executive directors to be aligned with the interests of shareholders. The new Policy encourages directors to continue to take a long-term view when making decisions by introducing share deferral for the annual bonus and a holding period for vesting LTIP awards until a shareholding of 300% of salary is reached, increasing the shareholding guideline for all executives, and introducing a post-employment shareholding requirement to ensure that directors' interests continue to be aligned to shareholders even after they have left the business. Additionally, the Policy already contains malus and clawback provisions which the Remuneration Committee can use in certain prescribed circumstances to recover amounts paid to directors or to cancel any unreleased share awards.
- **Market positioning:** the Remuneration Committee recognises that any increase in executive pay is a sensitive issue and requires a clear business justification. Recognising the fact that the variable reward opportunities have not increased since the 2014 Remuneration Policy and following a thorough review of market data, the Remuneration Committee feels that the executive directors' packages have fallen significantly behind the general market level for equivalent roles at companies of a similar size. The Remuneration Committee needs to ensure that executive directors are motivated to achieve the stretching targets that have been set for them and that it is able to attract and retain high calibre individuals who can execute the Company strategy. As such, the Remuneration Committee has proposed increases to the maximum opportunities for both the annual bonus and the LTIP, which are considered fair without being excessive. Variable incentives remain weighted towards the LTIP to ensure that decisions are taken with a long-term view.

Proposed Remuneration Policy
This part of the report sets out the Company's Directors' Remuneration Policy which, subject to shareholder approval at the 2020 AGM, shall take binding effect from the date of that meeting. The Policy for the executive directors has been determined by the Remuneration Committee.

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. 20% of any bonus earned will be deferred into shares for two years. At any time before the deferred bonus shares are released, the Remuneration Committee has the right to cancel the award in the event of a material misstatement of the Group's financial results or if the participant has been found guilty of misconduct. 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 found guilty of misconduct.	Maximum bonus opportunity is 125% of base salary.	Targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 80% of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance. **Financial metrics** There is no minimum payment at threshold performance, up to 50% of the maximum potential for this element of the bonus will be paid out for on-target performance and all of the maximum potential will be paid out for maximum performance. **Non-financial or individual metrics** Payment of the non-financial or individual metrics will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which a non-financial or individual performance metric has been met.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan 2014 ("LTIP")	Incentivises executive directors over the longer term and aligns their interests with those of shareholders.	Under the LTIP, awards of conditional shares, nil cost share options or other such form as has the same economic effect may be made with vesting dependent on the achievement of performance conditions set by the Remuneration Committee, normally over a three year performance period. Awards granted over shares may be settled in cash at the election of the Remuneration Committee. As described on page 80, awards may also vest in "good leaver" circumstances or on the death of a participant or on a change of control. The Remuneration Committee has the right to reduce unvested or unexercised awards and/or delay their vesting in the event of a material misstatement of the Group's financial results or if the participant has been found guilty of misconduct. Where an executive director's shareholding is less than 300% of base salary, any vesting awards will be subject to a two year post-vesting holding period. 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 found 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 normal maximum award is 150% 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.	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.
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 all sections of the AESOP, being the partnership and matching section, the free share section and the dividend share section.	Participation limits are those set by the UK tax authorities from time to time.	No performance conditions are attached to awards in line with HMRC practice.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Retirement benefits	Purpose is to recruit and retain directors of the calibre required for the Company. Provides market competitive post-employment benefits (or cash allowance equivalent).	Executive directors are eligible to participate in the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "Scheme"), which comprises a defined contribution section and a defined benefit section. The defined benefit section was closed to new entrants from 14 August 2003 and to future accrual from 1 May 2016. Details of the entitlements accruing to the two executive directors who are deferred members of the defined benefit section are detailed in the table on page 88. The contributions paid to the defined contribution section in respect of three executive directors are disclosed on page 87. Details of accruals under the URBS are disclosed on page 89. 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.	*New Executive Directors* The maximum combined Company contribution under the defined contribution section of the Scheme and the URBS in respect of new executive directors will be aligned to the wider workforce (currently capped at 17% of salary, as defined in the Scheme rules). The Remuneration Committee has discretion to vary the delivery mechanism for retirement benefits, however the exercise of this discretion will not exceed the above limit for the provision of executive directors' retirement benefits. *Incumbent Executive Directors* 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 24% 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 Company has closed the defined benefit section of the Scheme to new members and future accrual but the only executive director who is a deferred member will continue to receive benefits in accordance with the terms of the Scheme, subject to separately agreed contractual arrangements, including the arrangement 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. 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 (as defined in the Scheme rules) rising to 24% of salary following the executive's 50th birthday.	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Shareholding guidelines	Purpose is to further align the executive directors' long term interests with those of shareholders	**During employment** Executive directors must 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 200% of gross basic salary for the CEO and 150% of gross basic salary for the other executive directors. Until the relevant shareholding is acquired, the executive director may not, without Remuneration Committee approval, sell shares other than to finance any tax liabilities arising from the vesting or release of awards. **Post-employment** Executive directors must retain for one year post-employment any shareholding arising from shares awarded/vesting from both the deferred bonus and LTIP after 26 January 2020, up to the above shareholding guidelines.	Not applicable.	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. Additionally, the Remuneration Committee has discretion to change formulaic outcomes to ensure that payments made through variable incentive plans are proportionate to the Company's overall 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 Remuneration Committee also aims to make sure that targets are set in line with the Company's risk appetite so as to ensure that executive directors are not incentivised to take inappropriate risks.

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. From 2020, LTIP performance will be based on Earnings Per Share, which is a key measure of the Company's profitability, and relative Total Shareholder Return to further strengthen the link between the interests of the executive directors and the shareholders.

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

Approach to recruitment remuneration

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

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

The Remuneration Committee will typically seek to align the remuneration package with the Company's Remuneration Policy (as set out in the Policy table). The maximum level of variable remuneration which may be granted (excluding buy-out awards referred to below) is 325% 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 325% 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.

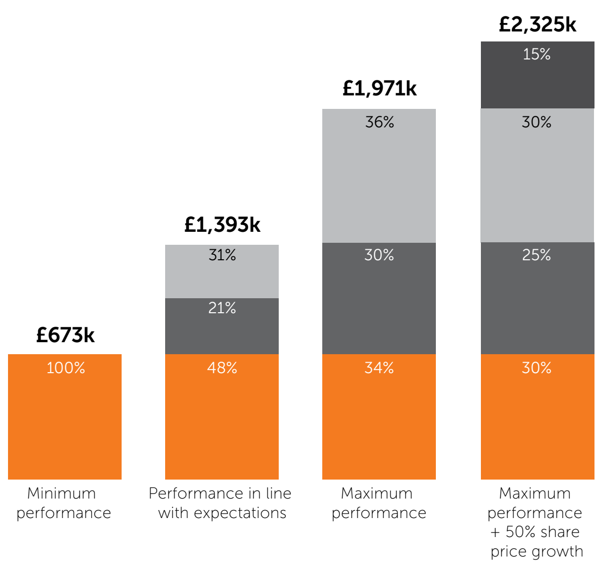
Where necessary, the Company will pay appropriate relocation, travel and subsistence costs. The Remuneration Committee will seek to ensure that no more is paid than is necessary.

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.

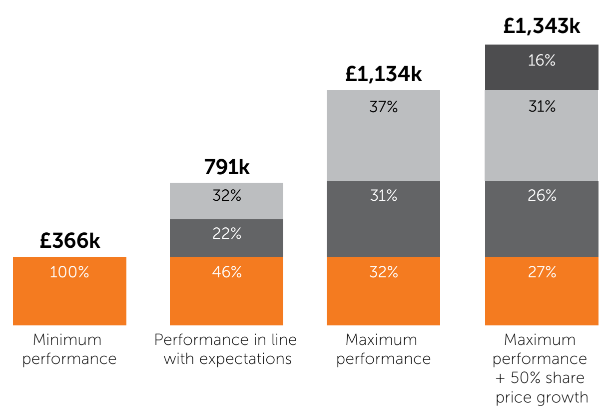
Illustrations of application of Remuneration Policy

The charts below set out an illustration of the Remuneration Policy for 2020/21 in line with the Remuneration Policy above and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of the Remuneration Policy and the value of each component.

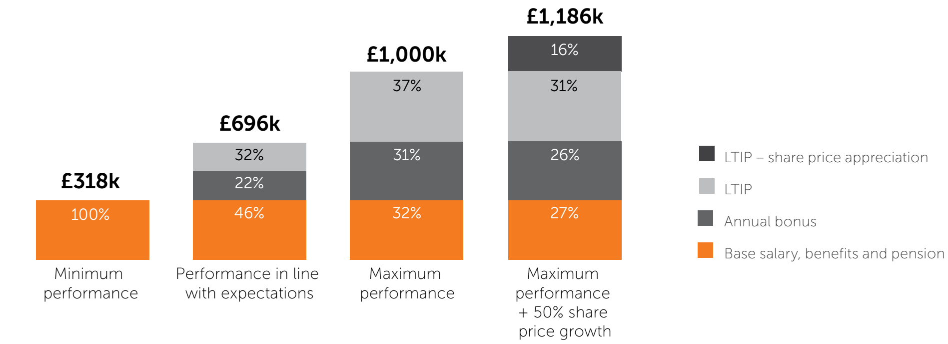
R.A. White – total remuneration (£000s)



S. Lorimer – total remuneration (£000s)



J.D. Kemp – total remuneration (£000s)



Four 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 maximum awarded for achieving target performance (i.e. 62.5% of salary).	60% of maximum award vesting for target performance (i.e. 90% of salary).
Maximum performance	*Base salary is the latest known salary (i.e. the salary effective from 1 April 2020) and the value for benefits has been calculated as per the single figure table on page 83.*	100% of maximum awarded for achieving maximum performance (i.e. 125% of salary).	100% of maximum award vesting for maximum performance (i.e. 150% of salary).
Maximum performance plus 50% growth in share price			100% of maximum award vesting for maximum performance plus 50% growth in share price (i.e. 225% of salary).

LTIP awards are included in the scenarios above at face value with no share price movement included (except in the "maximum plus 50%" scenario).

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 director. Service contracts for new executive 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 salary 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.

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 2017 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.

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 2020/21.

Single figure table – audited information
The aggregate remuneration provided to directors who have served as directors in the year ended 25 January 2020 is set out below, along with the aggregate remuneration provided to such directors for the year ended 26 January 2019.

Year ended 25 January 2020

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	471	36	–	–	232	739
S. Lorimer	278	25	–	–	62	365
J.D. Kemp	247	24	–	–	63	334
A.L. Memmott*	146	16	–	–	60	222
Non-executive						
J.R. Nicolson	145	–	–	–	–	145
W.R.G. Barr	49	–	–	–	–	49
M.A. Griffiths	59	–	–	–	–	59
P. Powell	49	–	–	–	–	49
D.J. Ritchie	57	–	–	–	–	57
S.V. Barratt	49	–	–	–	–	49
N.B.E. Wharton	49	–	–	–	–	49
Total	**1,599**	**101**	**–**	**–**	**417**	**2,117**

Year ended 26 January 2019

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term** incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	462	36	420	361	165	1,444
S. Lorimer	273	25	243	213	53	807
J.D. Kemp	242	24	213	189	46	714
A.L. Memmott	216	24	181	169	77	667
Non-executive						
J.R. Nicolson	142	–	–	–	–	142
W.R.G. Barr	48	–	–	–	–	48
M.A. Griffiths	58	–	–	–	–	58
P. Powell	48	–	–	–	–	48
D.J. Ritchie	56	–	–	–	–	56
S.V. Barratt	48	–	–	–	–	48
N.B.E. Wharton	12	–	–	–	–	12
Total	**1,605**	**109**	**1,057**	**932**	**341**	**4,044**

* A.L. Memmott stepped down from the Board on 24 September 2019. His employment with the Company will cease on 30 April 2020. The remuneration above was paid in respect of his services as an executive director.

** The long term incentives figure for the year ended 26 January 2019 has been restated to reflect the market value of the shares that vested on 8 April 2019 as at that date. The long term incentives figure for the year ended 26 January 2019 set out in the Annual Report 2018/19 used the average closing share price for the three months ended 26 January 2019 as an estimate of the market value of those shares.

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

(a) Salary and fees	The amount of salary/fees received in the year. A salary sacrifice arrangement is operated by the Company. Employees who join this arrangement no longer pay contributions to the pension schemes but receive a lower taxable salary. Directors' salaries are shown gross of any salary sacrifice pension contributions.
(b) Benefits	The value of benefits received in the year. These include car allowance, fuel benefit, the value of SAYE options vesting in the year, and AESOP free and matching shares awarded in the year. SAYE: option shares are valued at the market price of the option shares at the date of vesting less the option exercise price. AESOP: free and matching shares are valued at market value at the date of award. Details of the executive directors' interests in the SAYE are set out on page 95.
(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 85.
(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 25 January 2020. 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 94.
(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 87 to 89.

Individual elements of remuneration

Base salary and fees

Base salaries for individual executive directors for the year ended 25 January 2020 and for the following year are set out in the table below:

Executive director	Base salary for year ended 25 January 2020 £000	Base salary for year ending 30 January 2021** £000	Increase %
R.A. White	471	472	0%
S. Lorimer	278	279	0%
J.D. Kemp	247	248	0%
A.L. Memmott*	146	–	–

Details of non-executive directors' fees for the year ended 25 January 2020 and for the following year are set out in the table below:

Non-executive director fee	Year ended 25 January 2020 £000	Year ending 30 January 2021 £000	Increase %
Chairman of the Company	145	145	0%
Basic fee	49	49	0%
Additional fee for chairing Audit and Risk Committee	8	8	0%
Additional fee for chairing Remuneration Committee	8	8	0%
Additional fee for Senior Independent Director	2	2	0%

* A.L. Memmott stepped down from the Board on 24 September 2019. His employment with the Company will cease on 30 April 2020. The remuneration above was paid in respect of his services as an executive director.

** The base salary for the executive directors has increased on the prior year as the reporting period is to January whilst salary increases are effective from April.

Benefits – audited information

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

Year ended 25 January 2020

Executive director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Total £000
R.A. White	35	–	1	36
S. Lorimer	24	–	1	25
J.D. Kemp	23	–	1	24
A.L. Memmott*	15	–	1	16
Total	**97**	**–**	**4**	**101**

Year ended 26 January 2019

Executive director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Total £000
R.A. White	35	–	1	36
S. Lorimer	24	–	1	25
J.D. Kemp	23	–	1	24
A.L. Memmott	23	–	1	24
Total	**105**	**–**	**4**	**109**

* A.L. Memmott stepped down from the board on 24 September 2019. His employment with the Company will cease on 30 April 2020. The benefits above were paid in respect of his services as an executive director.

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

Annual bonus
The maximum annual bonus award opportunity for each executive director in respect of the year ended 25 January 2020 was 100% of salary, with 80% of the bonus assessed against the achievement of profit before tax excluding exceptional items, compared against a set of profit targets and 20% based on non-financial strategic objectives. No annual bonus has been paid in respect of the year ended 25 January 2020.

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	£45.0m	£47.0m	£49.0m	£37.4m	80%	0%

Non-financial strategic objectives for the year ended 25 January 2020 account for 20% of the bonus and targets were set around the Company's key areas of strategic focus, including delivery of the operational and financial plan, supporting value growth and margin improvement, consolidating the Company's improved customer service and driving overhead reduction plans. Whilst the Remuneration Committee was satisfied that strong progress had been achieved by each of the executive directors towards their strategic objectives, the Remuneration Committee concluded that it should use its discretion over any bonus payable, and agreed that no bonus would be paid.

Annual bonus for 2020/21
For the 2020/21 financial year, an element of the annual bonus (20% of basic salary) will continue to be assessed against strategic objectives to align the reward structure with key strategic priorities and to encourage behaviours which facilitate profitable growth and the future development of the business. The remainder of the annual bonus will continue to be assessed against growth in Group profit before tax excluding exceptional items which is an important indicator of the success of the Company's strategy. Performance targets will be set at challenging levels, 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.

Long term incentives – audited information
Awards vesting in respect of the financial period
LTIP awards granted in April 2017 were subject to the following EPS performance measure:

	% linked to award	Threshold vesting at 20% of the maximum award	Maximum vesting at 100% of the maximum award
Cumulative EPS for the period including 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. These LTIP awards will lapse with no vesting to the executive directors.

The salary used in the calculation of the award is the individual director's salary at 1 April 2017.

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

Year ended 25 January 2020

Executive director	Total shares Number	Award rate* %	Shares awarded Number	Share price** £	LTIP value £000
R.A. White	91,086	0%	–	–	–
S. Lorimer	53,818	0%	–	–	–
J.D. Kemp	47,763	0%	–	–	–
A.L. Memmott	42,542	0%	–	–	–
Total	**235,209**		**–**		**–**

* Based on cumulative EPS of 89.12p for the three years ended 25 January 2020.
** No share price has been provided as there is no award of shares.

Year ended 26 January 2019

Executive director	Total shares Number	Award rate %	Shares awarded Number	Share price at vesting* £	LTIP value £000
R.A. White	105,636	39.87%	44,387	8.13	361
S. Lorimer	62,416	39.87%	26,226	8.13	213
J.D. Kemp	55,394	39.87%	23,275	8.13	189
A.L. Memmott	49,339	39.87%	20,731	8.13	169
Total	**272,785**		**114,619**		**932**

* The long term incentives figure for the year ended 26 January 2019 has been restated to reflect the market value of the shares that vested on 8 April 2019 as at that date. The long term incentive figures for the year ended 26 January 2019 set out in the Annual Report 2018/19 used the average closing share price for the three months ended 26 January 2019 as an estimate of the market value of those shares.

Awards granted during the financial period

During the year ended 25 January 2020 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	72,686	590	20.0	3
S. Lorimer	LTIP award	42,946	349	20.0	3
	ESOS award*	2,222	18	20.0	3
J.D. Kemp	LTIP award	38,114	309	20.0	3
A.L. Memmott	LTIP award	33,947	276	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 granted in the year ended 25 January 2020 are subject to the following EPS performance measure:

	% linked to award	Threshold vesting at 20% of the maximum award	Maximum vesting at 100% of the maximum award
Cumulative EPS for the period including 2019/20, 2020/21 and 2021/22	100%	95.0p	110.0p

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 2019.

Long term incentives for 2020/21

LTIP awards granted in 2020 will be subject to performance measures linked to cumulative EPS and relative TSR performance for 2020/21, 2021/22 and 2022/23. EPS is a key performance indicator for the Company and shareholders, and remains a highly credible measure of long term performance. The introduction of a second performance measure, relative TSR, will further align the interests of executive directors with those of shareholders. 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.

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 deferred members of the defined benefit section and ceased their accrual on 5 April 2011 and 1 March 2008 respectively.

The movement in value of executive director pensions (which exclude any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement) are detailed in the following table. This movement is made up of Company pension contributions, changes in the value of defined benefit pension scheme accrual, investment returns on the URBS and pension cash equivalents:

Year ended 25 January 2020

Executive director	Defined benefit accrual £000	URBS contributions £000	Investment return on URBS £000	Pension cash equivalent ** £000	Total £000
R.A. White	–	122	110	–	232
S. Lorimer	–	–	–	62	62
J.D. Kemp	–	47	16	–	63
A.L. Memmott*	–	43	17	–	60
Total	**–**	**212**	**143**	**62**	**417**

Year ended 26 January 2019

Executive director	Defined benefit accrual £000	URBS contributions £000	Investment return on URBS £000	Pension cash equivalent** £000	Total £000
R.A. White	43	121	1	–	165
S. Lorimer	–	–	–	53	53
J.D. Kemp	–	46	–	–	46
A.L. Memmott	21	56	–	–	77
Total	**64**	**223**	**1**	**53**	**341**

* A.L. Memmott stepped down from the Board on 24 September 2019. His employment with the Company will cease on 30 April 2020. The pensions above were paid in respect of his services as an executive director.

** Amounts presented here were previously disclosed in benefits in the prior period but are now disclosed here for comparative purposes.

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 25 January 2020 £000	Normal Retirement Age
R.A. White	**75**	63*
A.L. Memmott	**48**	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 revaluation 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 26 January 2019 and 25 January 2020 this has resulted in additional accruals of £13,498 and £12,375 being included in R.A. White's URBS. These accruals form part of the URBS figures included in the pension tables above. In addition, R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a "good leaver". A.L. Memmott ceased his accrual under the defined benefit plan on 1 March 2008. His accrued benefits retain a link to his final pensionable salary.

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

No contributions were paid to the defined contribution section of the Scheme during the years ended 25 January 2020 and 26 January 2019.

During the year ended 25 January 2020, R.A. White, J.D. Kemp and A.L. Memmott participated in the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme ("URBS") with the agreement of the Company. The URBS was approved by the Remuneration Committee and is an unfunded employer financed retirement benefits scheme. It was established to satisfy the Company's contractual obligations to provide retirement benefits for the benefit of the executive directors.

The maximum Company contribution under the URBS in respect of R.A. White is 26% of his salary, which reduced to 24% with effect from 26 January 2020. A.L. Memmott resigned from the Board on 24 September 2019; the maximum Company contribution under the URBS in respect of A.L. Memmott was 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 director is 19% of salary or 24% of salary following the executive's 50th birthday.

S. Lorimer has elected to receive the Company pension contributions in the form of a cash allowance and no longer participates in the URBS scheme. A cash allowance equals his contractual pension provision of 26% of salary, which reduced to 24% with effect from 26 January 2020.

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 £2,409,778 (2018/19: £1,970,714) 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 25 January 2020 £	Accrual at 26 January 2019 £
R.A. White	**1,799,244**	1,524,885
J.D. Kemp	**295,163**	217,474
A.L. Memmott*	**297,729**	228,385
Total URBS liability	**2,392,136**	1,970,714

* A.L. Memmott stepped down from the Board on 24 September 2019. His employment with the Company will cease on 30 April 2020. The accrued liability above is in respect of his services as an executive director.

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. A.L. Memmott resigned from the Board on 24 September 2019 and his employment with the Company will terminate on 30 April 2020. Related arrangements in respect of payment for loss of office will be disclosed in next year's Annual Report on Remuneration.

Statement of directors' shareholding and share interests – audited information
The Remuneration Committee updated its share ownership guidelines applicable from 2017/18 and the executive directors are required to build a shareholding equal to 125% of gross basic salary. Until this guideline is met, executive directors are required to retain all vested shares from the LTIP and half of any bonus pay-out after tax to purchase shares in the Company. The full policy is disclosed in the Remuneration Policy approved by shareholders at the 2017 AGM. The new Remuneration Policy which will be subject to a binding vote at the 2020 AGM includes an increase in the current share ownership guidelines from 125% to 200% for the CEO and from 125% to 150% for the other executive directors.

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 25 January 2020. S. Lorimer was appointed to the Board on 5 January 2015 and is currently required 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 LTIP awards during the year ended 25 January 2020 and half of his net bonus pay-out (after tax) to purchase shares in the Company.

The interests of each executive director of the Company as at 25 January 2020 (including those held by their connected persons) were as set out below. There were no changes to these interests between 25 January 2020 and 31 March 2020 with the exception of the following changes: an increase in R.A. White's holding of 79 shares, an increase in S. Lorimer's holding of 80 shares and an increase in J.D. Kemp's holding of 79 shares.

					Unvested		
Director	Type	Owned outright	Exercised during the year	Vested but unexercised during the year	Subject to performance conditions	Not subject to performance conditions	Total as at 25 January 2020
Executive							
R.A. White	Shares	374,674	–	–	–	–	374,674
	LTIP shares	–	42,117	–	255,077	–	255,077
	ESOS shares	–	–	–	4,788	–	4,788
	SAYE options	–	–	–	–	3,682	3,682
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	132	–	–	569	569
S. Lorimer	Shares	49,021	–	–	–	–	49,021
	LTIP shares	–	24,855	–	150,710	–	150,710
	ESOS shares	–	–	–	2,222	–	2,222
	SAYE options	–	–	–	–	4,232	4,232
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	132	–	–	484	484
	Shares – connected persons' holding*	–	–	–	–	–	734,651
J.D. Kemp	Shares	133,711	–	–	–	–	133,711
	LTIP shares	–	22,085	–	133,754	–	133,754
	ESOS shares	–	–	–	4,788	–	4,788
	SAYE options	–	–	–	–	3,894	3,894
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	132	–	–	569	569
A.L. Memmott**	Shares	111,829	–	–	–	–	111,829
	LTIP shares	–	19,671	–	119,132	–	119,132
	ESOS shares	–	–	–	4,788	–	4,788
	SAYE options	–	–	–	–	3,682	3,682
	AESOP free shares	–	–	–	–	–	–
	AESOP matching shares	–	78	–	–	515	515
Non-executive							
W.R.G. Barr	Shares	6,033,876	–	–	–	–	6,033,876
	Shares – connected persons' holding***	–	–	–	–	–	10,968,757
M.A. Griffiths	Shares	5,400	–	–	–	–	5,400
J.R. Nicolson	Shares	11,500	–	–	–	–	11,500
P. Powell	Shares	5,000	–	–	–	–	5,000
D.J. Ritchie	Shares	1,000	–	–	–	–	1,000
S.V. Barratt	Shares	–	–	–	–	–	–
N.B.E. Wharton	Shares	1,597	–	–	–	–	1,597

* S. Lorimer's connected persons' shareholding includes shares related to his position as director of Robert Barr Ltd, the trustee of various employee benefit trusts.
** A.L. Memmott stepped down from the Board on 24 September 2019. Total interest in shares is shown as at this date.
*** W.R.G. Barr's connected persons' shareholding includes shares related to his position as trustee of various family and charitable trusts.

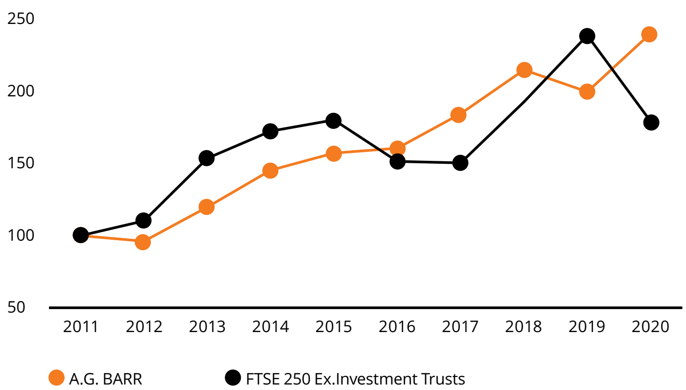
The "Owned outright" shares set out in the table above are the shares owned outright by the directors. These include any AESOP free shares awarded during the year and any shares retained during the year following the exercise of LTIP awards, ESOS awards and SAYE options.

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

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

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

Total shareholder return



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

	Total remuneration £000	Annual bonus as a % of maximum opportunity	LTIP as a % of maximum opportunity
Year ended 25 January 2020	739	0.0%	0.0%
Year ended 26 January 2019	1,434	91.0%	39.9%
Year ended 27 January 2018	1,279	78.0%	22.8%
Year ended 28 January 2017	915	23.0%	40.0%
Year ended 30 January 2016	839	0.0%	37.9%
Year ended 25 January 2015	1,075	75.5%	31.9%
Year ended 26 January 2014	989	57.8%	38.2%
Year ended 27 January 2013	1,086	50.0%	68.5%
Year ended 28 January 2012	1,070	46.0%	99.3%
Year ended 29 January 2011	1,204	75.0%	92.9%

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 26 January 2019 and the pay for the year ended 25 January 2020 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 25 January 2020 but excludes executive and non-executive directors.

Percentage change	CEO	Wider workforce
Salary	1.8%	2.6%
Benefits	0%	0%
Annual bonus*	0%	0%

* R.A. White earned an annual bonus of 0% of salary in respect of the year to 25 January 2020 compared to 91% of salary in respect of the year to 26 January 2019, based on the outcome of the financial and non-financial performance measures.

CEO Pay Ratio

This reporting year new legislation has come into force which requires quoted companies with 250 or more employees to publish information on the ratio of CEO pay to employee pay. In accordance with these requirements we have provided in the table below the ratio of the A.G. Barr CEO single total figure of remuneration for 2019 (as detailed on page 83) as a ratio of the equivalent single figure for the lower quartile, median and upper quartile UK employee (calculated on a full-time equivalent basis).

Total pay ratio	Method	25th Percentile	Median Percentile	75th Percentile
Year ended 25 January 2020	B	27:1	22:1	16:1

As is permitted by the legislation, we have calculated the ratio using Option B whereby representative employees are identified using the latest A.G. Barr gender pay gap statistics as this was the most pragmatic approach and believed to produce representative results. A number of employees around the 25th, 50th and 75th percentile were identified and their total pay and benefits calculated to ensure that the most representative employees were selected. Employee pay for the representative employees was calculated on the same basis as the CEO and so includes items such as short-term and long-term incentive payments relating to the financial year ending 25 January 2020.

The regulations require the total pay and benefits and the salary component of total pay and benefits to be set out as follows:

	Base salary	Total pay and benefits
CEO remuneration	£471,000	£739,000
25th percentile employee	£18,134	£27,590
Median percentile employee	£24,117	£33,561
75th percentile employee	£41,000	£45,641

A.G. Barr's principles for pay setting and progression in our wider workforce are the same as for our executives – total reward being sufficiently competitive to attract and retain high calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect how remuneration arrangements differ as accountability increases for more senior roles within the organisation and in particular the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the CEO. We are satisfied that the median pay ratio voluntarily reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities.

Relative importance of spend on pay

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

Percentage change	Year ended 26 January 2019 £000	Year ended 25 January 2020 £000	% change
Dividends	18,960*	19,571**	3.2%
Overall expenditure on pay	48,600	41,900	(10.4%)

* Dividends payable in respect of the year ended 26 January 2019.
** Dividends payable in respect of the year ended 25 January 2020.

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 (resigned 16 January 2020), S.V. Barratt, M.A. Griffiths, J.R. Nicolson (resigned 8 March 2019) 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, the Executive Committee 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 Remuneration Committee, and from other members of management, who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

External adviser

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

Adviser	Details of appointment	Services provided by the Adviser	Fees paid by the Company for advice to the Remuneration Committee and basis of charge	Other services provided to the Company in the year ended 25 January 2020
Willis Towers Watson	Appointed by the Remuneration Committee in December 2018 following a competitive tender process.	Assistance with the preparation of the Directors' Remuneration Report and the Directors' Remuneration Policy. Attendance at Remuneration Committee meetings. Advice on market practice developments in executive pay.	£32,897 Charged on a time/cost basis.	Insurance broking and advisory services. Services related to the annual employee engagement survey. Remuneration advice to management.

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

Statement of voting at last AGM

The following table sets out actual voting in respect of the resolutions to approve the 2018/19 Annual Report on Remuneration at the Company's AGM on 31 May 2019 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	70,227,728	93.88%	4,575,333	6.12%	24,979
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 26 January 2019 Number	Awarded Number	Vested Number	Lapsed Number	At 25 January 2020 Number	Exercisable from
R.A. White	07 April 2016	105,636	–	(42,117)	(63,519)	–	07 April 2019
	25 April 2017	91,086	–	–	–	91,086	25 April 2020
	03 April 2018	91,305	–	–	–	91,305	03 April 2021
	04 April 2019	–	72,686	–	–	72,686	04 April 2022
S. Lorimer	07 April 2016	62,416	–	(24,885)	(37,531)	–	07 April 2019
	25 April 2017	53,818	–	–	–	53,818	25 April 2020
	03 April 2018	53,946	–	–	–	53,946	03 April 2021
	04 April 2019	–	42,946	–	–	42,946	04 April 2022
J.D. Kemp	07 April 2016	55,394	–	(22,085)	(33,309)	–	07 April 2019
	25 April 2017	47,763	–	–	–	47,763	25 April 2020
	03 April 2018	47,877	–	–	–	47,877	03 April 2021
	04 April 2019	–	38,114	–	–	38,114	04 April 2022
A.L. Memmott	07 April 2016	49,339	–	(19,671)	(29,668)	–	07 April 2019
	25 April 2017	42,542	–	–	–	42,542	25 April 2020
	03 April 2018	42,643	–	–	–	42,643	03 April 2021
	04 April 2019	–	33,947	–	–	33,947	04 April 2022

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 26 January 2019 Number	Awarded Number	Vested Number	Lapsed Number	At 25 January 2020 Number	Exercisable from
R.A. White	25 April 2017	2,898	–	–	–	2,898	25 April 2020
	03 April 2018	1,890	–	–	–	1,890	03 April 2021
S. Lorimer	07 April 2016	5,703	–	(2,273)	(3,430)	–	07 April 2019
	04 April 2019	–	2,222	–	–	2,222	04 April 2022
J.D. Kemp	25 April 2017	2,898	–	–	–	2,898	25 April 2020
	03 April 2018	1,890	–	–	–	1,890	03 April 2021
A.L. Memmott	25 April 2017	2,898	–	–	–	2,898	25 April 2020
	03 April 2018	1,890	–	–	–	1,890	03 April 2021

Executive directors' interests in the SAYE

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

SAYE director	At 26 January 2019 Number	Granted Number	Exercised Number	Lapsed Number	At 25 January 2020 Number	Option price Pence	Exercisable from
R.A. White	3,682	–	–	–	3,682	567	01 October 2020
S. Lorimer	4,232	–	–	–	4,232	567	01 October 2020
J.D. Kemp	3,894	–	–	–	3,894	567	01 October 2020
A.L. Memmott	3,682	–	–	–	3,682	567	01 October 2020

Approval

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

David J. Ritchie
Chairman of the Remuneration Committee
8 April 2020

The directors present their report and the audited consolidated financial statements of the Group for the 52 weeks (2019: 52 weeks) ended 25 January 2020.

Strategic Report

The Companies Act 2006 requires the directors to present a review of the business during the year to 25 January 2020 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 2 to 47 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 50 to 61 and is incorporated by reference into this Directors' Report.

Results and dividends

The Group's profit after tax for the financial year ended 25 January 2020 attributable to equity shareholders amounted to £29.8m (2019: £35.8m).

An interim dividend, for the six months ended 27 July 2019, of 4.00p (2019: 3.90p) per ordinary share was paid on 25 October 2019. Our usual practice at this time of the year is to propose a final ordinary dividend to be paid in June, subject to approval by shareholders at the Annual General Meeting held in May. However, given the unprecedented circumstances arising from COVID-19, we believe it is currently important to conserve cash and maintain balance sheet flexibility. As such, the Board is not proposing a final dividend at this time, and will review the dividend position when there is greater visibility of the impact of COVID-19.

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 £25.4m (2019: £116.9m).

Directors

The following were directors of the Company during the financial year ended 25 January 2020 and to the date of this report:

- J.R. Nicolson
- R.A. White
- S. Lorimer
- J.D. Kemp
- A.L. Memmott (resigned 24 September 2019)
- W.R.G. Barr
- S.V. Barratt
- M.A. Griffiths
- P. Powell
- D.J. Ritchie
- N.B.E. Wharton

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

The Articles give the directors power to appoint and remove directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. The Articles require directors to retire and submit themselves for election at the first Annual General Meeting following appointment and to retire no later than the third Annual General Meeting after the Annual General Meeting at which they were last elected or re-elected. However, in order to comply with the UK Corporate Governance Code, all directors will submit themselves for re-election at the AGM. Biographical details of the Board are set out on pages 48 to 49 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 89 to 91. 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 25 January 2020 and 31 March 2020: an increase in R.A. White's holding of 79 shares, an increase in S. Lorimer's holding of 80 shares and an increase in J.D. Kemp's holding of 79 shares.

Directors' indemnity provisions

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

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

Research and development

The Group undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the year on research and development amounted to £1.1m (2019: £1.1m).

Political donations and political expenditure

No Group company made any political donations or incurred any political expenditure in the year (2019: £nil).

Post balance sheet events

Relevant post balance sheet events requiring disclosure are included in Note 33 to the accounts.

Employee engagement

Information on employee engagement is included in the Corporate Governance Report on page 55 and the Strategic Report on page 28.

All qualifying employees are entitled to join the Savings Related Share Option Scheme ("SAYE") and the All-Employee Share Ownership Plan ("AESOP"). Details of these share schemes are provided below.

AESOP

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

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

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

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

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

SAYE

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

Employment of disabled persons

The Company strives to build an inclusive and diverse culture where all employees have the opportunity to succeed. Applications for employment by disabled persons are always fully and fairly considered. In the event of employees becoming disabled every effort is made to ensure that their employment will continue. The Company is committed to the fair treatment of people with disabilities regarding recruitment, training, promotion and career development.

Stakeholder engagement – section 172(1) statement

A statement on how the Company has engaged with key stakeholders, including employees, and the impact of that engagement on the Company's strategy and the principal decisions taken during the year is set out in the Corporate Governance Report on page 52. This statement also summarises how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken during the year. This statement is incorporated by reference into this Directors' Report.

Substantial shareholdings

As at 25 January 2020, 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)	16,379,097	14.39	Direct and indirect
Caledonia Investments plc	4,474,996	3.93	Direct
Troy Asset Management	5,358,453	4.76	Direct

As at 8 April 2020, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interest in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Caledonia Investments plc	4,357,945	3.89	Direct

Otherwise, the position remains the same as at 8 April 2020 as it did at 25 January 2020.

Share capital

As at 25 January 2020 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 28 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 will give full details of deadlines for exercising voting rights in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting. Subject to the relevant statutory provisions and the Articles, shareholders are entitled to a dividend where declared and paid out of profits available for such purposes.

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

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

The Company's share repurchase programme completed during the year. By resolution passed at the 2019 AGM the Company was authorised to make market purchases of up to 11,380,464 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2020 AGM. A total of 1,915,772 ordinary shares of 4 1/6 pence each were purchased in the year to 25 January 2020 for a total consideration of £11.5m. Since the commencement of the Company's share repurchase programme in spring 2017, the Company has purchased a total of 4,739,907 ordinary shares of 4 1/6 pence each for a total consideration of £30.0m. All shares purchased under the share repurchase programme have been cancelled.

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

At 25 January 2020 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 0.66% of the issued share capital of the Company in trust for the benefit of the executive directors and employees of the Group. As at 25 January 2020, Equiniti Share Plan Trustees Limited (the "AESOP Trustee") held 0.89% 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 94.

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 and J.D. Kemp 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 2020 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 32. This information is incorporated by reference into this Directors' Report.

Financial risk management

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

Contracts of significance

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 47. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 36 to 41.

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 47 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 and Risk 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 and Risk Committee to fix their remuneration, will be proposed at the 2020 AGM.

Annual General Meeting

As a result of the requirements of the UK and Scottish Governments with regard to social distancing, and in order to protect the health and safety of our shareholders and employees, the Board has decided to postpone the 2020 AGM. The Board is hopeful that circumstances will improve and that shareholders will be able to attend the meeting at a later date if restrictions on public gathering and social distancing requirements are reduced. Details of the date and arrangements for the AGM will be provided as soon as possible.

By order of the Board

J.A. Barr
Company Secretary
8 April 2020

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 48 to 49 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
8 April 2020

S. Lorimer
Finance Director

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of A.G. Barr p.l.c. (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 25 January 2020 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent cash flow statements; and
- the related notes 1 to 32.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Completeness and valuation of brand support discounts and cost accruals. – The impact of the Covid-19 pandemic on going concern.
Materiality	The materiality that we used for the group financial statements was £1,800,000 which was determined on the basis of 4.8% of profit before tax and exceptional items.
Scoping	Our audit covered 99% of the Group's revenue, 96% of the Group's net assets, and 99% of the Group's profit before tax.
Significant changes in our approach	Given the unprecedented level of uncertainty in the global economy arising from the Covid-19 pandemic, we have included the impact on going concern as a key audit matter. This represents the only significant change in our approach in the current year.

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 considered as part of our risk assessment the nature of the Group, its business model and related risks including, where relevant, the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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 parent company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 42 to 47 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 47 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 47 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.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

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 valuation of brand support discounts and cost accruals

Key audit matter description	**Brand support discounts and cost accruals within trade and other payables of £10.5m (2019: £11.5m) and total customer investment spend (discounts and costs) of £47.2m (2019: £54.1m)** The Group incurs significant costs in agreeing sales discounts to support and develop its brands. Judgement is required in determining the level of closing accrual for such sales discounts and costs where promotions and brand support campaigns span the year-end and where settlement has not been fully agreed at year-end, or where prior year claims arise, as the year-end accrual can depend on information not yet made available by the customer. Due to the high level of judgements involved, we have determined there is a potential for fraud through possible manipulation of this balance. Brand support discounts and cost accruals are included within note 22 to the financial statements. The Audit and Risk Committee's consideration in respect of the risk is included on page 64.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: – Obtaining an understanding of and testing the relevant controls over the brand support accruals process; – Meeting with the commercial teams to understand and challenge the brand support discounts in place; – Testing a sample of customers with characteristics of audit interest (customers receiving material brand support investment, customers with material open promotions at year end, and flagship UK customers), assessing and challenging the accuracy of current year accruals, and performing a lookback on judgements made in the previous year; – Reviewing a sample of key commercial contracts and joint business plans to assess whether the composition of the accrual is in line with the underlying commercial agreement; – Requesting confirmations directly from customers for a sample of open accruals. In cases where no confirmation reply is received, we performed alternative procedures involving understanding the basis for the accrual and recalculating the expected accrual based on related sales information; – Selecting a sample of settlements made after the year-end to determine the accuracy of the accrual; and, – Assessing the adequacy of the disclosures made in the financial statements.
Key observations	We concluded that the assumptions made by management in determining the valuation and completeness of brand support accruals were reasonable.

The impact of the Covid-19 pandemic on going concern

Key audit matter description	**There is an unprecedented level of economic uncertainty arising from the Covid-19 pandemic. Assessing the impact of this on going concern resulted in considerable focus and time being spent by both management and the audit team.** There is a challenge in modelling for the impact of the Covid-19 pandemic given the rapidly changing situation in the UK and the wide-reaching changes in government policy. Management spent time modelling different scenarios which may occur as a result of the Covid-19 pandemic. These scenarios included several out turns with volumes dropping significantly (in the range of 30-40%) and the impact lasting for the majority of 2020. Whilst no material uncertainty was identified, we revised our audit plan to take into account these additional considerations when assessing the going concern conclusion. Under the various different scenarios presented by management, the Directors have concluded that the going concern assumption remains. The Directors' consideration in respect of the risk is included on page 43.

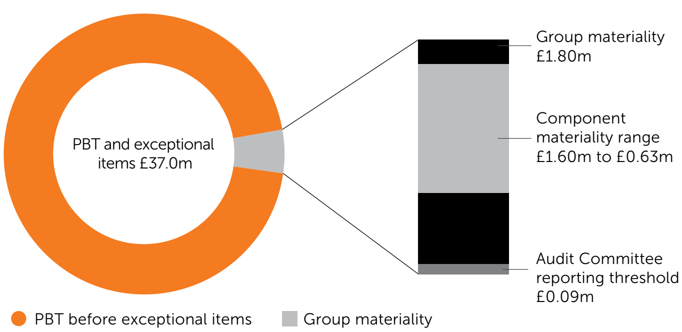
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: – Reassessing our risk assessment on going concern for the impact of the Covid-19 pandemic; – Obtaining an understanding of the processes and controls involved in management's going concern assessment in light of the Covid-19 pandemic; – Testing the integrity of management's going concern model; – Challenging the reasonableness of the scenarios identified by management, reverse stress testing performed, and key assumptions used by management in determining the impact of the Covid-19 pandemic on going concern; – Assessing management's ability to execute mitigating actions, as required, in light of the Covid-19 pandemic; – Recalculating management's forecast covenant compliance calculations throughout the going concern period; and – Assessing the adequacy of disclosures related to the impact of the Covid-19 pandemic on going concern made in the financial statements.
Key observations	We concluded that the scenarios identified by management, reverse stress testing performed and key assumptions made in assessing the impact of the Covid-19 pandemic were reasonable and that the conclusions on going concern are appropriate.

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	£1.80m (2019: £2.25m)	£1.62m (2019: £2.025m)
Basis for determining materiality	4.8% (2019: 5.0%) of profit before tax and exceptional items.	Parent company materiality equates to 0.7% (2019: 1%) of revenue, capped at 90% (2019: 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 equal prominence in the Annual Report. The exceptional items in the year comprised a £1.8m credit for amounts received for the removal of the wind turbine at the Cumbernauld site, offset by a £1.8m charge relating to simplification and standardization of operations including related redundancy costs. Each of these items were determined to be non-routine items which do not occur on an annual basis.	We have used revenue as the benchmark for our determination of materiality as we consider this to be the key driver of the business. As statutory materiality would be higher than component materiality, we have capped materiality to be 90% of group materiality being £1.62m. 90% is deemed to be appropriate based on the company only contribution to the Group.



Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes.
- Our past assessment of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold
We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £90,000 (2019: £112,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Identification and scoping of components

There were no significant changes in our approach in the current year. 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 plc, which is also the entity in which the trading transactions relating to the brand owned by Rubicon Drinks Limited are recorded.

This component was subject to a full scope audit performed by the Group audit team. Our audit work on this component was executed at a level of materiality applicable to the entity, which was lower than Group materiality at £1.60m.

This provided audit coverage of over 99% (2019: 99%) of the Group's revenue, 96% (2019: 95%) of the Group's net assets and 99% (2019: 99%) of the Group's profit before tax.

The other components to the Group are as follows:

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

Funkin Limited was subject to specified audit procedures based on the materiality of individual balances. The remaining non-significant components were subject to analytical reviews. Our audit work on these components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality at £0.630m (2019 £0.788m).

At the group 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, 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 and Risk committee does not appropriately address matters communicated by us to the Audit and Risk 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 Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

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

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

Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the potential for fraud in relation to brand support discounts and cost accruals given the judgement involved in determining the level of closing accrual. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the group's operating licence, regulatory solvency requirements and environmental regulations.

Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed on 31 May 2017 to audit the financial statements for the year ending 27 January 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 27 January 2018 to 25 January 2020.

Consistency of the audit report with the additional report to the Audit and Risk Committee

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Sweeney, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
8 April 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 25 JANUARY 2020

	Note	2020 Before exceptional items £m	2020 Exceptional items* £m	2020 Total £m	2019 Before exceptional items £m	2019 Exceptional items* £m	2019 Total £m
Revenue	2	**255.7**	**–**	**255.7**	279.0	–	279.0
Cost of sales	7	**(149.6)**	**(1.1)**	**(150.7)**	(156.5)	–	(156.5)
Gross profit	2	**106.1**	**(1.1)**	**105.0**	122.5	–	122.5
Other income	5, 7	**–**	**1.8**	**1.8**	–	–	–
Operating expenses	6, 7	**(68.0)**	**(0.7)**	**(68.7)**	(76.7)	(0.7)	(77.4)
Operating profit		**38.1**	**–**	**38.1**	45.8	(0.7)	45.1
Finance costs	8	**(0.6)**	**–**	**(0.6)**	(0.6)	–	(0.6)
Share of after tax results of associates		**(0.1)**	**–**	**(0.1)**	–	–	–
Profit before tax		**37.4**	**–**	**37.4**	45.2	(0.7)	44.5
Tax on profit	9	**(7.6)**	**–**	**(7.6)**	(8.8)	0.1	(8.7)
Profit attributable to equity holders		**29.8**	**–**	**29.8**	36.4	(0.6)	35.8

Earnings per share (p)

	Note	2020	2019
Basic earnings per share	10	**26.50**	31.51
Diluted earnings per share	10	**26.49**	31.47
Basic earnings per share before exceptional items	10	**26.50**	32.03

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

STATEMENTS OF FINANCIAL POSITION
AS AT 25 JANUARY 2020

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Non-current assets					
Intangible assets	12	**101.8**	103.1	**15.2**	16.4
Property, plant and equipment	13	**101.2**	95.3	**81.5**	95.2
Right-of-use assets	14	**7.6**	–	**26.6**	–
Investment in subsidiary undertakings	16	**–**	–	**84.1**	84.1
Investment in associates	17	**0.9**	–	**0.9**	–
Retirement benefit surplus	26	**–**	–	**7.0**	4.5
		211.5	198.4	**215.3**	200.2
Current assets					
Inventories	19	**18.3**	20.4	**16.3**	19.4
Trade and other receivables	20	**57.2**	57.7	**54.0**	57.4
Cash and cash equivalents	18	**10.9**	21.8	**7.2**	17.0
		86.4	99.9	**77.5**	93.8
Total assets		**297.9**	298.3	**292.8**	294.0
Current liabilities					
Trade and other payables	22	**52.4**	56.9	**54.3**	55.9
Derivative financial instruments	15	**0.1**	0.4	**0.1**	0.4
Lease liabilities	21, 14	**3.2**	–	**4.3**	1.3
Provisions	23	**1.2**	0.4	**1.2**	0.4
Current tax liabilities		**3.0**	4.0	**1.6**	2.5
		59.9	61.7	**61.5**	60.5
Non-current liabilities					
Deferred tax liabilities	24	**14.5**	13.3	**5.9**	4.8
Lease liabilities	21, 14	**4.7**	–	**22.2**	18.4
Retirement benefit obligations	26	**10.5**	13.5	**–**	–
		29.7	26.8	**28.1**	23.2
Capital and reserves attributable to equity holders					
Share capital	27	**4.7**	4.7	**4.7**	4.7
Share premium account	27	**0.9**	0.9	**0.9**	0.9
Share options reserve	27	**1.4**	2.4	**1.4**	2.4
Other reserves	27	**–**	(0.2)	**–**	(0.2)
Retained earnings	27	**201.3**	202.0	**196.2**	202.5
		208.3	209.8	**203.2**	210.3
Total equity and liabilities		**297.9**	298.3	**292.8**	294.0

The Company reported a profit for the financial year ended 25 January 2020 of £24.2m (year ended 26 January 2019: £116.9m).

Company Number: SC005653
The financial statements on pages 110 to 160 were approved by the Board of directors and authorised for issue on 8 April 2020 and were signed on its behalf by:

Roger White
Chief Executive

Stuart Lorimer
Finance Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 25 JANUARY 2020

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Profit for the year		**29.8**	35.8	**24.2**	116.9
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit pension plans	26	**1.2**	0.6	**1.2**	0.6
Deferred tax movements on items above	24	**(0.2)**	(0.1)	**(0.2)**	(0.1)
Current tax movements on items above	9	**–**	(0.1)	**–**	(0.1)
Items that will be or have been reclassified to profit or loss					
Cash flow hedges:	15				
Losses arising during the period		**0.3**	(0.4)	**0.3**	(0.4)
Less: reclassification adjustments for gains included in profit or loss		**–**	0.3	**–**	0.3
Deferred tax movements on items above	24	**(0.1)**	–	**(0.1)**	–
Other comprehensive income for the year, net of tax		**1.2**	0.3	**1.2**	0.3
Total comprehensive income attributable to equity holders of the parent		**31.0**	36.1	**25.4**	117.2

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 25 JANUARY 2020

Group	Note	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings £m	Total as restated £m
At 26 January 2019		**4.7**	**0.9**	**2.4**	**(0.2)**	**202.0**	**209.8**
Impact of IFRS 16*		–	–	–	–	**(0.3)**	**(0.3)**
At 26 January 2019		**4.7**	**0.9**	**2.4**	**(0.2)**	**201.7**	**209.5**
Profit for the year		–	–	–	–	**29.8**	**29.8**
Other comprehensive income		–	–	–	**0.2**	**1.0**	**1.2**
Total comprehensive income for the year		–	–	–	**0.2**	**30.8**	**31.0**
Company shares purchased for use by employee benefit trusts	27	–	–	–	–	**(1.4)**	**(1.4)**
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	**0.1**	**0.1**
Recognition of share-based payment costs	28	–	–	**(0.2)**	–	–	**(0.2)**
Transfer of reserve on share award		–	–	**(0.6)**	–	**0.6**	–
Deferred tax on items taken direct to reserves	24	–	–	**(0.2)**	–	–	**(0.2)**
Repurchase and cancellation of shares	27	–	–	–	–	**(11.5)**	**(11.5)**
Dividends paid	11	–	–	–	–	**(19.0)**	**(19.0)**
At 25 January 2020		**4.7**	**0.9**	**1.4**	–	**201.3**	**208.3**
At 27 January 2018		4.8	0.9	1.6	(0.2)	194.0	201.1
Profit for the year		–	–	–	–	35.8	35.8
Other comprehensive income		–	–	–	(0.1)	0.4	0.3
Total comprehensive income for the year		–	–	–	(0.1)	36.2	36.1
Company shares purchased for use by employee benefit trusts	27	–	–	–	–	(0.5)	(0.5)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	0.1	0.1
Recognition of share-based payment costs	28	–	–	1.1	–	–	1.1
Transfer of reserve on share award		–	–	(0.4)	–	0.4	–
Deferred tax on items taken direct to reserves	24	–	–	0.1	–	–	0.1
Repurchase and cancellation of shares	27	(0.1)	–	–	0.1	(10.3)	(10.3)
Dividends paid	11	–	–	–	–	(17.9)	(17.9)
At 26 January 2019		4.7	0.9	2.4	(0.2)	202.0	209.8

* Refer to Note 1.

STATEMENT OF CHANGES IN EQUITY CONTINUED
FOR THE YEAR ENDED 25 JANUARY 2020

Company	Note	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings £m	Total as restated £m
At 26 January 2019		**4.7**	**0.9**	**2.4**	**(0.2)**	**202.5**	**210.3**
Impact of IFRS 16*		–	–	–	–	(0.3)	(0.3)
At 26 January 2019		**4.7**	**0.9**	**2.4**	**(0.2)**	**202.2**	**210.0**
Profit for the year		–	–	–	–	24.2	24.2
Other comprehensive income		–	–	–	0.2	1.0	1.2
Total comprehensive income for the year		–	–	–	0.2	25.2	25.4
Company shares purchased for use by employee benefit trusts	27	–	–	–	–	(1.4)	(1.4)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	0.1	0.1
Recognition of share-based payment costs	28	–	–	(0.2)	–	–	(0.2)
Transfer of reserve on share award		–	–	(0.6)	–	0.6	–
Deferred tax on items taken direct to reserves	24	–	–	(0.2)	–	–	(0.2)
Repurchase and cancellation of shares	27	–	–	–	–	(11.5)	(11.5)
Dividends paid	11	–	–	–	–	(19.0)	(19.0)
At 25 January 2020		**4.7**	**0.9**	**1.4**	**–**	**196.2**	**203.2**
At 27 January 2018		4.8	0.9	1.6	(0.2)	113.4	120.5
Profit for the year		–	–	–	–	116.9	116.9
Other comprehensive income		–	–	–	(0.1)	0.4	0.3
Total comprehensive income for the year		–	–	–	(0.1)	117.3	117.2
Company shares purchased for use by employee benefit trusts	27	–	–	–	–	(0.5)	(0.5)
Proceeds on disposal of shares by employee benefit trusts		–	–	–	–	0.1	0.1
Recognition of share-based payment costs	28	–	–	1.1	–	–	1.1
Transfer of reserve on share award		–	–	(0.4)	–	0.4	–
Deferred tax on items taken direct to reserves	24	–	–	0.1	–	–	0.1
Repurchase and cancellation of shares	27	(0.1)	–	–	0.1	(10.3)	(10.3)
Dividends paid	11	–	–	–	–	(17.9)	(17.9)
At 26 January 2019		4.7	0.9	2.4	(0.2)	202.5	210.3

* Refer to Note 1.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 25 JANUARY 2020

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Operating activities					
Profit before tax		**37.4**	44.5	**30.3**	124.0
Adjustments for:					
Interest and dividends receivable		**–**	–	**(2.8)**	(85.0)
Interest payable	8	**0.6**	0.6	**1.4**	1.4
Investment write off		**–**	–	**–**	0.2
Depreciation of property, plant and equipment	13	**11.7**	7.4	**11.4**	7.3
Amortisation of intangible assets	12	**1.3**	1.4	**1.2**	1.2
Share-based payment costs		**(0.2)**	1.1	**(0.2)**	1.1
Share of results in associates		**0.1**	–	**0.1**	–
Exceptional income		**(0.2)**	–	**(0.2)**	–
Loss on sale of property, plant and equipment		**–**	0.1	**–**	0.1
Operating cash flows before movements in working capital		**50.7**	55.1	**41.2**	50.3
Decrease/(increase) in inventories		**1.8**	(2.4)	**2.8**	(2.1)
Decrease/(increase) in receivables		**2.1**	(1.5)	**5.0**	(2.4)
(Decrease)/increase in payables		**(4.5)**	3.1	**(1.5)**	3.0
Difference between employer pension contributions and amounts recognised in the income statement		**(2.1)**	(1.5)	**(2.1)**	(1.5)
Cash generated by operations		**48.0**	52.8	**45.4**	47.3
Tax paid		**(7.9)**	(8.2)	**(6.7)**	(5.4)
Net cash from operating activities		**40.1**	44.6	**38.7**	41.9
Investing activities					
Acquisition of investment in associate		**(1.0)**	–	**(1.0)**	–
Purchase of property, plant and equipment		**(14.8)**	(8.9)	**(14.8)**	(8.8)
Proceeds on sale of property, plant and equipment		**0.1**	–	**0.1**	–
Interest received		**–**	–	**0.8**	0.7
Net cash used in investing activities		**(15.7)**	(8.9)	**(14.9)**	(8.1)
Financing activities					
New loans received		**29.5**	21.0	**29.5**	21.0
Loans repaid		**(29.5)**	(21.0)	**(29.5)**	(21.0)
Lease payments		**(3.3)**	(0.1)	**(3.1)**	(0.5)
Purchase of Company shares by employee benefit trusts	27	**(1.4)**	(0.5)	**(1.4)**	(0.5)
Proceeds from disposal of Company shares by employee benefit trusts	27	**0.1**	0.1	**0.1**	0.1
Repurchase of own shares	27	**(11.5)**	(10.3)	**(11.5)**	(10.3)
Dividends paid		**(19.0)**	(17.9)	**(19.0)**	(17.9)
Dividends received		**–**	–	**2.0**	2.0
Interest paid		**(0.2)**	(0.2)	**(0.7)**	(1.0)
Net cash used in financing activities		**(35.3)**	(28.9)	**(33.6)**	(28.1)
Net (decrease)/increase in cash and cash equivalents		**(10.9)**	6.8	**(9.8)**	5.7
Cash and cash equivalents at beginning of year		**21.8**	15.0	**17.0**	11.3
Cash and cash equivalents at end of year	18	**10.9**	21.8	**7.2**	17.0

Non-cash transactions
During the year ended 26 January 2019, the Company received a £82.8m dividend from Rubicon Drinks Limited, another Group company. This was satisfied by way of a dividend in specie using the intercompany due by the Company to Rubicon Drinks Limited.

1 Accounting Policies

General information

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

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

The financial year represents the 52 weeks ended 25 January 2020 (prior financial year 52 weeks ended 26 January 2019).

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 after assessing the principal risks and having considered the impact of a severe but plausible downside scenario for COVID-19. The major variables are the depth and the duration of COVID-19. The directors considered the impact of the current COVID-19 environment on the business for the next 12 months, the viability period and the longer term. Whilst the situation evolves daily, making scenario planning difficult, we have considered a number of impacts on sales, profits and cash flows. We have assumed that our operations remain open and that we will continue to be able to sell our products to customers, consistent with DEFRA guidance. Whilst the virus may impact across many functions of the business from supply chain to the ability of our customers to service consumers, it would most likely manifest itself in lost volumes and require significant action in relation to operational cost reductions. The 2 main divisions will be impacted differently, with Barr Soft Drinks operating mainly in multiple retail (take home) and convenience (out of home) outlets and Funkin mainly within the on-trade and leisure sectors. Overall, we scenario planned several out turns with volumes dropping significantly (in the range of 30-40%) and the impact lasting for a significant part of 2020. The revenue and operational leverage impact of such a volume loss would have a major negative impact on Group profitability however the scenario modelling would indicate that the Group would remain profitable over the next 12 months and we would anticipate a recovery in the following years.

Throughout this severe but plausible downside scenario, the Group continues to have significant liquidity headroom on existing facilities and against the revolving credit facilities financial covenants.

The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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 pages 124 and 125.

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

- IFRS 16 Leases
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendment to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017 cycle
- Amendments to IAS 19 Employee Benefits
- IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 16 Leases replaces IAS 17 Leases along with three interpretations (IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 5 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease). The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings. Prior periods have not been restated.

For contracts in place at the date of transition, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4. The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of transition. At this date, the Group has also elected to measure the right-of-use assets as if the standard applied at lease commencement date, but discounted using the borrowing rate at the date of initial application. Instead of performing an impairment review on the right-of-use assets for operating leases in existence at the date of transition, the Group has relied upon its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise the right-of-use assets but to account for the lease expense on a straight-line basis over the remaining term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.48%.

The following is a reconciliation of total operating lease commitments at 26 January 2019 to the lease liabilities recognised at 27 January 2019:

	£m
Total operating lease commitments disclosed at 26 January 2019	6.6
Discounted using the lessee's incremental borrowing rate at the date of initial application	(0.1)
Less: short-term leases recognised on a straight-line basis as expense	(0.1)
Add: adjustments as a result of a different treatment of extension and termination options	3.0
Total lease liability recognised under IFRS 16 at 27 January 2019	**9.4**

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by £3.3m, being the lease payments, and net cash used in financing activities has increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

Leases – Accounting policy applicable from 27 January 2019

The Group as lessee

For any new contracts entered into on or after 27 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as any contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct the use of the identified assets through the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment where such indicators exist.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

1 Accounting Policies continued

Changes in accounting policy and disclosures continued

(a) New and amended standards adopted by the Group continued

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising the right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets and lease liabilities have been disclosed separately.

Leases – Accounting policy applicable before 27 January 2019

The Group as lessee

Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments are shown as obligations under finance leases. Assets acquired under finance leases are initially recognised at the present value of the minimum lease payments. The rentals payable are apportioned between interest, which is charged to the income statement, and liability, which reduce the outstanding obligations. Costs in respect of operating leases are charged on a straight-line basis over the term of the lease in arriving at operating profit.

The other standards noted above do not have a material impact on the results for the current and prior reporting periods.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 27 January 2019 and not adopted early

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

International Accounting Standards and Interpretations	Financial year beginning which standard becomes effective
IFRS 17 Insurance Contracts	31 January 2021
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Not yet set
Amendments to IFRS 3	26 January 2020
Amendments to IAS 1 and IAS 8	26 January 2020
Conceptual framework	26 January 2020

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Consolidation – subsidiaries

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

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

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

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

Revenue recognition

Revenue is recognised when control of the goods has passed to the buyer and the amount can be measured reliably. All revenue is recognised on a point of time basis being primarily the point of delivery to customer's sites. The majority of goods are dispatched by the Group's own distribution network and delivery often occurs on the day of dispatch although some are a few days later therefore revenue is recognised on delivery to the customer site. None of the Groups contractual arrangements lead to revenue being recognised over time. Sales related discounts and rebates are calculated based on the expected amounts necessary to meet the claims of the Group's customers in respect of these discounts and rebates. Brand support accruals are included in the statement of financial position in respect of these. When the Group expects to grant a price concession to a customer, e.g. as a result of excess inventory being held in the supply chain, this is treated as variable consideration and adjustments are made to the transaction price using the expected value method.

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. Segment results that are reported to the Executive 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 event or transaction is exceptional, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence as well as the size and nature of an item both individually and when aggregated with similar items, for example restructuring costs, product development or asset write offs. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of our trading results. For further details refer to Note 7.

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.

1 Accounting Policies continued

Intangible assets continued

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 acquisition of 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 or construction 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%

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

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

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

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

Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The investment is recognised initially in the statement of financial position at cost and is adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. On acquisition any excess of the cost of the investments over the

Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in which the investment is acquired.

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

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.

1 Accounting Policies continued

Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks using foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 15.

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. The impact of hedging on the Group's financial position is disclosed in Note 15. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedges

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

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

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

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

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

Inventories

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

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

Company shares held by employee benefit trusts

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

Current and deferred income tax

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

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

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

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

The following temporary differences are not provided for:

- the initial recognition of goodwill; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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

Employee benefits

Retirement benefit plans

The Group operates two pension schemes as detailed in Note 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.

1 Accounting Policies continued

Share-based compensation

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

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

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

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

Profit-sharing and bonus plans

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

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

Provisions

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

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

Dividend distributions

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

Share repurchase programme

In the year ended 27 January 2018, a share repurchase programme commenced and this was completed during the year ended 25 January 2020. The adopted accounting policy was to cancel the repurchased shares and replace the permanent capital through creation of a Capital Redemption Reserve. The Capital Redemption Reserve is included in "Other reserves" within equity. Refer to Note 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 pages 162 to 164.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make assumptions and estimates 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 one area of significant judgement which the directors consider could have a material impact upon the financial statements is judgement on whether items are exceptional or not as set out in Note 7.

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are:

Key source of estimation uncertainty: Retirement benefit obligations
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.

Key source of estimation uncertainty: Sales related rebates and discounts
The Group agrees to pay customers various amounts in the form of sales related rebates and discounts. Accruals are made for each individual promotion or rebate based on the specific terms and conditions of the customer agreement. Management make estimates on an ongoing basis to assess customer performance and sales volume to calculate the total amounts earned to be deducted from revenue. Based on total rebate and discount spend in the year, 4% of spend would need to be omitted to result in a material error in the value of accruals made at year end.

2 Segment reporting

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

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

Year ended 25 January 2020

	Carbonates & other £m	Still drinks and water £m	Funkin £m	Total £m
Total revenue	**196.4**	**40.1**	**19.2**	**255.7**
Gross profit	**88.6**	**8.6**	**8.9**	**106.1**

Year ended 26 January 2019

	Carbonates & other £m	Still drinks and water £m	Funkin £m	Total £m
Total revenue	214.4	49.0	15.6	279.0
Gross profit	99.9	14.7	7.9	122.5

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

"Carbonates & other" segment represents income from the sale of carbonates 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 Executive Committee on a central basis rather than at a segment level. As a result no reconciliation of segment assets and liabilities to the statement of financial position has been disclosed for either of the periods presented.

Included in revenues arising from Carbonates & other, Still drinks and water and Funkin are revenues of approximately £41m which arose from sales to the Group's largest customer (2019: £47m). No other single customers contributed 10 per cent or more to the Group's revenue in either 2019 or 2020.

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

2 Segment reporting continued

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	2020 £m	2019 £m
UK	**244.1**	267.6
Rest of the world	**11.6**	11.4
	255.7	279.0

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

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

3 Profit before tax

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

	2020 £m	2019 £m
Depreciation of property, plant and equipment	**8.5**	7.4
Depreciation of right-of-use assets	**3.2**	–
Loss on disposal of property, plant and equipment	**–**	0.1
Research and development costs	**1.1**	1.1
Impairment of inventories	**0.8**	1.0
Amortisation of intangible assets	**1.3**	1.4
Cost of inventories charged in cost of sales	**150.7**	156.5
Operating lease rentals payable – property	**–**	0.4
Operating lease rentals payable – motor vehicles	**–**	0.9
Operating lease rentals payable – plant	**–**	2.5
Trade receivables impairment movement	**0.3**	(0.1)
Foreign exchange gains recognised	**(0.2)**	(0.1)
Staff costs (Note 4)	**46.7**	53.2

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:

	2020 £'000	2019 £'000
Statutory audit services		
Fees payable to the auditor of the parent Company and consolidated accounts	**133**	107
Fees payable to the auditor for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**15**	15
Non-audit services		
Audit-related assurance services	**25**	24
Other services	**–**	22

4 Employees and directors

	2020	2019
Average monthly number of people employed by the Group (including executive directors)		
Production and distribution	**733**	725
Administration	**276**	274
	1,009	999

Staff costs for the Group for the year

	2020 £m	2019 £m
Wages and salaries	**37.8**	42.5
Social security costs	**4.8**	4.6
Share-based payments	**(0.2)**	1.1
Pension costs – defined contribution plans	**3.8**	3.8
Pension costs – defined benefit plans*	**0.5**	1.2
	46.7	53.2

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

* The defined benefit plan costs for 2019 include £0.7m of exceptional items for GMP equalisation as per Note 7.

5 Other income

	2020			2019
	Before exceptional items £m	Exceptional items* £m	Total £m	Total £m
Wind turbine removal	**–**	**1.8**	**1.8**	–

* Refer to Note 7 for details of exceptional income in relation to the wind turbine removal.

6 Net operating expenses

	2020			2019		
	Before exceptional items £m	Exceptional items* £m	Total £m	Before exceptional items £m	Exceptional items* £m	Total £m
Distribution costs (including selling costs)	**42.1**	**–**	**42.1**	49.3	–	49.3
Administration costs	**25.9**	**0.7**	**26.6**	27.4	0.7	28.1
	68.0	**0.7**	**68.7**	76.7	0.7	77.4

* Refer to Note 7.

7 Exceptional items

Exceptional items are those that in management's judgement need to be disclosed by virtue of their size and/or nature. In determining whether an event or transaction is exceptional, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence as well as the size and nature of an item both individually and when aggregated with similar items, for example restructuring costs, product development or asset write offs. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of our trading results.

Such items are included within the income statement caption to which they relate, and are separately disclosed in the note below. It is believed that separate disclosure of exceptional items further helps investors to understand the performance of the Group.

	2020 £m	2019 £m
Wind turbine removal	**(1.8)**	–
Simplification and standardisation of operations	**1.1**	–
Redundancy costs for business reorganisation and restructure	**0.7**	–
GMP pension equalisation	**–**	0.7
Total exceptional net debit	**–**	0.7

	2020 £m	2019 £m
Items included in cost of sales		
Simplification and standardisation of operations	**1.1**	–
Total included in cost of sales	**1.1**	–

	2020 £m	2019 £m
Items included in other income		
Wind turbine removal	**(1.8)**	–
Total included in cost of sales	**(1.8)**	–

Items included in administration costs		
Redundancy costs for business reorganisation and restructure	**0.7**	–
GMP pension equalisation	**–**	0.7
Total included in administration costs	**0.7**	0.7
Total exceptional net debit included in operating expenses	**0.7**	0.7
Total exceptional net debit	**–**	0.7

For a number of years a wind turbine has been in operation at our Cumbernauld site. This turbine has now been removed to facilitate the construction and operation of additional large scale wind energy projects in Scotland. Management believe that the £1.8m income received as compensation for the removal should be treated as exceptional due to the non-recurring nature and the size of the income received.

In September 2019 the Group embarked on a change programme with the aim of returning the soft drinks business to long-term sustainable growth. The programme has two main objectives:

- to simplify and standardise our operations by significantly rationalising our portfolio including simplifying our core brand ranges and routes to market. This involves discontinuing certain product lines and formats at a cost of £0.6m and the closure of our Sheffield sales depot in March 2020 at a cost of £0.5m.
- to strategically restructure and refocus the business so that resources and investment target those areas with the greatest profitable growth opportunities. This initiative will deliver a more contribution focused Commercial team prioritised on our core brands and a Supply Chain organisation that optimises the balance between agility, resilience and capacity. As a result the Group has incurred exceptional costs relating to employee severance of £0.7m. In certain areas the restructuring programme requires detailed planning and implementation and in these areas the activities and costs will continue in the year to 30 January 2021.

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

8 Finance costs

	2020 £m	2019 £m
Interest payable	**(0.2)**	(0.2)
Lease interest	**(0.1)**	–
Finance costs relating to defined benefit pension plans (Note 26)	**(0.3)**	(0.4)
	(0.6)	(0.6)

9 Taxation

	2020			2019		
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	**7.0**	**–**	**7.0**	8.7	(0.1)	8.6
Adjustments in respect of prior years	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Total current tax expense/(credit)	**6.9**	**–**	**6.9**	8.6	(0.1)	8.5
Deferred tax						
Origination and reversal of:						
Temporary differences	**0.5**	**–**	**0.5**	0.1	–	0.1
Adjustments in respect of prior years	**0.2**	**–**	**0.2**	0.1	–	0.1
Total deferred tax expense (Note 24)	**0.7**	**–**	**0.7**	0.2	–	0.2
Total tax expense/(credit)	**7.6**	**–**	**7.6**	8.8	(0.1)	8.7

In addition to the above movements in deferred tax, a deferred tax charge of £0.3m (2019: charge of £0.1m) has been recognised in other comprehensive income and a debit of £0.2m (2019: a credit of £0.1m) has been taken direct to reserves (Note 24).

A current tax credit of £Nil (2019:credit of £0.1m) has been recognised in other comprehensive income.

9 Taxation continued

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:

	2020 £m	2020 %	2019 £m	2019 %
Profit before tax	**37.4**		44.5	
Tax at 19.0% (2019: 19.0%)	**7.1**	**19.0**	8.5	19.0
Tax effects of:				
Items that are not deductible/(chargeable) in determining taxable profit	**0.5**	**1.3**	0.4	0.9
Current tax adjustment in respect of prior years	**(0.1)**	**(0.3)**	(0.1)	(0.2)
Deferred tax adjustment in respect of prior years	**0.2**	**0.5**	0.1	(0.2)
Other differences	**(0.1)**	**(0.3)**	(0.2)	–
Total tax expense	**7.6**	**20.3**	8.7	19.5

The weighted average tax rate was 20.3% (2019: 19.5%).

As announced in the Autumn Budget on 23 November 2016, the main rate of corporation tax was reduced to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020, therefore future charges will reduce accordingly. Finance No.2 Bill 2017 was enacted on 16 November 2017. Finance Act 2019 received royal assent in February 2019 but has no impact on the UK corporate income tax rates already enacted. The deferred tax liability at 25 January 2020 has therefore been calculated having regard to the rate of 17% 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.

	2020	2019
Profit attributable to equity holders of the Company (£m)	**29.8**	35.8
Weighted average number of ordinary shares in issue	**112,452,517**	113,626,941
Basic earnings per share (pence)	**26.50**	31.51

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 as calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2020	2019
Profit attributable to equity holders of the Company (£m)	**29.8**	35.8
Weighted average number of ordinary shares in issue	**112,452,517**	113,626,941
Adjustment for dilutive effect of share options	**57,931**	138,729
Diluted weighted average number of ordinary shares in issue	**112,510,448**	113,765,670
Diluted earnings per share (pence)	**26.49**	31.47

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

	2020	2019
Profit attributable to equity holders of the Company before exceptional items (£m)	**29.8**	36.4
Weighted average number of ordinary shares in issue	**112,452,517**	113,626,941
Basic earnings per share before exceptional items (pence)	**26.50**	32.03

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

Dividends paid in the financial year were as follows:

	2020 per share	2019 per share	2020 £m	2019 £m
Final dividend	**12.74p**	11.84p	**14.5**	13.5
Interim dividend paid	**4.00p**	3.90p	**4.5**	4.4
	16.74p	15.74p	**19.0**	17.9

Our usual practice at this time of the year is to propose a final ordinary dividend to be paid in June, subject to approval by shareholders at the Annual General Meeting. However, given the unprecedented circumstances arising from COVID-19, the Board is not proposing a final dividend at this time.

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

	2020 per share	2019 per share
Final dividend	**–**	12.74p
First interim dividend paid	**4.00p**	3.90p
	4.00p	16.64p

12 Intangible assets

Group	Goodwill £m	Brands £m	Customer relationships £m	Water rights £m	Software development costs £m	Total £m
Cost						
At 27 January 2018	39.0	57.1	3.9	0.7	11.9	112.6
At 26 January 2019	39.0	57.1	3.9	0.7	11.9	112.6
At 25 January 2020	**39.0**	**57.1**	**3.9**	**0.7**	**11.9**	**112.6**
Amortisation and impairment losses						
At 27 January 2018	0.4	0.3	3.5	0.7	3.2	8.1
Amortisation for the year	–	–	0.2	–	1.2	1.4
At 26 January 2019	0.4	0.3	3.7	0.7	4.4	9.5
Amortisation for the year	–	–	0.1	–	1.2	1.3
At 25 January 2020	0.4	0.3	3.8	0.7	5.6	**10.8**
Carrying amounts						
At 25 January 2020	**38.6**	**56.8**	**0.1**	**–**	**6.3**	**101.8**
At 26 January 2019	38.6	56.8	0.2	–	7.5	103.1

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 implemented in 2015.

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.

12 Intangible assets continued

The Strathmore and Rubicon customer relationships are fully amortised. The Funkin asset has five 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 25 January 2020 have been included in the income statement as administration costs.

Company	Goodwill £m	Brands £m	Customer relationships £m	Water rights £m	Software development costs £m	Total £m
Cost						
At 27 January 2018	1.9	7.3	1.0	0.7	11.9	22.8
At 26 January 2019	1.9	7.3	1.0	0.7	11.9	22.8
At 25 January 2020	**1.9**	**7.3**	**1.0**	**0.7**	**11.9**	**22.8**
Amortisation and impairment losses						
At 27 January 2018	–	0.3	1.0	0.7	3.2	5.2
Amortisation for the year	–	–	–	–	1.2	1.2
At 26 January 2019	–	0.3	1.0	0.7	4.4	6.4
Amortisation for the year	–	–	–	–	1.2	1.2
At 25 January 2020	**–**	**0.3**	**1.0**	**0.7**	**5.6**	**7.6**
Carrying amounts						
At 25 January 2020	**1.9**	**7.0**	**–**	**–**	**6.3**	**15.2**
At 26 January 2019	1.9	7.0	–	–	7.5	16.4

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 25 January 2020	Goodwill £m	Brands £m	Customer relationships £m	Total £m
Rubicon operating unit	**21.0**	**43.0**	**–**	**64.0**
Funkin operating unit	**15.7**	**6.8**	**0.1**	**22.6**
Strathmore operating unit	**1.9**	**7.0**	**–**	**8.9**
Total	**38.6**	**56.8**	**0.1**	**95.5**

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

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

Key assumptions

	2020			2019		
	Gross margin %	Growth rate %	Discount rate %	Gross margin %	Growth rate %	Discount rate %
Rubicon operating unit	**47.4**	**2.5**	**11.1**	48.2	2.5	11.1
Funkin operating unit	**53.1**	**2.5**	**11.1**	54.0	2.5	11.1
Strathmore operating unit	**32.2**	**2.5**	**11.1**	33.5	2.5	11.1

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

Despite the performance of Rubicon as discussed on page 37, management are satisfied that the necessary steps are being taken to ensure the Rubicon gross margin is achievable.

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 30 January 2021 and projected costs thereafter.

Sensitivity analysis was carried out on the above calculations to review possible levels of impairment under a range of different assumptions, e.g. adjusting discount rates. At a pre-tax rate of 12%, or a reduction in long-term growth of 1%, 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.

13 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 27 January 2018	61.9	0.4	80.6	12.9	155.8
Additions	0.1	–	3.8	4.6	8.5
Transfer from assets under construction	0.2	–	9.0	(9.2)	–
Disposals	–	–	(1.8)	–	(1.8)
At 26 January 2019	62.2	0.4	91.6	8.3	162.5
Additions	–	–	4.6	9.9	14.5
Transfer from assets under construction	0.2	–	3.7	(3.9)	–
Disposals	–	–	(1.1)	–	(1.1)
At 25 January 2020	**62.4**	**0.4**	**98.8**	**14.3**	**175.9**
Depreciation					
At 27 January 2018	5.5	0.4	55.6	–	61.5
Amount charged for year	0.6	–	6.8	–	7.4
Disposals	–	–	(1.7)	–	(1.7)
At 26 January 2019	6.1	0.4	60.7	–	67.2
Amount charged for year	0.6	–	7.9	–	8.5
Disposals	–	–	(1.0)	–	(1.0)
At 25 January 2020	**6.7**	**0.4**	**67.6**	**–**	**74.7**
Net book value					
As at 25 January 2020	**55.7**	**–**	**31.2**	**14.3**	**101.2**
As at 26 January 2019	56.1	–	30.9	8.3	95.3

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

	2020 £m	2019 £m
Cost-capitalised finance lease	**–**	0.3
Accumulated depreciation	**–**	(0.2)
Net book value	**–**	0.1

From 2019 leased assets are presented as a separate line item in the balance sheet, see Note 14. Refer to Note 1 for details about the changes in accounting policy.

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 27 January 2018	61.9	0.3	79.9	12.9	155.0
Additions	0.1	–	3.8	4.6	8.5
Transfer from assets under construction	0.2	–	9.0	(9.2)	–
Disposals	0.3	–	(1.8)	–	(1.5)
At 26 January 2019	62.5	0.3	90.9	8.3	162.0
Transfers*	(23.2)	23.2	–	–	–
Additions	–	–	4.5	10.0	14.5
Transfer from assets under construction	0.2	–	3.7	(3.9)	–
Transfer to right-of-use assets	–	(23.2)	–	–	(23.2)
Disposals	–	–	(1.0)	–	(1.0)
At 25 January 2020	**39.5**	**0.3**	**98.1**	**14.4**	**152.3**
Depreciation					
At 27 January 2018	5.5	0.3	55.1	–	60.9
Amount charged for year	0.6	–	6.7	–	7.3
Disposals	0.3	–	(1.7)	–	(1.4)
At 26 January 2019	6.4	0.3	60.1	–	66.8
Transfers*	(3.4)	3.4	–	–	–
Amount charged for year	0.6	–	7.8	–	8.4
Transfer to right-of-use assets	–	(3.4)	–	–	(3.4)
Disposals	–	–	(1.0)	–	(1.0)
At 25 January 2020	**3.6**	**0.3**	**66.9**	**–**	**70.8**
Net book value					
As at 25 January 2020	**35.9**	**–**	**31.2**	**14.4**	**81.5**
As at 26 January 2019	56.1	–	30.8	8.3	95.2

* Amounts previously held as freehold have been reclassified to leasehold recognising this is where they should have been classified in prior periods.

At 25 January 2020, the Group and the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.7m (2019: £8.6m).

At 26 January 2019 property, plant and equipment included £19.9m where the Company was a lessee under a finance lease. £19.8m was included in freehold property, with a further £0.1m included in property, plant and vehicles.

	2020 £m	2019 £m
Cost-capitalised finance lease	–	23.5
Accumulated depreciation	–	(3.6)
Net book value	–	19.9

From 2019 leased assets are presented as a separate line item in the balance sheet, see Note 14. Refer to Note 1 for details about the changes in accounting policy.

14 Leases

This note provides information for leases where the Group is a lessee. The Group is not a lessor.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group		Company	
	2020 £m	2019* £m	2020 £m	2019* £m
Right-of-use assets				
Buildings	**1.6**	–	**20.6**	–
Plant, equipment and vehicles	**6.0**	–	**6.0**	–
	7.6	–	**26.6**	–
Lease liabilities				
Current	**3.2**	–	**4.3**	–
Non-current	**4.7**	–	**22.2**	–
	7.9	–	**26.5**	–

Company only right-of-use assets and lease liabilities relate to assets leased under the asset backed funding arrangements as outlined in Note 26.

Additions to the right-of-use assets during 2019 were £1.9m for the Group and £1.9m for the Company.

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 27 January 2019, please refer to Note 1.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 £m	2019* £m
Depreciation charge of right-of-use assets		
Buildings	**0.2**	–
Plant, equipment and vehicles	**3.0**	–
	3.2	–
Interest expense (including finance cost)	**0.1**	–
Expense related to short-term leases (included in cost of goods sold and administrative expenses)	**0.5**	–

The total cash outflow for leases in 2019 was £3.3m.

At 25 January 2020 the Group has no commitments for short-term leases.

There are no expenses in relation to variable lease payments not included in the measurement of the lease liabilities or income from sub-leasing right-of-use assets.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 10 years, but may have extension options as described in (iv) opposite.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However for leases for real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see Note 1 for details. From 27 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- where possible, uses recent third party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. 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.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options are exercisable only by the Group and not by the respective lessor.

(v) Residual value guarantees
To optimise lease costs during the contract period the Group sometimes provides residual value guarantees in relation to equipment leases.

The Group initially estimates and recognises amounts expected to be paid under residual value guarantee as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

15 Derivative financial instruments

Derivative financial liabilities	2020 £m	2019 £m
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	**0.1**	0.4

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

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

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

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. This is not considered to be material to the Group. No other sources of ineffectiveness emerged from these hedge relationships.

The following table details the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or as liabilities) within the statement of financial position. All of the currency forward contracts are designated as cash flow hedges.

	Average exchange rate		Notional value: Foreign currency		Notional value: Local currency		Carrying amount of the hedging instruments liabilities	
	2020	2019	2020	2019	2020 £m	2019 £m	2020 £m	2019 £m
Buy EUR								
Less than 3 months	**1.15**	1.12	**2.2**	7.2	**1.9**	6.4	**(0.1)**	(0.2)
3 to 6 months	**1.17**	1.13	**1.9**	5.2	**1.6**	4.6	**–**	(0.1)
6 to 12 months	**1.16**	1.12	**0.6**	6.0	**0.5**	5.4	**–**	(0.1)
over 12 months	**1.16**	1.10	**0.1**	0.7	**0.1**	0.6	**–**	–
Buy USD								
Less than 3 months	**1.31**	1.32	**0.7**	2.1	**0.6**	1.6	**–**	–
6 to 12 months	**1.32**	–	**0.1**	–	**–**	0.1	**–**	–
over 12 months	**–**	1.34	**–**	0.2	**–**	–	**–**	–
							(0.1)	(0.4)

Group and Company
Fair value hierarchies 1 to 3 are based on the degree to which fair value is observable:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of the forward foreign exchange contracts is determined using forward exchange rates at the date of the statement of financial position, with the resulting value discounted accordingly as relevant.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				
Group At 25 January 2020	Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets					
Trade receivables	–	**55.1**	–	–	**55.1**
Cash and cash equivalents	–	**10.9**	–	–	**10.9**
	–	**66.0**	–	–	**66.0**
Financial liabilities					
Foreign exchange contracts used for hedging	**0.1**	–	–	–	**0.1**
Lease liabilities	–	–	–	**7.9**	**7.9**
Trade payables	–	–	–	**14.3**	**14.3**
	0.1	–	–	**22.2**	**22.3**

	Carrying amount				
Group At 26 January 2019	Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets					
Trade receivables	–	54.5	–	–	54.5
Cash and cash equivalents	–	21.8	–	–	21.8
	–	76.3	–	–	76.3
Financial liabilities					
Foreign exchange contracts used for hedging	0.4	–	–	–	0.4
Trade payables	–	–	–	20.2	20.2
	0.4	–	–	20.2	20.6

15 Derivative financial instruments continued

Company At 25 January 2020	Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
	Carrying amount				
Financial assets					
Trade and other receivables and amounts due from subsidiary companies	**–**	**51.8**	**–**	**–**	**51.8**
Cash and cash equivalents	**–**	**7.2**	**–**	**–**	**7.2**
	–	**59.0**	**–**	**–**	**59.0**
Financial liabilities					
Foreign exchange contracts used for hedging	**0.1**	**–**	**–**	**–**	**0.1**
Lease liabilities	**–**	**–**	**–**	**26.5**	**26.5**
Trade payables and amounts due to other subsidiary companies	**–**	**–**	**–**	**17.6**	**17.6**
	0.1	**–**	**–**	**44.1**	**44.2**

Company At 26 January 2019	Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at fair value £m	Other financial liabilities at amortised cost £m	Total £m
	Carrying amount				
Financial assets					
Trade and other receivables and amounts due from subsidiary companies	–	54.2	–	–	54.2
Cash and cash equivalents	–	17.0	–	–	17.0
	–	71.2	–	–	71.2
Financial liabilities					
Foreign exchange contracts used for hedging	0.4	–	–	–	0.4
Finance lease liabilities	–	–	–	19.7	19.7
Trade payables and amounts due to other subsidiary companies	–	–	–	20.8	20.8
	0.4	–	–	40.5	40.9

All financial instruments at fair value sit within Level 2 of the fair value hierarchy.

Cash and cash equivalents held by the Group have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

The fair value of the current trade and other receivables and the current trade and other payables approximates to their book value as none of the balances are interest bearing.

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

16 Investment in subsidiaries

	Company 2020 £m	Company 2019 £m
Opening investment in subsidiaries	**84.1**	84.3
Write off of investment in Findlay's Limited	**–**	(0.2)
Closing investment in subsidiaries	**84.1**	84.1

During the year to 26 January 2019 the following dormant subsidiary company was dissolved:

Findlay's 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 Investment in associates

In June 2019 the Group made a £1m investment in Elegantly Spirited Limited acquiring a 20% stake in the business.

The following entities have been included in the consolidated financial statements using the equity method:

		% of ownership interest		Carrying amount	
Name of entity	Country of incorporation and principal place of business	2020 %	2019 %	2020 £m	2019 £m
Elegantly Spirited Limited	UK	**20**	–	**0.9**	–

The primary business of Elegantly Spirited Limited is a brand builder, marketing and selling a range of zero proof distilled spirits. This investment is consistent with our strategy of building a branded portfolio of products across both alcohol and non-alcohol beverages. The investment is not considered a material associate and therefore disclosures are limited to the section below.

Aggregate information of associates that are not individually material

	2020 £m	2019 £m
Carrying amount of individually immaterial associates	**0.9**	–
Aggregate amounts of the Group's share of:		
Loss from continuing operations	**(0.1)**	–
Total comprehensive income	**(0.1)**	–

	£m
Opening balance at 27 January 2019	**–**
Investment made in the period	**1.0**
Share of operating losses	**(0.1)**
Closing balance at 25 January 2020	**0.9**

18 Cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash and cash equivalents	**10.9**	21.8	**7.2**	17.0

Cash and cash equivalents in the table above are included in the cash flow statements.

The credit quality of the holder of the cash at bank is A2 rated (2019: A2 rated).

19 Inventories

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Materials	**7.3**	9.6	**7.3**	9.8
Finished goods	**11.0**	10.8	**9.0**	9.6
	18.3	20.4	**16.3**	19.4

20 Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	**55.4**	55.1	**52.1**	52.0
Less: loss allowance	**(0.3)**	(0.6)	**(0.3)**	(0.5)
Trade receivables – net	**55.1**	54.5	**51.8**	51.5
Prepayments	**2.1**	3.2	**1.7**	3.2
Amounts due by subsidiary companies	**–**	–	**0.5**	2.7
	57.2	57.7	**54.0**	57.4

Trade receivables

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 91.3% against all receivables over 90 days past due in the year because historic experience has indicated that these receivables are generally not recoverable. In the prior year a 100% loss allowance was made against all receivables over 90 days past due based on historical experience at that time.

The level of loss allowance has reduced over the year as a result of a reduction in the expected credit loss for more than 90 days and a reduction in the level of debt outstanding over 90 days.

The Group writes off a trade receivable when there is information that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceeding. None of the trade receivables that have been written off are subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. The figures in the table below are exclusive of VAT.

The Group's and Company's most significant customer, a UK major customer, accounts for £9.0m of the trade receivables carrying amount at 25 January 2020 (26 January 2019: £8.9m).

		Trade receivables – days past due				
Group – 25 January 2020	Not past due £m	<30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	**0.2%**	**0.8%**	**8.7%**	**3.9%**	**91.3%**	
Expected total gross carrying amount at default	**43.1**	**2.1**	**0.5**	**–**	**0.2**	
Lifetime ECL	**0.1**	**–**	**–**	**–**	**0.2**	**0.3**

		Trade receivables – days past due				
Group – 26 January 2019	Not past due £m	<30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	0.2%	4.1%	55.8%	90.3%	100.0%	
Expected total gross carrying amount at default	44.9	0.2	0.1	–	0.5	
Lifetime ECL	0.1	–	–	–	0.5	0.6

		Trade receivables – days past due				
Company – 25 January 2020	Not past due £m	<30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	**0.2%**	**3.6%**	**66.7%**	**89.2%**	**95.5%**	
Expected total gross carrying amount at default	**42.3**	**0.4**	**–**	**–**	**0.2**	
Lifetime ECL	**0.1**	**–**	**–**	**–**	**0.2**	**0.3**

		Trade receivables – days past due				
Company – 26 January 2019	Not past due £m	<30 £m	31 – 60 £m	61 – 90 £m	>90 £m	Total £m
Expected credit loss rate	0.2%	4.1%	55.8%	90.3%	100.0%	
Expected total gross carrying amount at default	42.1	0.1	–	–	0.4	
Lifetime ECL	0.1	–	–	–	0.4	0.5

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The maximum exposure for both the Group and the Company to credit risk for trade receivables at the reporting date by type of customer was:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Other customers	**52.5**	52.3	**49.2**	49.2
Direct sales customers	**2.9**	2.8	**2.9**	2.8
Total	**55.4**	55.1	**52.1**	52.0

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

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
UK Sterling	**56.3**	56.8	**53.3**	53.8
Euro	**0.8**	0.9	**0.7**	0.9
US Dollar	**0.1**	–	**–**	–
	57.2	57.7	**54.0**	54.7

21 Loans and other borrowings

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Current				
Lease liabilities*	**3.2**	–	**4.3**	1.3
Non-current				
Lease liabilities*	**4.7**	–	**22.2**	18.4
Total borrowings	**7.9**	–	**26.5**	19.7

* See Note 1 for details about the impact of IFRS 16.

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

During the year to 27 January 2018 the Group entered into three revolving credit facilities over periods of 3-5 years with Royal Bank of Scotland plc, Bank of Scotland plc and HSBC Bank plc. These facilities provide £60m of sterling debt facilities to February 2020, reducing to £20m from February 2020 to February 2022. The Group reached agreement with its lenders, on 18 March 2019 to extend those facilities, due to expire in 2020 and 2022, to 2022 and 2024. Further, in March 2020 the Group reached agreement to extend the facility due to expire in 2024 to 2025. These facilities are on the same terms and quantum as currently enjoyed by the Group. Details are included in Note 32.

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.

The maturity analysis of the lease liabilities are shown in the table below:

	Group Lease liabilities 2020 £m	Company Lease liabilities 2020 £m
Less than one year	**3.4**	**4.5**
One to two years	**2.9**	**4.1**
Two to three years	**1.4**	**2.6**
Three to four years	**0.3**	**1.7**
Four to five years	**0.1**	**1.6**
Later than five years	**–**	**18.4**
	8.1	**32.9**
Less: Unearned interest	**(0.2)**	**(6.4)**
	7.9	**26.5**

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Lease liability payable within one year	**3.2**	–	**4.3**	1.3
Current loans and other borrowings disclosed in the statement of financial position	**3.2**	–	**4.3**	1.3

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Lease liability payable after more than one year	**4.7**	–	**22.2**	18.4
Non-current loans and other borrowings disclosed in the statement of financial position	**4.7**	–	**22.2**	18.4

The movements in the Group borrowings are analysed as follows:

	2020 £m	2019 £m
Opening borrowings balance	**–**	–
Adjustment on transition to IFRS 16	**9.4**	–
Net lease movements	**(1.5)**	–
Borrowings made	**29.5**	21.0
Repayments of borrowings	**(29.5)**	(21.0)
Closing borrowings balance	**7.9**	–

Reconciliation to net funds:

	2020 £m	2019 £m
Closing borrowings balance	**(7.9)**	–
Cash and cash equivalents (Note 18)	**10.9**	21.8
Net funds	**3.0**	21.8

The undrawn facilities at 25 January 2020 were as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facility – three years, expires February 2022	**20.0**	**–**	**20.0**
Revolving credit facility – three years, expires February 2022	**20.0**	**–**	**20.0**
Revolving credit facility – five years, expires February 2024	**20.0**	**–**	**20.0**
Overdraft	**5.0**	**–**	**5.0**
	65.0	**–**	**65.0**

21 Loans and other borrowings continued

The undrawn facilities as at 26 January 2019 were as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facility – three years, expires February 2020	20.0	–	20.0
Revolving credit facility – three years, expires February 2020	20.0	–	20.0
Revolving credit facility – five years, expires February 2022	20.0	–	20.0
Overdraft	5.0	–	5.0
	65.0	–	65.0

At 26 January 2019, the Group leased various plant and equipment with a carrying amount of less than £0.1m under finance leases expiring within one year. Finance leases were included within borrowings until 26 January 2019, but were reclassified to lease liabilities on 27 January 2019 in the process of adopting the new leasing standard. See Note 1 for further information about the change in accounting policy for leases.

The Group leased certain IT assets under a finance lease agreement. The lease term was 5 years.

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

	2020 £m	2019 £m
Gross finance lease liabilities– minimum lease payments:		
Less than one year	–	1.3
Two to five years	–	5.6
Later than five years	–	20.3
	–	27.2
Future finance charges on finance lease liabilities	–	(7.5)
Present value of finance lease liabilities	–	19.7

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

	2020 £m	2019 £m
Less than one year	–	1.3
Two to five years	–	5.1
Later than five years	–	13.3
	–	19.7

At 26 January 2019, the Company leased various property, plant and equipment with a carrying amount of £19.7m under finance leases expiring as above. Finance leases were included within borrowings until 26 January 2019, but were reclassified to lease liabilities on 27 January 2019 in the process of adopting the new leasing standard. See Note 1 for further information about the change in accounting policy for leases.

As well as the IT assets noted within the Group, the Company leases certain property assets under a lease agreement. The lease term is 20 years and further details can be found within Note 26.

22 Trade and other payables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	**14.3**	20.2	**12.9**	18.4
Other taxes and social security costs	**7.9**	6.2	**7.9**	6.2
Accruals	**30.2**	30.5	**28.8**	28.9
Amounts due to subsidiary companies	**–**	–	**4.7**	2.4
	52.4	56.9	**54.3**	55.9
Non-current	**–**	–	**–**	–
Current	**52.4**	56.9	**54.3**	55.9
	52.4	56.9	**54.3**	55.9

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 25 January 2020	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	**14.3**	**–**	**14.3**
	14.3	**–**	**14.3**

As at 26 January 2019	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	–	20.2	–	20.2
	–	20.2	–	20.2

As trade payables are not interest bearing, their fair value is taken to be the book value.

Disclosures relating to borrowings are included in Note 21.

22 Trade and other payables continued

Company At 25 January 2020	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	**12.9**	**4.7**	**17.6**
	12.9	**4.7**	**17.6**

At 26 January 2019	Finance lease liabilities £m	Trade payables £m	Financial instruments £m	Total £m
0 to 6 months	0.7	18.2	2.4	21.3
7 to 12 months	0.6	–	–	0.6
1 to 2 years	1.3	–	–	1.3
2 to 5 years	4.3	–	–	4.3
5+ years	20.3	–	–	20.3
	27.2	18.2	2.4	47.8

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 21.

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

Group	26 January 2019 £m	IFRS 16 adjustment £m	Restated 26 January 2019* £m	Financing cash flows £m	Fair value hedges £m	25 January 2020 £m
Lease liabilities (Note 14)	–	9.4	9.4	(1.5)	–	**7.9**
Total liabilities from financing activities	–	9.4	9.4	(1.5)	–	**7.9**

* Refer to Note 1.

23 Provisions

Group and Company	2020 £m	2019 £m
Opening provision	**0.4**	0.4
Provision created during the year	**1.4**	0.2
Provision utilised during the year	**(0.6)**	(0.2)
Closing provision	**1.2**	0.4

The closing provision relates to simplification and standardisation of operations and redundancy costs for business reorganisation and restructure as disclosed in Note 7 together with an obligation for substantial repairs.

The prior year closing provision related to redundancy costs together with a provision for a manufacturing asset review. The redundancy costs result from the business reorganisation that took place in the year ended 27 January 2018. This was originally planned to be utilised in the year ended 26 January 2019 but completed in the current year.

24 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	Cash flow hedge £m	Accelerated tax depreciation £m	Total deferred tax liability £m	Net deferred tax liability £m
At 27 January 2018	–	–	0.1	0.1	(0.9)	(0.1)	–	(12.2)	(13.2)	(13.1)
(Charge)/credit to the income statement (Note 9)	–	–	–	–	(0.2)	0.1	–	(0.1)	(0.2)	(0.2)
Charge to other comprehensive income	–	–	–	–	(0.1)	–	–	–	(0.1)	(0.1)
Transfer between asset and liability categories	–	0.1	–	0.1	–	(0.1)	–	–	(0.1)	–
Charge to other reserves	–	–	–	–	–	0.1	–	–	0.1	0.1
At 26 January 2019	–	0.1	0.1	0.2	(1.2)	–	–	(12.3)	(13.5)	(13.3)
Charge to the income statement (Note 9)	**–**	**–**	**–**	**–**	**(0.3)**	**(0.1)**	**–**	**(0.3)**	**(0.7)**	**(0.7)**
Charge to other comprehensive income	**–**	**(0.1)**	**–**	**(0.1)**	**(0.2)**	**–**	**–**	**–**	**(0.2)**	**(0.3)**
Transfer between asset and liability categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Credit to other reserves	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**(0.2)**
At 25 January 2020	**–**	**–**	**0.1**	**0.1**	**(1.7)**	**(0.3)**	**–**	**(12.6)**	**(14.6)**	**(14.5)**

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	Cash flow hedge £m	Accelerated tax depreciation £m	Total deferred tax liability £m	Net deferred tax liability £m
At 27 January 2018	–	–	0.1	0.1	(0.9)	(0.1)	–	(3.6)	(4.6)	(4.5)
(Charge)/credit to the income statement	–	–	–	–	(0.2)	0.1	–	(0.2)	(0.3)	(0.3)
Charge to other comprehensive income	–	–	–	–	(0.1)	–	–	–	(0.1)	(0.1)
Transfer between asset and liability categories	–	0.1	–	0.1	–	(0.1)	–	–	(0.1)	–
Charge to other reserves	–	–	–	–	–	0.1	–	–	0.1	0.1
At 26 January 2019	–	0.1	0.1	0.2	(1.2)	–	–	(3.8)	(5.0)	(4.8)
(Charge)/credit to the income statement	**–**	**–**	**–**	**–**	**(0.3)**	**(0.1)**	**–**	**(0.2)**	**(0.6)**	**(0.6)**
Charge to other comprehensive income	**–**	**(0.1)**	**–**	**(0.1)**	**(0.2)**	**–**	**–**	**–**	**(0.2)**	**(0.3)**
Transfer between asset and liability categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Credit to other reserves	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**(0.2)**
At 25 January 2020	**–**	**–**	**0.1**	**0.1**	**(1.7)**	**(0.3)**	**–**	**(4.0)**	**(6.0)**	**(5.9)**

No deferred tax asset is recognised in the statement of financial position for unused capital losses within the Company of £4.0m (2019: £4.0m).

As announced in the Spring Budget on 11 March 2020, the main rate of corporation tax will now remain at 19% from 1 April 2020 rather than reduce to 17%. This change in rate was announced after the balance sheet date therefore it is a non-adjusting event. If the deferred tax liability was recalculated using the 19% rate this would result in a £1.7m additional deferred tax charge.

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 Board has delegated its responsibility for the Group's overall financial risk programme to the Treasury and Commodity Committee; this risk programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out in accordance with policies approved by the Board of directors. Management identifies, evaluates and manages financial risks in close cooperation with the Group's business units. The Board provides guidance on overall market risk management, including use of derivative financial instruments and investment of excess liquidity.

In addition the Treasury and Commodity Committee deals with a range of other treasury matters, details of which are provided in the Corporate Governance Report.

Market risk

Foreign exchange risk

The Group operates internationally. The Group primarily buys and sells in sterling but does make purchases and sales denominated in US dollars and euros. Due to the hedging arrangements that have been in place for the year ended 25 January 2020, 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 26 January 2019: immaterial impact on post-tax profit).

The Group periodically enters into option contracts to purchase foreign currencies for known purchases where the value and volume of trading purchases is known. The Treasury and Commodity Committee assesses whether hedge accounting should be applied for each forward option contract.

Price risk

The Group is not exposed to equity securities price risk because no such investments are held by the Group other than within Pension Scheme assets.

The Group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities, including sugar, plastic, aluminium and mango, is managed through the use of forward physical supply contracts, primarily to convert floating or indexed prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the Group's risk policies and is continually monitored by the Treasury and Commodity Committee. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the Group's overall pricing strategy.

All of the Group's commodity derivatives are treated as "own use" contracts, which are outside the scope of IFRS 9, since they are both entered into, and continue to be held, for the purposes of the Group's ordinary operations, and are not net settled (the Group takes physical delivery of the commodity concerned). "Own use" contracts do not require accounting entries until the commodity purchase actually crystallises.

The majority of the Group's forward physical contracts and commodity derivatives have original maturities of less than one year.

As all of the commodity contracts qualify for the "own use" treatment, no sensitivity analysis has been carried out.

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 25 January 2020, 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 26 January 2019: immaterial impact on post-tax profit).

Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to major and direct to store customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. If major customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control processes assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by senior management based on internal or external ratings. The utilisation of credit limits is regularly monitored. Sales to direct to store customers are largely settled in cash in order to manage credit risk from smaller, independent stores.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining sufficient cash reserves and the availability of borrowing facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. This is carried out at a Group level and involves projecting forward cash flows and considering the level of liquid assets necessary to meet excesses of expenditure relative to income.

A liquidity analysis is included in Note 22.

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 36 to 41. 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 a secure capital structure with a strong level of financial flexibility to enable the Group to take advantage of opportunities that may arise.

For the year ended 25 January 2020, there was a net cash surplus of £3.0m (year ended 26 January 2019: net cash surplus of £21.8m) with cash and cash equivalent balances of £10.9m (year ended 26 January 2019: net cash surplus of £21.8m).

The Group monitors capital efficiency on the basis of the return on capital employed ratio ("ROCE"). In the financial year ended 25 January 2020, ROCE remained strong at 16.1% (2019: 21.0%) and would have been 16.7% pre IFRS 16.

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 the new executive entrants. Under the defined benefit scheme, the employees are entitled to retirement benefits based on final pensionable pay. No other post-retirement benefits are provided.

Defined benefit scheme: actuarial valuation

The assets of the schemes are held separately from those of the Company and are invested in managed funds. A full valuation of the defined benefit scheme was conducted as at 5 April 2017 using the attained age method and a deficit of £4.8m was determined at that date.

The defined benefit scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and market investment risk.

Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the board of trustees. The board of trustees is composed of representatives from the Company scheme members as set out in the plan's rules.

Defined benefit scheme: IAS 19 information

The full actuarial valuation carried out at 5 April 2017 was updated to 25 January 2020 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	2020 £m	2019 £m	2020 £m	2019 £m
Present value of funded obligations	**(127.3)**	(115.1)	**(127.3)**	(115.1)
Fair value of scheme assets	**116.8**	101.6	**116.8**	101.6
Deficit recognised under IAS 19	**(10.5)**	(13.5)	**(10.5)**	(13.5)
Company contribution made to pension scheme in the year to 26 January 2014	**–**	–	**17.5**	18.0
(Deficit)/surplus recognised in the statement of financial position	**(10.5)**	(13.5)	**7.0**	4.5

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 26 January 2019	**101.6**	**(115.1)**	**(13.5)**
Current service cost	**–**	**(0.2)**	**(0.2)**
Interest income/(expense)	**2.7**	**(3.0)**	**(0.3)**
Total cost recognised in income statement	**2.7**	**(3.2)**	**(0.5)**
Remeasurements			
– changes in demographic assumptions	**–**	**1.7**	**1.7**
– changes in financial assumptions	**–**	**(17.7)**	**(17.7)**
– experience	**–**	**0.8**	**0.8**
– actuarial return on assets excluding amounts recognised in net interest	**16.4**	**–**	**16.4**
Total remeasurements recognised in other comprehensive income	**16.4**	**(15.2)**	**1.2**
Cashflows			
Employer contributions	**2.3**	**–**	**2.3**
Benefits paid	**(6.2)**	**6.2**	**–**
Total cash outflow	**(3.9)**	**6.2**	**2.3**
At 25 January 2020	**116.8**	**(127.3)**	**(10.5)**

This table excludes the Company contribution made to the pension scheme through the asset backed funding arrangement as described below and reconciled in the table above.

On 1 May 2016 the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme was closed to future accrual following a negotiated agreement between the Company and the board of Trustees.

The company made a £1.0m contribution to the scheme in May 2016, 2017, 2018, and 2019 and will make a further contribution of £1.0m in May 2020.

The movement in the defined benefit obligation in the year to 26 January 2019 was as follows:

Group and Company	Fair value of plan assets £m	Present value of obligation £m	Total £m
At 27 January 2018	105.3	(120.5)	(15.2)
Current service cost	–	(0.1)	(0.1)
Past service cost	–	(0.7)	(0.7)
Interest income/(expense)	2.7	(3.1)	(0.4)
Total cost recognised in income statement	2.7	(3.9)	(1.2)
Remeasurements			
– changes in demographic assumptions	–	0.7	0.7
– changes in financial assumptions	–	2.3	2.3
– actuarial return on assets excluding amounts recognised in net interest	(2.4)	–	(2.4)
Total remeasurements recognised in other comprehensive income	(2.4)	3.0	0.6
Cashflows			
Employer contributions	2.3	–	2.3
Benefits paid	(6.3)	6.3	–
Total cash outflow	(4.0)	6.3	2.3
At 26 January 2019	101.6	(115.1)	(13.5)

In the year to 26 January 2019 an exceptional charge of £0.7m was included for the past service cost in respect of the equalisation of guaranteed minimum pensions ("GMP") benefits. This related to a 26 October 2018 High Court judgement involving Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to GMP benefits. The judgement has implications for many pension schemes, including the A.G. Barr defined benefit schemes. The £0.7m expense reflected the best estimate of the effect on our reported pension liabilities. This remains our best estimate for the year to 25 January 2020.

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.

26 Retirement benefit obligations continued

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 profits in the Partnership.

The distribution is subject to discretion exercisable by the Group in certain circumstances however, given that the Group has the ability to control the limited partnership by making an additional contribution into the Scheme, it is the view of the directors that the Group controls the limited partnership and therefore it is treated as a consolidated entity.

The carrying value of the properties sold to the Partnership and leased back to the Company remain included on the Group's and Company's balance sheet and continued to be depreciated in line with the Group's and Company's accounting policies with the Group and Company retaining full operational control over these properties.

The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the Partnership are not required to be, and have not been, filed at UK Companies House.

As part of the funding arrangement the Company made a one off payment to the Pension Scheme of £20.4m to allow it to invest in the Partnership and in prior years this has been treated as a reduction in the carrying value of the retirement benefit obligation.

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

Financial assumptions

	2020	2019
Discount rate	**1.7%**	2.7%
Inflation assumption	**3.0%**	3.4%

Mortality assumptions

	2020	2019
Average future life expectancy (in years) for a male pensioner aged 65	**23**	23
Average future life expectancy (in years) for a female pensioner aged 65	**24**	25
Average future life expectancy (in years) at age 65 for a male non-pensioner aged 45	**24**	25
Average future life expectancy (in years) at age 65 for a female non-pensioner aged 45	**26**	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 89 and for females is 89 to 91 depending on their age at 25 January 2020.

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

	2020		2019	
	Quoted* £m	Unquoted £m	Quoted* £m	Unquoted £m
Equities	**29.1**	**–**	29.7	–
Bonds	**21.4**	**–**	24.8	–
Debt	**7.1**	**–**	8.1	–
Cash	**–**	**4.4**	–	8.2
Buy-in policy	**–**	**54.8**	–	30.8
Total market value of scheme assets	**57.6**	**59.2**	62.6	39.0

* 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 25 January 2020	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.5%	Decreases/increases liabilities by £12.5m
Rate of inflation	Increase/decrease by 0.5%	Increases/decreases liabilities by £5.1m
Life expectancy	Increase/decrease by 1 year	Increases/decreases liabilities by £4.7m

Year ended 26 January 2019	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.5%	Decreases/increases liabilities by £10.8m
Rate of inflation	Increase/decrease by 0.5%	Increases/decreases liabilities by £3.8m
Life expectancy	Increase/decrease by 1 year	Increases/decreases liabilities by £4.6m

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. A second annuity contract was purchased with Canada Life in September 2019 at a cost of £22.7m and secures the total amount of future pension payments for 82 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.

26 Retirement benefit obligations continued

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 c.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.

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 30 January 2021 in respect of commitments in relation to the Schedule of Contributions, and the Scheme expects to receive further contributions of approximately £1.3m from the asset backed funding arrangement in which the Scheme holds an interest.

The weighted average duration of the defined benefit obligation is 18 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 2019	**2%**	**2%**	**5%**	**91%**
Proportion of total pension benefits to be paid as at 5 April 2018	1%	2%	5%	92%

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:

	2020 £m	2019 £m
Defined contribution costs	**3.8**	3.8

27 Share capital

	2020		2019	
Group and Company	Shares	£m	Shares	£m
Authorised, issued and fully paid	**112,028,871**	**4.7**	113,944,643	4.7

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 25 January 2020 the Company's employee benefit trusts purchased 191,794 (2019: 81,774) shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 25 January 2020 the shares held by the Company's employee benefit trusts represented 844,151 (2019: 804,843) shares at a purchased cost of £5.1m (2019: £4.8m).

Share repurchase programme

During the year ended 27 January 2018 the Group commenced a share repurchase programme of up to £30m, which was expected to complete within 24 months of initiation and completed this year. In the year ended 25 January 2020 a total of 1,915,772 shares (2019: 1,497,635) have been repurchased and cancelled, at a cost of £11.5m (2019: £10.3m). 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 25 January 2020 is £79,824.

The cash flow hedge reserve is also included in "Other reserves" in equity and records the effective portion of movements in the fair value of forward foreign exchange contracts that have been designated as part of a cash flow hedge relationship.

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

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 directors
- AESOP awards that are available to all employees

Share-based payment costs and related deferred and current tax charges are recognised within the share option reserve.

Savings Related Share Option Scheme ("SAYE")

All SAYEs outstanding at 25 January 2020 and 26 January 2019 have no performance criteria attached other than the requirement for the employee to remain in the employment of the Company and to continue contributing to the plan. Options granted under the SAYE must be exercised within six months of the relevant award vesting date.

The SAYE is open to all qualifying employees in employment at the date of inception of the scheme. Options are normally exercisable after three or five years from the date of grant. The price at which options are offered is not less than 80% of the average of the middle-market price of the five dealing days immediately preceding the date of invitation.

The movements in the number of share options outstanding and their related weighted average exercise prices determined using the Black-Scholes valuation model are as follows:

	2020		2019	
	Options	Average exercise price in pence per share	Options	Average exercise price in pence per share
At start of the year	**688,179**	**585p**	522,690	563p
Granted in the year	**137,630**	**745p**	245,041	620p
Forfeited	**(94,064)**	**623p**	(53,517)	581p
Exercised	**(5,378)**	**567p**	(26,035)	480p
At end of the year	**726,367**	**610p**	688,179	585p

The weighted average fair value of the share awards made during the period was determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

Date of grant	SAYE 21 May 2019
Number of share awards granted	137,630
Share price at date of grant	928p
Contractual life in years	3
Dividend yield	1.99%
Expected outcome of meeting performance criteria (at grant date)	70%
Fair value determined at grant date	190p

28 Share-based payments continued

None of the options listed above were exercisable at the respective year end dates. The outstanding options at the year end had exercise prices of £5.67, £6.20 and £7.45 (2019: £5.67 and £6.20).

The weighted average share price on the dates that options were exercised in the year to 25 January 2020 was £7.19.

The weighted average remaining contractual life of the outstanding share options at the year end is 2 years (2019: 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 4 April 2019	ESOS 4 April 2019
Number of share awards granted	187,693	2,222
Share price at date of grant	812p	812p
Contractual life in years	3	3
Dividend yield	2.02%	2.02%
Expected outcome of meeting performance criteria (at grant date)	50%	50%
Fair value determined at grant date	764p	80p

AESOP

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

The partnership share element provides that for every two shares (year to 26 January 2019: two 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	
	2020 £m	2019 £m	2020 £m	2019 £m
Rubicon Drinks Limited	**–**	–	**4.2**	4.9

The amounts disclosed in the table below are the amounts owed to and due from subsidiary companies that are trading subsidiaries. In the year to 26 January 2019 new trade terms were agreed between the Company and Rubicon Drinks Limited ("RDL").

The balances are unsecured and are due on demand. The difference between the total of these balances and the amounts disclosed as amounts due by (Note 20) and to subsidiary companies (Note 22) are balances due by and due to dormant subsidiary companies.

	Amounts owed by related parties		Amounts due to related parties	
	2020 £m	2019 £m	2020 £m	2019 £m
Rubicon Drinks Limited	**–**	–	**5.6**	2.4
Funkin Limited	**0.5**	0.4	**–**	–

Compensation of key management personnel

The remuneration of the management directors, non-executive directors, non-management directors and other members of key management (the Executive Committee) during the year was as follows:

	2020 £m	2019 £m
Salaries and short-term benefits	**3.1**	5.3
Post employment benefits	**0.5**	0.5
	3.6	5.8

The Directors' Remuneration Report can be found on pages 66 to 95.

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 (2019: £0.4m) for administration services in respect of the retirement benefit plans. At the year end £nil (2019: £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 £208.3m (2019: £209.8m) and the Company has sufficient reserves to continue making dividend payments.

As discussed in Note 21, the Group has three revolving credit facilities providing £60m of sterling debt facilities.

Refer also to the viability statement on page 47.

31 Subsidiaries

The Group's subsidiaries at 25 January 2020 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 2020 %	2019 %	Principal activities
Funkin Limited	U.K.	Milton Keynes	**100**	100	Distribution and selling of cocktail solutions
Funkin USA Limited	USA	Milton Keynes	**100**	100	Distribution and selling of cocktail solutions
Rubicon Drinks Limited	U.K.	Milton Keynes	**100**	100	Manufacturing, distribution and selling of exotic soft drinks
A.G. BARR Capital Partner Limited	U.K.	Milton Keynes	**100**	100	Investment holding company
A.G. BARR General Partner Limited	U.K.	Cumbernauld	**100**	100	Investment holding company
A.G. BARR Pension Trustee Limited	U.K.	Cumbernauld	**100**	100	Investment holding company
A.G. BARR Scottish Limited Partnership	U.K.	Cumbernauld	**100**	100	Investment holding company
Robert Barr Limited	U.K.	Cumbernauld	**100**	100	Non-trading entity
Mandora St Clements Limited	U.K.	Milton Keynes	**100**	100	Non-trading entity
Taut (UK) Limited	U.K.	Milton Keynes	**100**	100	Non-trading entity
Tizer Limited	U.K.	Milton Keynes	**100**	100	Non-trading entity

The full address for Cumbernauld is: Westfield House, 4 Mollins Road, Cumbernauld, Scotland, G68 9HD.

The full address for Milton Keynes is: Crossley Drive, Magna Park, Milton Keynes, England, MK17 8FL.

32 Subsequent events

Since the financial year end we have concluded the extension of our banking facilities. Our arrangements are now three revolving credit facilities – two £20m facilities over a two-year term and one £20m facility over a five-year term. These arrangements provide flexibility for short-term operational variability. Since the end of the financial year these facilities have been drawn down in full as a contingency measure in light of the current uncertainty.

As part of the ongoing restructuring programme (Note 7) further announcements, including employee severances, have been made in relation to Commercial and Supply Chain restructures.

As noted in the Strategic Report on page 15 the circumstances resulting from COVID-19 are creating an unprecedented level of uncertainty for the UK and beyond. The viability statement on page 47 details the additional work undertaken and factors considered as a result of COVID-19 and confirms our ability to continue as a viable going concern.

REVIEW OF TRADING RESULTS

	2020 £m	2019 £m	2018 restated £m	2017 £m	2016 £m
Revenue	**255.7**	279.0	264.1	257.1	258.6
Cost of sales	**(149.6)**	(156.5)	(146.5)	(136.4)	(137.5)
Gross profit	**106.1**	122.5	117.6	120.7	121.1
Other income	**–**	–	–	0.7	–
Distribution costs (including selling costs)	**(42.1)**	(49.3)	(45.1)	(57.6)	(57.3)
Administration costs	**(25.9)**	(27.4)	(27.4)	(20.7)	(21.7)
Operating expenses	**(68.0)**	(76.7)	(72.5)	(77.6)	(79.0)
Operating profit before exceptional items	**38.1**	45.8	45.1	43.1	42.1
Exceptional items	**–**	(0.7)	0.8	0.7	–
Operating profit after exceptional items	**38.1**	45.1	45.9	43.8	42.1
Finance income	**–**	–	–	–	0.1
Finance expense	**(0.6)**	(0.6)	(1.0)	(0.7)	(0.9)
Net finance expense	**(0.6)**	(0.6)	(1.0)	(0.7)	(0.8)
Share of results of associates	**(0.1)**	–	–	–	–
Profit before tax	**37.4**	44.5	44.9	43.1	41.3
Tax on profit	**(7.6)**	(8.7)	(7.7)	(7.5)	(7.0)
Profit after tax	**29.8**	35.8	37.2	35.6	34.3
Earnings per share on issued share capital (pence)	**26.60**	31.42	32.22	30.49	29.37
Dividends recognised as an appropriation in the year (pence)	**16.74**	15.74	14.58	13.50	12.37
Closing share price (£)	**5.59**	7.62	6.29	5.02	5.28

GLOSSARY

Non-GAAP measures are provided because they are tracked by management to assess the Group's operating performance and to inform financial, strategic and operating decisions.

Definition of non-GAAP measures used are provided below:

Capital expenditure is an non-GAAP measure and is defined as the cash purchases of property, plant and equipment and is disclosed in the consolidated cash flow statement.

EBITDA is a non-GAAP measure and is defined as operating profit before exceptional items, depreciation and amortisation.

EBITDA margin is a non-GAAP measure and is calculated as EBITDA divided by revenue.

Basic earnings per share before exceptional items is a non-GAAP measure calculated by dividing profit attributable to equity holders before exceptional items by the weighted average number of shares in issue.

Expansionary capex is a non-GAAP measure and is defined as the purchase of property, plant and equipment that is not the normal replacement of property, plant and equipment that has come to the end of its useful life. Maintenance capex is a non-GAAP measure and is defined as the purchase of property, plant and equipment that is the normal replacement of property, plant and equipment that has come to the end of its useful life. Expansionary capex and maintenance capex add together to the value of purchase of property, plant and equipment that appears in the consolidated cash flow statement.

Free cash flow is a non-GAAP measure and is defined as the net cash flow as per the cash flow statement excluding the movements in borrowings, expansionary capex, the net cash flow on the purchase and sale of shares by employee benefit trusts, dividend payments and non-cash exceptional items.

Full year dividend per share is a non-GAAP measure calculated as the sum of all interim dividends declared during the reporting period plus any proposed dividend payable in respect of that reporting period.

Gross margin is a non-GAAP measure calculated by dividing gross profit by revenue.

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 cash from operating activities is a GAAP measure and is defined as the cash generated/(used in) the ongoing regular business activities in the year.

Net funds is a non-GAAP measure and is defined as cash and cash equivalents less lease 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.

Return on capital employed (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.

Gross margin

	2020 £m	2019 £m
Revenue	**255.7**	279.0
Reported gross profit	**105.0**	122.5
Gross margin	**41.1%**	43.9%

Gross margin before exceptional items

	2020 £m	2019 £m
Revenue	**255.7**	279.0
Gross profit before exceptional items	**106.1**	122.5
Gross margin before exceptional items	**41.5%**	43.9%

Operating margin

	2020 £m	2019 £m
Revenue	**255.7**	279.0
Reported operating profit	**38.1**	45.1
Operating margin	**14.9%**	16.2%

Operating margin before exceptional items

	2020 £m	2019 £m
Revenue	**255.7**	279.0
Operating profit before exceptional items	**38.1**	45.8
Operating margin before exceptional items	**14.9%**	16.4%

EBITDA

	2020 £m	2019 £m
Operating profit before exceptional items	**38.1**	45.8
Depreciation and amortisation	**13.0**	8.8
EBITDA	**51.1**	54.6

EBITDA margin

	2020 £m	2019 £m
Revenue	**255.7**	279.0
EBITDA	**51.1**	54.6
EBITDA margin	**20.0%**	19.6%

Expansionary capex

	2020 £m	2019 £m
Expansionary capex	**0.3**	0.4
Maintenance capex	**14.5**	8.5
Capex per cash flow statement	**14.8**	8.9

ROCE

	2020 £m	2019 £m
Profit before tax	**37.4**	44.5
Exceptional items	**–**	0.7
Profit before tax and exceptional items	**37.4**	45.2
Intangible assets	**101.8**	103.1
Property, plant and equipment	**101.2**	95.3
Right-of-use assets	**7.6**	–
Investment in associates	**0.9**	–
Inventories	**18.3**	20.4
Trade and other receivables	**57.2**	57.7
Current tax	**(3.0)**	(4.0)
Trade and other payables	**(52.4)**	(56.9)
Invested capital	**231.6**	215.6
ROCE	**16.1%**	21.0%

Designed and produced by emperor
Visit us at emperor.works

AG Barr
BUILDING GREAT BRANDS

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

Registered Office
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD

Secretary
Julie A. Barr,
M.A. (Hons.),
L.L.B. (Dip.),
M.B.A.

agbarr.co.uk

Auditors
Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Registrars
Equiniti Ltd
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Registered Number
SC005653