Registration number: 517211

Britvic Soft Drinks Limited

Annual Report and Financial Statements

for the Period from 1 October 2018 to 29 September 2019

Britvic Soft Drinks Limited
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Britvic Soft Drinks Limited
Company Information

Directors	P S Litherland
	R P Graham
	M R Barwell
	C A Hooper
	R J Wilson
Company secretary	A C Thomas
Registered office	Breakspear Park Breakspear Way Hemel Hempstead Hertfordshire HP2 4TZ
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

Britvic Soft Drinks Limited

Strategic Report for the Period from 1 October 2018 to 29 September 2019

The directors present their strategic report for the period from 1 October 2018 to 29 September 2019.

Business review

Strategy
Britvic Soft Drinks Limited is a significant component of Britvic plc in the United Kingdom (UK), also referred to as GB herein after. The Britvic plc group's strategy is designed to realise the ambition to become the most dynamic, creative and trusted soft drinks company in the world. To do this, the group will:

1) Generate profitable growth in our core markets

Against a backdrop of softer consumer demand, we have focused on consistent execution of our commercial plans, which has resulted in increased revenue and brand contribution in both our carbonates and stills brands. The GB soft drinks market (as measured by Nielsen) has continued to grow value at 2.3%, while volume declined 1.3%. As a year-on-year comparison, these figures must be set against the backdrop of exceptional summer weather in 2018. Our well-positioned portfolio benefited from the continued trend toward low and no sugar brands, with Robinsons, R Whites, Tango, Pepsi MAX and 7UP Free all in strong revenue growth.

The new Robinsons brand extensions launched last year have continued to be very successful, with the Cordials range the number one brand in the premium concentrates category. The combined retail sales value in the period of Creations and Cordials is £32m. Fruit Shoot performance has stabilised this year, gaining market value share, while J2O was in decline, driven by a weaker performance in the on-trade. Robinsons Refresh'd, Lipton Ice Tea and Purdey's all grew strongly.

Pepsi had another very successful year, with revenue growth of over 6% and further gains in market share. The growth was driven by our continued focus on no-sugar Pepsi MAX, including the continued success of the cola Taste Challenge campaign and the introduction of Pepsi MAX Raspberry - the biggest soft drinks launch of 2019. Pepsi MAX is now, by volume, the biggest cola variant in the UK. During the year we also relaunched Tango, with a range of new flavours, a pack redesign and a multimedia marketing campaign. Tango revenue grew by 13%, gained market share and attracted more shoppers, resulting in the brand's highest retail market value in five years. While partially offset by declines in regular 7UP, we are delighted with the performance of 7UP Free, which is now the number one lemon and lime variant in GB.

Looking ahead, we will continue to invest in recent innovation launches to ensure the best possible chance for long-term success. We will maximise the value of our partnership with PepsiCo and continue our revenue management initiatives and cost efficiency focus.

2) Step-change our business capability

This year we completed our GB Business Capability Programme (BCP), which has transformed our supply chain infrastructure over the last three years. Over this time, we have installed ten new production lines and three new on-site warehouses. We have also invested in the footprint of the supply chain to provide space for further expansion, and standardised the production processes across the sites, to help drive consistency and operational efficiency. During September 2019, the Norwich site closed, as we consolidated production at Rugby, London and Leeds.

The programme is delivering benefits ahead of previous guidance, with the final cost savings due to be realised in 2020. We will now move into the optimisation phase, focusing on our production and network efficiency through a continuous improvement programme, and on realising the substantial commercial benefits now at our disposal. We are enjoying significantly increased capacity, most notably in cans and 1.5 litre PET, where we have step changed our ability to compete and are continuing to take market share as a result. We are also increasingly realising environmental benefits - using less power and less packaging, reducing road miles and utilising more renewable energy.

3) Build trust and respect in our communities

Building trust and respect in our communities continues to be a key part of our strategy and we have made further progress in 2019 through our 'A Healthier Everyday' programme. We have achieved a 12% reduction in average calories per 250ml serve across our global portfolio, compared with 2018 with absolutely no compromise on taste. We also hit our calories per serve 2020 goals for 2020 a year early which is a great achievement for the Brtivic group.

A further achievement this year is all of the electricity powering our GB manufacturing comes from wind, solar or our new combined heat and power ('CHP') plant. We have this year, committed to pursue bolder greenhouse gas emissions targets by signing up to the Science Based Targets initiative ('SBTi'). We also entered into a long-term agreement for the supply of recycled PET, playing our part to increase recycling, reduce littering and help create a circular economy in plastics.

In the upcoming year, we aim to deliver our 2020 goals across each of our 'A Healthier Everyday' pillars. We will establish stretching new sustainability goals for the business, including science-based targets and increase the use of recycled PET across our portfolio through our new partnership with Esterform.

The company's key financial and other performance indicators during the period were as follows:

• Volume growth

The number of litres sold by the company relative to the prior period.

• Average realised price (ARP)

ARP is defined as average turnover per litre sold.

• Turnover growth

Turnover achieved by the company relative to the prior period. Turnover is defined as sales net of price promotional investment and retailer discounts.

• Brand contribution margin

Turnover less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product, divided by turnover. Such costs include brand specific advertising and promotion costs, raw materials, and marginal production and distribution costs. Management uses the brand contribution margin to analyse the company's financial performance because it provides a measure of contribution at brand level.

• Adjusted EBIT margin

Operating profit before adjusting items divided by turnover. Adjusting items are charges and credits included in the financial statements that are disclosed separately because the company considers such disclosures allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess trends in financial performance more readily. The adjusting items include those items of income and expense which, because of the size, nature or infrequency of the events giving rise to them, merit separate presentation.

Adjusting items include fair value movements on financial instruments where hedge accounting cannot be applied on future transactions. These items have been included within adjusting items because they are non-cash and do not form part of how management assess performance.

The key performance indicators are shown in the tables below, figures are for total sales excluding sales to other Britvic plc group entities. In order to better assess performance, with the exception of adjusted EBIT margin, these are split between GB carbonates and GB stills.

GB Carbonates

	52 weeks ended 29 September 2019	52 weeks ended 30 September 2018	% change	% change excluding SDIL
Volume (million litres)	1,302	1,295	0.5	0.5
ARP* per litre (pence)	51.0p	47.2p	8.1	4.7
Turnover (£m)	663.6	610.6	8.7	5.2
Brand contribution (£m)	259.0	251.7	2.9	2.9
Brand contribution margin	39.0%	41.2%	(220) bps	(90) bps

GB carbonates revenue increased 5.2%, excluding the soft drinks industry levy (SDIL), with ARP growth of 4.7%. This was achieved through pack mix and disciplined revenue management. Volume growth in the second half of the year was strong compared to last year, when carbonates sales were limited by the CO2 shortage. Volume growth from our portfolio of low and no sugar brands, including Tango, Pepsi MAX, 7UP Free and R Whites, more than offset the expected decline in full sugar brands. Brand contribution margin declined 90bps due to a combination of pack mix, a significant increase in advertising and promotion (A&P) spend and cost of goods inflation.

GB Stills

	52 weeks ended 29 September 2019	52 weeks ended 30 September 2018	% Change	% change excluding SDIL
Volume (million litres)	355.1	370.1	(4.1)	(4.1)
ARP* per litre (pence)	79.4p	75.8p	4.7	4.5
Turnover (£m)	281.8	280.7	0.4	0.4
Brand contribution (£m)	120.5	116.6	3.3	3.3
Brand contribution margin	42.8%	41.5%	130 bps	120 bps

GB stills revenue increased 0.4%, led by the Robinsons range, Refresh'd and Lipton Ice Tea. Strong ARP growth of 4.5%, excluding the SDIL, was achieved though disciplined revenue management across the portfolio and the growth of premium variants such as Robinsons Creations and Cordials. Volume declined 4.1% due to a combination of the impact of revenue management and a strong second half performance last year when we switched promotional activity from carbonates to stills in response to the CO2 shortage. Brand contribution and margin benefited from the positive mix, lower A&P spend and strong price realisation.

Adjusted EBIT margin
Adjusted EBIT increased 20.6% from £134.3m to £161.9m and adjusted EBIT margin increased 200bps from 14.7% to 16.7%.

Adjusted EBIT excludes net adjusting items of £39.8m (2018: £36.3m). These comprise strategic restructuring costs of £31.4m (2018: £36.2m), costs in relation to strategic M&A activity of £2.2m (2018: £nil), fair value losses of £nil (2018: £0.1m), and pension scheme costs of £6.2m (2018: £nil).

Intercompany loan waivers
During the 52 week period ended 29 September 2019 Britvic Group management undertook an exercise to simplify the group structure by reducing the net assets of several group companies to nil, such that these companies will be dormant from 30 September 2019. As a result, the related intercompany balances within Britvic Soft Drinks Limited (the Company) were impacted as follows;

On 12 April 2019, a loan balance amounting to £108,841,000 owed from Britannia Soft Drinks Limited, immediate parent of the Company, was waived by the Company. This loan waiver was considered a deemed distribution by the Company to its immediate parent and is therefore accounted for within equity.

Additionally, an intercompany receivable balance of £1,174,000 owed from Robinsons Soft Drinks Limited, a fellow subsidiary company, was written off in the year. This was considered a deemed distribution made by the Company to its ultimate parent, Britvic plc, and is therefore accounted for within equity.

On 25 September 2019, a loan balance amounting to £178,310,000 owed to Britvic International Investment Limited (BIIL), a fellow subsidiary company, net of an intercompany receivable of £557,000 was waived by BIIL in favour of the Company. The net amount of £177,753,000 was considered a capital contribution made by the ultimate parent, Britvic plc, to the Company and is therefore accounted for within equity.

These transactions are included in the Profit and loss account reserve within equity and do not have any impact on the future distributable reserves of the Company.

Principal risks and uncertainties
The directors of the ultimate parent company, Britvic plc, manage the group's risks at a group level rather than at an individual business unit level.

The Britvic plc group operates a robust risk management process that continues to evolve and improve to meet the needs of the business.

As with any business, we face risks and uncertainties. The management of risk is based on the balance between risk and reward, determined through careful assessment of both the potential outcomes and impact as well as risk appetite. We believe that effective risk management supports the successful delivery of our strategic objectives. We have an established risk management framework to identify, assess, mitigate and monitor the risks we face as a business. The risk management framework incorporates both a top down approach to identify the company's principal risks and a bottom up approach to identify operational risks. The Britvic plc Board is accountable for the risk management process and each year the Executive team performs a robust assessment of the principal risks facing the company, which is reviewed by the Board. Similarly, all business units and functions are responsible for identifying and assessing their risks and measuring them against the defined criteria, considering the likelihood of occurrence and the potential impact to the company. The Board, Executive team, business units and functions monitor and review their risk maps and information during the year with formal reviews occurring at least twice a year. This review includes an assessment of the movement in the risks, the strength of the controls relied upon and the status of the mitigation actions.

The principal risks and uncertainties of the Britvic plc group, which include those of the company, are discussed on pages 35 to 38 of the group's annual report for the 52 weeks ended 29 September 2019.

The principal risks that could potentially have a significant impact on the business in the future are set out below.

Risks relating to the company

• Failure to deliver brand propositions which respond to changing customer preferences;
• Failure to respond to growing health concerns of consumers and expectations from public health bodies and government officials on the soft drinks industry role in tackling health issues (such as obesity);
• We may not be able to maintain strong relationships or respond to changes in the retailer landscape;
• Partnerships may not be renewed or are renewed on less favourable terms;
• Supplier failure, market shortage or an adverse event in our supply chain impacts sourcing of our products and/or that the cost of our products is significantly affected by commodity price movements;
• Natural capital depletion, climate change and environmental pollution all present a risk to our ability to source, manufacture and market our drinks;
• A faulty or contaminated product, either through malicious contamination, human error or equipment failure, is supplied to the market
• Non-compliance with local laws or regulations or breach of our internal policies and standards;
• We experience a major failure of IT infrastructure or breach in system or information security;
• Changes to exchange rates can have an impact on profits and cashflows;
• The company has a defined benefit pension plan which is exposed to movements in interest rates, value of assets and increased life expectancy.

Risks relating to the market

• Future regulation changes that affect the sale of soft drinks could impact the company's profitability; and
• A change in the macro-economic environment could adversely impact the business.

Brexit

The company has a Brexit steering group in place to ensure that we are being proactive in monitoring developments and taking action where appropriate in relation to the UK's decision to leave the European Union. Given the continuing uncertainty regarding the outcome of the Brexit withdrawal process, the steering group has focused on a range of outcomes including 'no-deal' and ensuring that adequate preparations are made where these are in the company's control. This has ranged from building additional raw material stock in the run up to the various Brexit deadlines, securing additional warehouse space both in GB and Ireland and assessing the readiness of our suppliers for Brexit. The impact of Brexit including a 'no-deal' outcome has not been presented as a separate risk but instead is reflected in the relevant principal risks, notably the risks around Supply Chain and Treasury which are discussed on pages 36 and 38 respectively of the Britvic plc group's annual report for the 52 week period ended 29 September 2019 .

Financial risk management objectives and policies

The financial risks faced by the Britvic group are identified and managed by a central treasury department. The department does not operate as a profit centre and no transactions are entered into for speculative purposes.

The main risks the company is exposed to are foreign currency risk, commodity price risk, credit risk and liquidity risk. The board of directors review and agree policies for managing these risks as summarised below.

Foreign currency risk

The company has transactional exposures arising from purchases of prime materials and commercial assets in currencies other than the functional currency of the company. Such purchases are made principally in the currencies of US dollars and euros. The company hedges an appropriate percentage of forecast exposures 18 months in advance using forward foreign exchange contracts.

Commodity price risk

The main commodity price risk arises in the purchases of prime materials, being PET, sugar, cans and frozen concentrated orange juice. Where it is considered commercially advantageous, the company enters into fixed price contracts with suppliers to hedge against unfavourable commodity price changes.

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for Expected credit losses (ECL's). An allowance for ECL is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The company's objective is to maintain a balance between continuity of funds and flexibility through the use of bank loans and overdrafts. The bank loans entered into by the company are unsecured.

Approved by the Board on 27 January 2020 and signed on its behalf by:

....

R J Wilson
Director

Britvic Soft Drinks Limited

Directors' Report for the Period from 1 October 2018 to 29 September 2019

The directors present their report on the affairs of the company, together with the financial statements and auditor's report, for the period from 1 October 2018 to 29 September 2019. Certain items required for the directors' report are included within the strategic report.

Results and dividends

Profit for the period before taxation amounts to £119,649,000 (2018: £97,685,000). After charging taxation of £18,036,000 (2018: £22,875,000) profit was £101,613,000 (2018: £74,810,000). In addition to a deemed distribution of £108,841,000 and £1,174,000 as mentioned on page 6 of Strategic Report, during the period, a dividend of £100,000,000 was paid by the Company to its immediate parent, Britannia Soft Drinks Limited (2018: £nil). The directors do not recommend payment of a final dividend.

Directors' of the company

The directors, who held office during the period, were as follows:

M J Dunn (resigned 31 March 2019)

P S Litherland

R P Graham

M R Barwell

C A Hooper

R J Wilson (appointed 12 September 2019)

Principal activity

The principal activity of the company is the manufacture, marketing and sale of soft drinks.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that all employees be given equal opportunities in respect of training, career development and promotion.

Employee consultation

The company places considerable value on the involvement of its employees. It has continued its previous practice of keeping them informed, on matters affecting them as employees and on the various factors affecting the performance of the company, through a variety of channels. These include the company's intranet and regular face to face engagement meetings.

All our eligible employees are able to participate in the Britvic Share Incentive Plan.

It is company policy that there shall be no discrimination in respect of sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

Future developments

It is expected that the company will:

• generate profitable growth in its core markets; increasing its participation in growing categories and channels through investing in its brands, innovation and commercial execution
• step-change its business capability; ensuring there is a great team and the right infrastructure to deliver the company's growth ambitions
• build trust and respect in its communities; delivering 'A Healthier Everyday' sustainability programme
• grow through innovation
• transform its supply chain.

Research and development

Research and development work undertaken by the company continues to focus on product quality, operational efficiencies and innovation. Responsibility rests with the operating functions of the company with particular emphasis placed on recyclable packaging "rPET" and product development to ensure that the company can meet the demands of a competitive and changing market, as well as any future regulation changes.

Going concern

In order to assess the appropriateness of the application of the going concern principle in these financial statements the Directors have considered the principal risks and uncertainties and financial position of both the company and of the Britvic Group as a whole, reflecting how the company is managed.

Having performed this assessment, the Directors have concluded that the company has adequate resources to meet its current operational and financial obligations to ensure that it will remain in operation and meet its liabilities as they fall due over a period of at least 12 months from the date that the financial statements were approved. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Liability insurance for company officers

As permitted by section 234 of the Companies Act 2006, the company has maintained insurance cover for the directors against liabilities in relation to the company. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

Registered company number
517211

By order of the Board

....
R J Wilson
Director

27 January 2020

Britvic Soft Drinks Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Britvic Soft Drinks Limited

Opinion

We have audited the financial statements of Britvic Soft Drinks Limited (the 'Company') for the period from 1 October 2018 to 29 September 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes 1 to 33 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 September 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Britvic Soft Drinks Limited

Independent Auditor's Report to the Members of Britvic Soft Drinks Limited (continued)

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.

Ernst & Young LLP

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Christabel Cowling (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

27 January 2020

Britvic Soft Drinks Limited

Profit and Loss Account
for the Period from 1 October 2018 to 29 September 2019

	Note	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Turnover	4	971,985	913,895
Cost of sales		(455,544)	(405,663)
Gross profit		516,441	508,232
Selling and distribution costs		(211,704)	(211,907)
Administrative expenses		(182,629)	(198,297)
Operating profit	5	122,108	98,028
Income from investments	6	138	138
Interest receivable and similar income	7	6,220	6,506
Interest payable and similar charges	8	(8,817)	(6,987)
Profit before taxation		119,649	97,685
Tax on profit	12	(18,036)	(22,875)
Profit for the period		101,613	74,810

The above results were derived from continuing operations.

Britvic Soft Drinks Limited

Statement of Comprehensive Income for the Period from 1 October 2018 to 29 September 2019

	Note	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Profit for the period		101,613	74,810
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension scheme	26	37,623	24,314
Deferred tax on defined benefit pension scheme		(6,396)	(4,133)
		31,227	20,181
Items that may be reclassified subsequently to profit or loss			
Loss in the period on cash flow hedges		307	(1,010)
Deferred tax in respect of cash flow hedges		(81)	172
		226	(838)
Other comprehensive income/(loss) for the period		31,453	19,343
Total comprehensive income for the period		133,066	94,153

Britvic Soft Drinks Limited

(Registration number: 517211)
Balance Sheet
at 29 September 2019

	Note	29 September 2019 £ 000	30 September 2018 £ 000
Fixed assets			
Intangible assets	13	22,384	28,356
Tangible assets	14	377,561	369,885
Investments	15	95,261	95,261
Other financial assets	16	-	59
		495,206	493,561
Current assets			
Stocks	17	64,799	64,548
Trade and other debtors (including £2,373,000 due after more than one year (2018: £2,373,000))	18	555,077	693,988
Other financial assets	16	1,565	1,070
Cash at bank and in hand	19	18,534	-
		639,975	759,606
Creditors			
Amounts falling due within one year	22, 23	(443,282)	(632,132)
Net current assets		196,693	127,474
Total assets less current liabilities		691,899	621,035
Creditors: Amounts falling due after more than one year	24	-	(77)
Provisions for liabilities and charges	28, 12	(47,674)	(37,128)
Net assets excluding pension asset		644,225	583,830
Defined benefit pension asset	26	237,104	184,776
Net assets		881,329	768,606
Capital and reserves			
Called up share capital	20	45,200	45,200
Share premium reserve		450	450
Revaluation reserve		871	796
Other reserves		13,329	13,103
Profit and loss account		821,479	709,057
Shareholders' funds		881,329	768,606

The financial statements were approved by the Board on 27 January 2020 and signed on its behalf by:

....
R J Wilson, Director

The notes on pages 21 to 61 form an integral part of these financial statements.

Britvic Soft Drinks Limited

Statement of Changes in Equity for the Period from 1 October 2018 to 29 September 2019

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2018	45,200	450	796	13,103	709,057	768,606
Profit for the period	-	-	-	-	101,613	101,613
Other comprehensive income	-	-	-	226	31,227	31,453
Total comprehensive income	-	-	-	226	132,840	133,066
Dividends paid	-	-	-	-	(100,000)	(100,000)
Loans and receivables waived to fellow group companies	-	-	-	-	(110,015)	(110,015)
Loan waiver received from fellow group company	-	-	-	-	177,753	177,753
Reserve transfer	-	-	75	-	(75)	-
Share based payment transactions	-	-	-	-	10,853	10,853
Deferred tax on share based payments	-	-	-	-	720	720
Current tax on share based payments	-	-	-	-	346	346
At 29 September 2019	45,200	450	871	13,329	821,479	881,329

The notes on pages 21 to 61 form an integral part of these financial statements.

Britvic Soft Drinks Limited

Statement of Changes in Equity for the Period from 1 October 2018 to 29 September 2019 (continued)

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 2 October 2017	45,200	450	721	13,941	608,561	668,873
Profit for the period	-	-	-	-	74,810	74,810
Other comprehensive income	-	-	-	(838)	20,181	19,343
Total comprehensive income	-	-	-	(838)	94,991	94,153
Reserve transfer	-	-	75	-	(75)	-
Share based payment transactions	-	-	-	-	5,229	5,229
Deferred tax on share based payments	-	-	-	-	(45)	(45)
Current tax on share based payments	-	-	-	-	396	396
At 30 September 2018	45,200	450	796	13,103	709,057	768,606

The notes on pages 21 to 61 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:
Breakspear Park
Breakspear Way
Hemel Hempstead
Hertfordshire
HP2 4TZ

These financial statements were authorised for issue by the Board on 27 January 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation
The financial statements of the Company have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a going concern basis under the historical cost convention. The principal accounting policies are set out below and have been applied consistently throughout the period.

The Company's financial statements are presented in 'Pound Sterling' (£), which is also the functional currency of the Company. All values are rounded to the nearest thousand pound (£000) except where otherwise indicated.

The financial statements contain information about the Company as an individual undertaking and do not contain consolidated financial information as the parent of a group. The reason for this is that the Company is a wholly owned subsidiary of Britvic plc, a company incorporated in the United Kingdom, and is included in that company's consolidated financial statements. Consequently the Company, by virtue of section 400 of the Companies Act 2006, is exempt from the preparation of its own consolidated financial statements.

Going concern
In order to assess the appropriateness of the application of the going concern principle in these financial statements the Directors have considered the principal risks and uncertainties and financial position of both the company and of the Britvic Group as a whole, reflecting how the company is managed.

Having performed this assessment, the Directors have concluded that the company has adequate resources to meet its current operational and financial obligations to ensure that it will remain in operation and meet its liabilities as they fall due over a period of at least 12 months from the date that the financial statements were approved. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

2 Accounting policies (continued)

Summary of disclosure exemptions
The following exemptions from the requirements of International Financial Reporting Standards ("IFRS") have been applied in the preparation of these financial statements:
• The following paragraphs of IAS 1, 'Presentation of financial statements':
• 10(d) (statement of cash flows);
• 16 (statement of compliance with all IFRS),
• 38A (requirement for minimum of two primary statements, including cash flow statements);
• 38B-D (additional comparative information);
• 111 (cash flow statement information), and;
• 134-136 (capital management disclosures).
• Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79 (a) (iv) of IAS 1 'Presentation of financial statements' and paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period).

• IAS 7, 'Statement of cash flows'

• Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

• IFRS 7, 'Financial instruments: Disclosures'

• IFRS 13, 'Fair value measurement'

• Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

• The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

• The requirements of paragraph 130f(ii), 130f(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The Company is eligible to apply the above exemptions as it is included in the consolidated financial statements of Britvic plc who prepare financial statements under IFRS and include the above disclosures.

The consolidated financial statements of Britvic plc are available from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4TZ.

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 October 2018 and have had an effect on the financial statements:

IFRS 9: Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard introduces new requirements in three areas:

• Classification and measurement: Financial assets are now classified based on the objective of the Company in holding the asset and the contractual cash flows
• Impairment: A new expected credit loss model is used for calculating impairment on financial assets. A loss event does not have to occur before credit losses are recognised
• Hedge accounting: New general hedge accounting requirements allow hedge accounting based on the Company's risk management policies rather than only prescribed scenarios. There is currently an option to defer the transition of hedge accounting under IFRS 9.

On 1 October 2018, the Company adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. As there was no material impact from the adoption of this standard, the Company has not restated the comparative information relating to prior years.

Financial assets principally relate to trade and other receivables, which are initially measured at the transaction price as determined under IFRS 15. These are then subsequently measured at amortised costs, as are prepayments and accrued income. The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company, as the Company continued measuring all financial assets previously held at fair value under IAS 39 at fair value.

The adoption of IFRS 9 has had no impact on the Company's accounting for impairment losses for financial assets, as the replacement of IAS 39's incurred loss approach with the forward-looking Expected Credit Loss (ECL) approach had no net impact.

2 Accounting policies (continued)

IFRS 9 Impairment
The IFRS 9 impairment model is applicable to the Company's financial assets including trade receivables and other receivables as described in note 18. As the majority of the relevant balances are trade receivables to which the simplified model applies, this disclosure focuses on these balances.

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The provision for credit losses for trade receivables is based on an expected credit loss model that calculates the expected loss applicable to the receivable balance over its lifetime. This is determined by a number of factors including; the nature of the customer, the payment method selected and where relevant, the sector in which they operate. The characteristics used to determine the groupings of receivables are the factors that have the greatest impact on the likelihood of default.

Sensitivity to changes in assumptions
The most significant assumption included within the expected credit loss provisioning model that gives rise to estimation uncertainty is that future performance will be reflective of past performance and there will be no significant change in the payment profile or recovery rates within each identified group of receivables. To address this risk, the Company reviews and updates default rates, by customer group, on a regular basis to ensure they incorporate the most up to date assumptions along with forward-looking information where available and relevant. The Company also considers regulatory changes and customer segment specific factors that may have an impact, now or in the future, on recoverability of the balance. While forward-looking information is usually considered to be immaterial, the exception to this could be the forecast occurrence of a significant one-off event. The Company does not believe that Brexit will have a material impact on the outstanding receivables balance.

Hedge accounting: The Company has decided to continue to account for hedging relationships under IAS 39 'Financial instruments: recognition and measurement' and will review when to adopt the hedge accounting for IFRS 9 at a future date. On adoption there is not expected to be any material change in hedge accounting for the group.

None of the other standards, interpretations and amendments effective for the first time from 1 October 2018 have had a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition

Recognition

The company recognises revenue from the sale of soft drinks to the wholesale market. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer. Following delivery, which is determined to be the time of shipment, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue is the value of sales after the deduction of sales related discounts and rebates, value added tax and other sales related taxes. Rebates to customers are deducted from revenue where the amounts paid are sales related or in relation to a good or service which results in an increase in sales in the customer's outlet and therefore is not distinct from the sale of soft drinks to the customer and comprise:

Long term discounts and rebates

These discounts are typically for months rather than weeks and are usually part of the trading terms agreed with the customer. Long term discounts fall into three main categories:

• Fixed - a defined amount over a period of time
• Pence per litre / case - a pence per litre / case rebate, based upon volumes sold
• % of Net Revenue - a percentage of Net Revenue, which may have associated hurdle rates

Short term promotional discounts

Promotional discounts consist of many individual rebates across numerous customers and represents the cost to the company of short term deal mechanics. The common deals typically include BOGOFs, 3 For 2, and Half Price deals.

Account development fund

Account development fund represents customer promotional activity which promotes Britvic's products in the customer's outlets. The company agrees to pay the customer various amounts as part of the trading investment. Where these amounts are payable in relation to a good or service which result in an increase in sales in the customer's store only, e.g. in-store promotional activity, management has concluded that this is not distinct, and it is accounted for as a reduction in revenue. Where these amounts are payable in relation to a good or service which result in an increase in company sales more broadly, e.g. participation in tradeshows or market research, management has concluded that the payment is for a distinct good or service. Where amounts paid to customers are deemed to be for a distinct service these are included as selling and distribution costs in the income statement.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

2 Accounting policies (continued)

Tax

The current income tax expense is based on taxable profits for the period, after any adjustments in respect of prior periods. It is calculated using taxation rates enacted or substantively enacted by the balance sheet date and is measured at the amount expected to be recovered from or paid to the taxation authorities.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, on all material temporary differences between the tax base of assets and liabilities and their carrying values in the financial statements.

The principal temporary differences arise from accelerated capital allowances, intangible assets, provisions for pensions and provisions for share-based payments.

Deferred tax assets are recognised to the extent that it is regarded as probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset or liability will be settled based on the tax rates enacted or substantively enacted by the balance sheet date.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Assets under construction are carried at cost. Depreciation of these assets commences when they are ready for use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight-line basis, over the useful economic life of that asset as follows:

Plant and machinery 3 to 20 years
Vehicles (included in plant and machinery) 5 to 7 years
Equipment in retail outlets (included in fixtures, fittings, tools and equipment) 5 to 10 years
Other fixtures and fittings (included in fixtures, fittings, tools and equipment) 3 to 15 years

Land is not depreciated.

Freehold properties are depreciated over 50 years.

Leasehold properties are depreciated over 50 years, or over the unexpired lease term when this is less than 50 years.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the profit and loss account in the period of derecognition.

2 Accounting policies (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual amounts are reviewed annually and where adjustments are required these are made prospectively.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Investment property

Investment property is property held to earn rentals and/or capital appreciation. The company has elected to use the cost model. Properties are stated at cost less accumulated depreciation and any impairment loss at the balance sheet date. Depreciation on investment property is calculated in the same way as for property, plant and equipment.

Intangible assets

Software costs

Software expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated. Acquired computer software licences and software developed in-house are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs include resources focussed on delivery of capital projects where the choice has been made to use internal resources rather than external resources. These costs are amortised over their estimated useful lives of three to seven years on a straight line basis.

Brand licences

Brand licences acquired separately are measured on initial recognition at the fair value of consideration paid. Following initial recognition, these assets are carried at cost less any accumulated amortisation or impairment losses.

Amortisation is charged on assets with finite lives on a straight-line basis over a period appropriate to the asset's useful life.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Research and development

Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the company can demonstrate:

• The technical feasibility of completing the intangible asset so that the asset will be available for use
• Its intention to complete and its ability to use the asset
• How the asset will generate future economic benefits
• The availability of resources to complete the asset
• The ability to measure reliably the expenditure during development
• The ability to use the intangible asset generated

2 Accounting policies (continued)

Following initial recognition of development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

All amortisation is included within Administrative expenses in the Profit and Loss Account.

Stock

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Cost is determined using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount can be reliably measured. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in provision due to the passage of time is recognised as an interest expense. Where the effect of the time value of money is not material, provisions are not discounted.

Leases

Leases in which substantially all the risks and rewards of ownership of the leased asset are retained by the lessor are classified as operating leases by the company. Leases in which the company assumes substantially all the risks and rewards of ownership are classified as finance leases.

The costs of operating leases are charged to income on a straight-line basis over the term of the relevant lease. Any lease incentives received are credited to the consolidated income statement on a straight-line basis over the term of the leases to which they relate.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Accounting policies (continued)

Dividends
Dividend income is recognised when the right to receive payment is established.

Final dividends payable are recorded in the financial statements in the period in which they are approved by the company's shareholders. Interim dividends payable are recorded in the period in which they are declared.

Defined contribution pension obligation
For defined contribution plans, contributions payable for the period are charged to the profit and loss account as an operating expense. Amounts not paid are shown in creditors in the Statement of financial position. Once contributions have been paid, the company has no further payment obligations. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension obligation
The defined benefit pension liability or asset in the balance sheet comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in the profit and loss account in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

• Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
• Net interest expense or income; and
• Remeasurement..

The retirement benefit obligation recognised in the balance sheet represents the deficit or surplus in the company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

2 Accounting policies (continued)

Financial assets

Classification
The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

• the asset is held within a business model whose objective is to collect the contractual cash flows, and
• the contractual terms give rise to cash flows that are solely payments of principal and interest.

Recognition and de-recognition
Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the company commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, on demand deposits with banks and other short-term, highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts repayable on demand are a component of cash and cash equivalents.

Trade and other receivables
Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and are therefore all classified as current. Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the company's impairment policies and the calculation of the loss allowance are provided below.

2 Accounting policies (continued)

Transferred receivables

The carrying amounts of the trade receivables include receivables which are subject to a discount factoring arrangement. Under this arrangement, the company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. The arrangement is without recourse to the factor, against the risk of default by the debtor. The company continues to assume the responsibility for collecting the debt from its customers.

The company de-recognises the external trade debtor balance to the extent of discounted amount received from factor. Receivable amounts settled by the customers, under the discount factored portfolio, are recognised as payable to the factor. Financing costs associated with the arrangement is expensed to profit and loss within the Interest expense.

The company considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost. Further details are provided in Note 18.

Fair value of transferred receivables

Due to the short-term nature of the current receivables, the carrying amount of transferred receivables is considered to be the same as their fair value.

Impairment of Financial assets

The company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Financial liabilities

The company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed, and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

2 Accounting policies (continued)

Any gains and losses arising on changes in fair value are recognised in the profit or loss to the extent that they are not part of a designated hedging relationship.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Details about the company's hedging policies are provided below.

De-recognition of financial liabilities
A liability is de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Supply Chain Financing (Reverse Factoring) arrangements

The company also has Supply Chain Financing (SCF) arrangement, under which certain portfolio of the company's suppliers are able to collect the amount owed from the company at a date earlier than the due date, from the company's SCF agent. Any early settlement discount is retained by the company's SCF agent and no credit enhancement is provided by the company to its suppliers.

The company de-recognises the trade payables factored under such arrangements and recognises a separate liability payable to the SCF agent. The company does not include the balance owed under this arrangement within the net debt calculation.

Interest charged by the SCF agent from the point of draw down made by the supplier to the point the amounts are paid back to SCF agent is recognised as Interest expense within profit and loss. Further details on this are provided in Note 23.

Derivatives and hedging
The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. All derivative financial instruments are initially recognised and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is appropriate, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to profit or loss. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, and the company only has cash flow hedge relationships in place described as follows:

2 Accounting policies (continued)

Cash flow hedges

Hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the profit and loss account. Amounts previously recognised in other comprehensive income are transferred to the profit or loss in the period in which the hedged item affects profit or loss, such as when a forecast sale occurs. However, when the forecast transaction results in the recognition of a non-financial asset or liability, the amounts previously recognised in other comprehensive income are included in the initial carrying amount of the asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs and are then transferred to profit or loss or included in the initial carrying amount of a non-financial asset or liability as above.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that, in the opinion of the directors and based on the best available estimate at that date, will ultimately vest (or in the case of an instrument subject to a market condition, be treated as vesting as described below). The profit and loss account charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of IFRS 2 'Share-based payment' the company records an increase in its profit and loss reserve to reflect a capital contribution from its parent company in respect of share based payment awards granted by the parent company to the company's employees.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates have had the most significant effect on amounts recognised in the financial statements:

Pension and other post employment benefits
The cost of defined benefit pensions plans and other post employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 26.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. Further details are given in note 27.

Derivatives and hedging
The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. All derivative financial instruments are initially recognised and subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For further details please refer to Note 16.

4 Turnover

Turnover is predominantly attributable to one continuing activity relating to the manufacture and sale of soft drinks.

Turnover is analysed by geographical destination as follows:

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
United Kingdom	958,343	902,054
Outside of the United Kingdom	13,642	11,841
	971,985	913,895

5 Operating profit

This is stated after charging/(crediting):

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Depreciation expense	36,329	31,934
Amortisation expense (Included in administrative expenses)	13,092	33,783
(Reversal of impairment) / Impairment of property, plant and equipment	(3,825)	4,800
Research and development cost	7,970	8,284
Foreign exchange losses/(gains)	610	(2,201)
Operating lease expense - land and buildings	5,960	5,800
Operating lease expense - other	5,981	6,306
Profit on disposal of property, plant and equipment	(28)	-
Cost of inventories recognised as an expense (included in cost of sales)	504,190	427,996
Write-down of inventories to net realisable value	(830)	314

The reversal of a previous impairment loss of £3,825k was recognised as a result of the most recent contractual price agreed to sell the land and building at our Norwich site

The land and building at Norwich site is therefore carried at fair value less cost to sell.

6 Income from investments

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Investment property income	138	138

7 Interest receivable and similar income

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Interest receivable from group undertakings	6,220	6,506

8 Interest payable and similar charges

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Interest payable to group undertakings	8,685	6,820
Other interest payable	132	167
	8,817	6,987

9 Staff costs

a) Costs

Operating profit is stated after charging employee costs (including executive directors) of:

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Wages and salaries	93,464	92,937
Social security costs	9,495	8,857
Pension costs, defined contribution scheme	10,240	9,813
Share-based payment expenses	10,853	5,229
	124,052	116,836

9 Staff costs (continued)

b) Average number of employees

The average monthly number of persons employed by the company during the period, including part time employees was as follows:

	52 weeks ended 29 September 2019 No.	52 weeks ended 30 September 2018 No.
Production	747	750
Administration and support	385	435
Sales and marketing	505	482
Distribution	232	236
	1,869	1,903

10 Directors' remuneration

The directors' remuneration paid or receivable by directors of the company is as follows:

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Remuneration	2,530	3,910
Remuneration received under long term incentive schemes	3,601	1,291
Company contributions to money purchase pension schemes	342	386
	6,473	5,587

During the period the number of directors who were receiving benefits and share incentives was as follows:

	52 weeks ended 29 September 2019 No.	52 weeks ended 30 September 2018 No.
Received or were entitled to receive shares under long term incentive schemes	6	6
Received or were entitled to receive remuneration under money purchase pension schemes	6	6

Two directors exercised share options during the period.

The defined benefit section of the Britvic Pension Plan was closed to new members from 1 August 2002 and closed to future accrual for active members from 1 April 2011, therefore none of the directors have benefits accruing under defined benefit schemes (2018: none).

10 Directors' remuneration (continued)

In respect of the highest paid director:

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Remuneration	1,051	1,384
Company contributions to money purchase pension schemes	153	153
Aggregate remuneration	1,204	1,537

During the period the highest paid director received or was entitled to receive shares under a long term incentive scheme. The highest paid director did not exercise any share options in the period.

The directors' remuneration is shown for their contribution to the Britvic plc group. Whilst one or more of the directors contribute to other companies within the group, Britvic Soft Drinks remains a significant member of the group and all of the directors are paid through this company.

11 Auditor's remuneration

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Auditor's remuneration	905	471

Britvic Soft Drinks Limited bears the cost of the auditor's remuneration for the GB subsidiaries of the Britvic plc group, including the cost of the auditor's remuneration for other group subsidiaries. The auditor's remuneration in respect of Britvic Soft Drinks Limited is £142,705 (2018: £77,400). The group accounts of Britvic plc include disclosures in respect of non-audit services; in accordance with SI 2011/2198 we refer to the Britvic plc consolidated accounts in respect of these disclosures.

12 Income tax

Tax charged/(credited) in the profit and loss account

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Current taxation		
UK corporation tax	20,845	17,123
UK corporation tax adjustment to prior periods	(8,321)	757
	12,524	17,880

12 Income tax (continued)

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	4,260	5,910
Adjustment to prior periods	1,252	(915)
Total deferred taxation	5,512	4,995
Tax expense in the profit and loss account	18,036	22,875

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Profit before tax	119,649	97,685
Corporation tax at standard rate	22,733	18,560
Prior year adjustment	(7,069)	(102)
Amortisation	1,230	5,080
Permanent differences	1,736	1,383
Group relief not paid for	(182)	(1,411)
Deferred tax credit relating to changes in UK tax rates	(412)	(635)
Total tax charge	18,036	22,875

12 Income tax (continued)

Deferred tax

Deferred tax movement during the period:

	At 1 October 2018 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 29 September 2019 £ 000
Accelerated tax depreciation	(7,093)	(3,271)	-	-	(10,364)
Share-based payment	4,791	891	-	720	6,402
Other items	1,586	(632)	-	-	954
Pension benefit obligations	(31,412)	(2,500)	(6,396)	-	(40,307)
Derivatives	(116)	-	(81)	-	(197)
Revaluation of property	(362)	-	-	-	(362)
Net tax assets/(liabilities)	(32,606)	(5,512)	(6,477)	720	(43,875)

Deferred tax movement during the prior period:

	At 2 October 2017 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 30 September 2018 £ 000
Accelerated tax depreciation	(5,353)	(1,740)	-	-	(7,093)
Share-based payment	5,015	(179)	-	(45)	4,791
Other items	1,432	154	-	-	1,586
Pension benefit obligations	(24,055)	(3,224)	(4,133)	-	(31,412)
Derivatives	(282)	(6)	172	-	(116)
Revaluation of property	(362)	-	-	-	(362)
Net tax assets/(liabilities)	(23,605)	(4,995)	(3,961)	(45)	(32,606)

Impact of rate change

Finance Act 2015 and 2016 enacted reductions in the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020 respectively. The impact of the change in rates gave rise to adjustments in 2017. No further rate changes have been enacted in 2019 (2018: none). Deferred tax assets/liabilities at the balance sheet date have been measured using these enacted rates.

13 Intangible assets

	Brand licences £ 000	Computer software £ 000	Total £ 000
Cost or valuation			
At 30 September 2018	369,000	81,465	450,465
Additions	-	7,162	7,162
Disposals	-	(12,028)	(12,028)
At 29 September 2019	369,000	76,599	445,599
Amortisation			
At 30 September 2018	362,527	59,582	422,109
Amortisation charge	6,473	6,619	13,092
Amortisation eliminated on disposals	-	(11,986)	(11,986)
At 29 September 2019	369,000	54,215	423,215
Carrying amount			
At 29 September 2019	-	22,384	22,384
At 30 September 2018	6,473	21,883	28,356

14 Tangible assets

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation					
At 30 September 2018	71,505	29,326	247,919	355,244	703,994
Additions	7,222	333	12,799	30,195	50,549
Disposals	(20)	(156)	(8,876)	(67,110)	(76,162)
At 29 September 2019	78,707	29,503	251,842	318,329	678,381
Depreciation					
At 30 September 2018	17,700	10,043	124,837	181,529	334,109
Charge for the period	1,781	1,118	11,801	21,629	36,329
Eliminated on disposal	(13)	(156)	(7,640)	(57,984)	(65,793)
Impairment reversal	(3,825)	-	-	-	(3,825)
At 29 September 2019	15,643	11,005	128,998	145,174	300,820
Carrying amount					
At 29 September 2019	63,064	18,498	122,844	173,155	377,561
At 30 September 2018	53,805	19,283	123,082	173,715	369,885

14 Tangible assets (continued)

Expenditure recognised in the carrying amount of property, plant and equipment in the course of construction

Expenditure recognised in the carrying amount of property, plant and equipment in the course of construction was as follows:

	29 September 2019 £ 000	30 September 2018 £ 000
Freehold land and buildings	383	12,122
Plant and machinery	19,051	66,548
Fixtures, fittings, tools and equipment	5,878	5,562
	25,312	84,232

The book value of freehold land as at 29 September 2019 was £4.3m (30 September 2018: £4.3m). The book value of long leasehold land as at 29 September 2019 was £2.2m (30 September 2018: £2.3m).

Investment Property

The net book value of leasehold land and buildings includes £nil (2018: £nil) in respect of assets classified as investment property. The property rental income earned by the company from its investment property all of which was leased out under operating leases, amounted to £138,000 (2018: £138,000).

15 Investments

Subsidiaries	£ 000
Cost and carrying amount	
At 29 September 2019 and 30 September 2018	95,261

Details of the subsidiaries as at 29 September 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	% Equity interest 2019	2018
Robinsons Soft Drinks Limited*	Issue of brand licences	United Kingdom (a)	100%	100%
Orchid Drinks Limited*	Issue of brand licences	United Kingdom (a)	100%	100%
H. D. Rawlings Limited*	Dormant	United Kingdom (a)	100%	100%
R. White & Sons Limited*	Dormant	United Kingdom (a)	100%	100%
Idris Limited*	Dormant	United Kingdom (a)	100%	100%
The Southern Table Water Co Limited*	Dormant	United Kingdom (a)	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	% Equity interest 2019	2018
Britvic Corona Limited*	Dormant	United Kingdom (a)	100%	100%
Britvic Beverages Limited*	Dormant	United Kingdom (a)	100%	100%
Sunfresh Soft Drinks Limited*	Dormant	United Kingdom (a)	100%	100%
The London Essence Co Limited*	Dormant	United Kingdom (b)	100%	100%
Hooper Struve & Co Limited*	Dormant	United Kingdom (a)	100%	100%
British Vitamin Products Limited*	Dormant	United Kingdom (a)	100%	100%
Britvic Healthcare Trustee Limited*	Dormant	United Kingdom (a)	100%	100%
Red Devil Energy Drinks Limited	Issue of brand licences	United Kingdom (a)	100%	100%
Britvic Finance Partnership LLP	Financing company	United Kingdom (a)	99.95%	99.95%
Britvic Irish Holdings Limited	Investment Holding company	Republic of Ireland (c)	86.8%	86.8%
Robinsons (Finance) Limited	Financing company	Republic of Ireland (c)	86.8%	86.8%
Robinsons (Finance) No.2 Limited	Financing company	United Kingdoms (a)	86.8%	86.8%
Britvic Ireland Limited	Manufacture and marketing of soft drinks	Republic of Ireland (c)	86.8%	86.8%
Britvic Northern Ireland Limited	Marketing and distribution of soft drinks	Republic of Ireland (c)	86.8%	86.8%
Aquaporte Limited	Supply of water-coolers and bottled water	Republic of Ireland (c)	86.8%	86.8%
Britvic Americas Limited	Marketing and distribution of soft drinks	Republic of Ireland (c)	86.8%	86.8%
Counterpoint Wholesale (Ireland) Limited	Wholesale of soft drinks to the licenced trade	Republic of Ireland (c)	86.8%	86.8%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	% Equity interest 2019	2018
Counterpoint Wholesale (NI) Limited	Wholesale of soft drinks to the licenced trade	United Kingdom (d)	86.8%	86.8%
Greenbank Drinks Company Limited	Dormant	United Kingdom (a)	100%	100%
The Really Wild Drinks Company Limited	Dormant	United Kingdom (a)	100%	100%
Britvic Munster Limited	Dormant	Republic of Ireland (c)	86.8%	86.8%
Britvic Licensed Wholesale Limited	Dormant	Republic of Ireland (c)	86.8%	86.8%
Britvic Northern Ireland Pension Trust Limited	Dormant Pension trust company	United Kingdom (d)	86.8%	86.8%
Britvic Ireland Pension Trust DAC	Pension trust company	Republic of Ireland (c)	86.8%	86.8%
Wisehead Productions Limited*	Dormant	United Kingdom (b)	100%	100%
Knockton Limited	Dormant	Republic of Ireland (c)	86.8%	86.8%

* indicates direct investment of the company

(a) Registered office: Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4TZ
(b) Registered office: 9 Roding Road, Beckton, London E6 6LF
(c) Registered office: IFSC, 25-28 North Wall Quay, Dublin 1, Republic of Ireland
(d) Registered office: 42-46 Fountain Street, Belfast, Northern Ireland, BT1 5EF

16 Other financial assets

	29 September 2019 £ 000	30 September 2018 £ 000
Non-current financial assets		
Derivatives used for hedging	-	59

16 Other financial assets (continued)

	29 September 2019 £ 000	30 September 2018 £ 000
Current financial assets		
Derivatives used for hedging	1,565	1,070

Further details on derivatives can be found in the Britvic plc accounts on pages 95-96.

17 Stock

	29 September 2019 £ 000	30 September 2018 £ 000
Raw materials	24,097	28,406
Finished goods and goods for resale	35,994	28,270
Consumable stores	4,708	7,872
	64,799	64,548

18 Trade and other debtors

	29 September 2019 £ 000	30 September 2018 £ 000
Trade debtors	206,566	190,340
Debtors from group undertakings	125,076	128,796
Loans to group undertakings	190,824	345,012
Prepayments	25,428	24,058
Other debtors	2,080	5,777
Income tax asset	5,103	5
	555,077	693,988

18 Trade and other debtors (continued)

The company operates a discount factoring programme, whereby it agreed to assign, on a renewable basis, certain trade receivables without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IFRS 9 led the company to de-recognise the receivables to the extent of discounted amount received from the factor. The company remains responsible for invoicing and debt recoverability for which it receives remuneration but does not retain control.

Receivables totalling £39.9m were assigned under these programs in 2019 (2018: £32.4m) and as at 2019 year-end, £24.9m (2017: £20.1m) of receivables from customers were de-recognised.

Receivables of £5.1m (2017: £Nil) were settled by customers and are due to be paid to the factoring partner. This is disclosed in note 23 below.

The company takes the following factors into account when considering ECLs for trade receivables:
• Payment performance history;
• External information available regarding credit ratings; and
• Future expected credit losses.

The company has considered its customer base and portfolio and uses a simplified provision matrix to evaluate credit risk exposure on the company's trade and other receivables in entirety, rather than specifying fixed provision rates depending on the number of days that a trade receivable is past due.

The debtors due from group undertakings are non-interest bearing and repayable on demand.

Loans to group undertakings are unsecured, market interest bearing and are repayable on demand.

Details of non-current trade and other debtors
£2,373,000 (2018 :£2,373,000) of operating lease premiums is classified as non current.

19 Cash and cash equivalents

	29 September 2019 £ 000	30 September 2018 £ 000
Cash at bank	18,534	-

20 Share capital

Allotted, called up and fully paid shares

	29 September 2019 No. 000	29 September 2019 £ 000	30 September 2018 No. 000	30 September 2018 £ 000
Ordinary shares of £1 each	45,200	45,200	45,200	45,200

20 Share capital (continued)

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

21 Reserves

Share premium account
The share premium account is used to record the excess of proceeds over the nominal value on the issue of shares.

Revaluation reserve
The revaluation reserve records the surplus created when assets are revalued.

Other reserves
This includes the cash flow hedging reserve which records the effective portion of movements in the fair value of forward exchange contracts, interest rate and cross currency swaps that have been designated as part of a cash flow hedge relationship. All reserves are distributable.

22 Loans and borrowings

	29 September 2019 £ 000	30 September 2018 £ 000
Current loans and borrowings		
Bank overdrafts	-	303
Amounts due to group undertakings	68,562	246,768
	68,562	247,071

Loans to group undertakings are unsecured, market interest bearing and are repayable on demand.

23 Trade and other creditors

	29 September 2019 £ 000	30 September 2018 £ 000
Trade creditors	170,494	178,868
Accrued expenses	53,026	44,455
Amounts due to group undertakings	23,509	34,717
Social security and other taxes	51,160	44,418
Other creditors	7,503	15,501
Derivative financial instruments	402	369
Contract liabilities	68,626	66,733
	374,720	385,061

23 Trade and other creditors (continued)

The company operates a supply chain factoring programme (reverse factoring), under which certain portfolio of suppliers are able to collect the amount owed from the company at a date earlier than the due date, from the company's factor. The company de-recognises the trade payables factored under such arrangements and recognises a separate liability payable to the Factor.

The liability owed to the Factor is presented within the trade payables and amounted to £19.9m as at 2019 period end (2018: £24.6m).

Within Other Creditors there is a balance of £5.1m (2018: Nil) which relates to amounts collected on behalf of the company's trade receivable factoring partner, as explained in note 18 above.

The creditors due from group undertakings are non-interest bearing and repayable on demand.

24 Creditors: Amounts falling due after more than one year

	29 September 2019 £ 000	30 September 2018 £ 000
Derivative financial instruments	-	77

25 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	Land and buildings 29 September 2019 £ 000	Land and buildings 30 September 2018 £ 000
Within one year	5,978	5,501
In two to five years	20,055	18,236
In over five years	33,744	34,040
	59,777	57,777

	Other 2019 £ 000	Other 2018 £ 000
Within one year	3,107	3,682
In two to five years	4,603	4,874
In over five years	56	2
	7,766	8,558

26 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £10,240,047 (2018 - £9,812,948).

Defined benefit pension schemes
Britvic Pension Plan

The company's principal pension scheme for GB employees, the Britvic Pension Plan ('BPP') has both a final salary defined benefit section and defined contribution section. The defined benefit section was closed to new members from 1 August 2002 and closed to future accrual for active members from 1 April 2011, with active members moving to the defined contribution section for future service benefits.

The BPP is a limited partner of Britvic Scottish Limited Partnership ('Britvic SLP'), which in turn is a limited partner in both Britvic Property Partnership ('Britvic PP') and Britvic Brands LLP.

Certain properties and brands have been transferred to Britvic PP and Britvic Brands LLP respectively, all of which are leased back to the company. The company retains operational flexibility over the properties and brands including the ability to substitute the properties and brands held by Britvic PP and Britvic Brands LLP respectively. The BPP is entitled to a share of the profits in Britvic SLP until 2026. At the end of this period, the partnership capital allocated to the BPP will be changed to an amount equal to any funding deficit of the BPP at this time, up to a maximum of £105m.

Contributions are paid into the defined benefit section of the BPP as determined by the Trustee, agreed by the company and certified by an independent actuary in the Schedule of Contributions. In addition to the expected partnership income of at least £5m per annum, the group will make a payment to the BPP of £15m by 31 December 2020. An additional contribution of £15m will be made in the year ended 30 September 2020 due to the formal actuarial valuation in 2016 revealing these contributions are necessary to help return the BPP to full funding on a self-sufficiency basis by 31 March 2026. During this year £20m of additional contributions were paid to the BPP, of which £15m was paid by the group and £5m relates to income received from the pension funding partnership ('PFP') structure.

The company's management is currently in the process of completing the triennial valuation as at 31 March 2019. The outcome of these activities may have an impact on the level of future cash contributions made by the company.

The contributions required are determined based on the secondary funding deficit revealed at the last triennial actuarial funding valuation, currently at 31 March 2016. The secondary funding deficit will always differ from the accounting valuation surplus/deficit above.

26 Pension and other schemes (continued)

Accounting standards require all companies to discount their projected cashflows at a standard rate based on high quality corporate bonds and not to allow for prudence when calculating the value of the liabilities. This is in contrast to the funding valuation where prudence is a requirement when assessing the value of the liabilities. This, in combination with the Plan being invested in relatively low risk assets as part of the funding strategy agreed, results in the funding valuation being expected to show a higher deficit than the accounting valuation. The benefits of adopting a low risk approach to funding is that there is less volatility expected in the Company's future contribution requirements.

In addition when comparing the surplus/deficit, consideration of the different dates of the valuations need to be taken into account. The accounting valuation is assessed at the current balance sheet date of 29 September 2019, whereas the contributions agreed were based on the funding valuation at 31 March 2016.

The company also has a secured unfunded, unregistered retirement benefit scheme called The Britvic Executive Top Up Scheme ('BETUS') which provides benefits for members who have historically exceeded the Earnings Cap, or the Lifetime Allowance whilst members of the defined benefit section of the BPP. BETUS closed to future accrual on 10 April 2011 which coincided with the closure of the defined benefit section of the BPP.

Contributions payable to the pension scheme at the end of the period are £Nil (2018 - £Nil).

The expected contributions to the plan for the next reporting period are £Nil.

IFRIC 14 is applicable for accounting periods commencing on or after 1 January 2009. For the GB schemes the Trustee of the Plan previously made a change to the Rules of the Plan to clarify that any surplus may be returned directly to the Company without prior Trustee approval on the death or leaving of the final member of the Plan. Furthermore, any such refund is treated as income for tax purposes. These two points should mean that IFRIC 14 does not have any practical impact on the Plan and so no allowance for it (and, in particular, no allowance for the asset ceiling) has been made in the calculated figures. BETUS is treated as unfunded for the purposes of IAS 19, so IFRIC 14 is not applicable.

Risks

The main risk that the company runs in respect of the defined benefit schemes is that additional contributions are required to pay for the benefits if investment returns are not sufficient. The contributions required for the schemes are in general determined at each triennial actuarial funding valuation. The key factors that will affect the need for additional contributions include levels of long-term inflation and interest rates and the assessment of how long members are expected to live, along with the level of investment return achieved. The level of investment return achieved is subject to a range of risks typical of the asset classes held, in particular market risk on equities, credit risk on corporate bonds and exposure to the property market. The discount rates used to calculate the liabilities are set by reference to yields on high quality corporate bonds. There is therefore a mismatch between the assets held and the way that the liabilities are calculated, meaning that the net balance sheet position disclosed under IAS 19 could fluctuate.

For the BPP, the trustee holds the power to determine the contribution rates that the company should pay, although the group fully uses the opportunity to make representation to the trustee on this point.

26 Pension and other schemes (continued)

The trustee of the BPP agreed to implement an investment strategy which consists of a diverse range of fixed interest and index-linked securities, which will provides a significant hedge against inflation and interest rate risk. The intention is to continue to remove equities from the investment portfolio to further reduce investment risk.

The funding partnership mitigates the risk that additional cash contributions will be required after 31 March 2026, as the partnership will pay up to £105m to remove any funding deficit at 31 March 2026.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	29 September 2019 £ 000	30 September 2018 £ 000
Fair value of scheme assets	1,016,790	842,996
Present value of scheme liabilities	(779,686)	(658,220)
Defined benefit pension scheme surplus	237,104	184,776

Scheme assets

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

	29 September 2019 £ 000	30 September 2018 £ 000
Fair value at start of period	842,996	867,620
Interest income	24,669	22,960
Return/(losses) on plan assets, excluding amounts included in interest income	165,566	(10,115)
Employer contributions	15,000	14,866
Benefits paid	(31,441)	(52,335)
Fair value at end of period	1,016,790	842,996

26 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	29 September 2019 £ 000	30 September 2018 £ 000
Cash and other assets	10,300	14,800
Corporate bonds	415,800	374,900
Real estate	30,200	30,600
Liability-driven investments	430,800	295,200
Pension Funding Partnership assets	110,106	103,796
Overseas equities	19,584	23,700
	1,016,790	842,996

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices.

Liability-driven investments are a portfolio of assets used in the GB scheme to hedge the the exposure to changes in interest rates and inflation. It consists of equities, fixed interest gilts and index linked gilts including leveraged gilt funds. The fair value of these assets is derived from quoted market prices of the underlying funds held. These funds are held as part of the strategy by the trustees of the GB scheme to invest in low risk assets that provide a hedge against interest rates and inflation.

Scheme liabilities

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

	29 September 2019 £ 000	30 September 2018 £ 000
Present value at start of period	658,220	726,134
Past service cost	5,886	-
Actuarial (gains) arising from changes in demographic assumptions	(13,219)	(4,605)
Actuarial (gains) and losses arising from changes in financial assumptions	139,748	(29,824)
Actuarial gains arising from experience adjustments	1,414	-
Interest cost	19,078	18,850
Benefits paid	(31,441)	(52,335)
Present value at end of period	779,686	658,220

26 Pension and other schemes (continued)

Following the Lloyds GMP equalisation case in October 2018, which ruled that treatment of men and women be brought in line for schemes with a guaranteed minimum pension, the vast majority of UK-based defined benefit schemes will need to recalculate member benefits. The impact of the GMP equalisation is £5,886,000 which has been recognised as a past service costs in the current period. The weighted average duration of the liabilities at 29 September 2019 was 20 years (2018: 21 years).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	29 September 2019 %	30 September 2018 %
Discount rate	1.80	2.95
Inflation	3.05	3.25

The assumption for pension increases (LPI) is 1.80% to 2.85% (2018: 1.90% to 3.00%).

Post retirement mortality assumptions

	29 September 2019 Years	30 September 2018 Years
Current pensioners (at age 65) - male	21.00	21.50
Current pensioners (at age 65) - female	23.60	24.00
Future pensioners currently aged 45 (at age 65) - male	22.40	22.90
Future pensioners currently aged 45 (at age 65) - female	25.10	25.60

Amounts recognised in the income statement

	29 September 2019 £ 000	30 September 2018 £ 000
Amounts recognised in operating profit		
Past service cost	(5,886)	-
Net interest	5,591	4,110
Recognised in arriving at operating profit	(295)	4,110
Total recognised in the income statement	(295)	4,110

26 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	29 September 2019 £ 000	30 September 2018 £ 000
Actuarial gains and losses arising from changes in financial and demographic assumptions	(127,943)	34,429
Return/(losses) on plan assets, excluding amounts included in interest income	165,566	(10,115)
Amounts recognised in the Statement of Comprehensive Income	37,623	24,314

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	29 September 2019			30 September 2018		
Adjustment to discount rate	**+ 0.5% £ 000**	**0.0% £ 000**	**- 0.5% £ 000**	**+ 0.5% £ 000**	**0.0% £ 000**	**- 0.5% £ 000**
Present value of total obligation	(698,786)	(779,686)	(853,168)	(594,520)	(658,220)	(731,220)

	29 September 2019			30 September 2018		
Adjustment to rate of inflation	**+ 0.25% £ 000**	**0.0% £ 000**	**- 0.25% £ 000**	**+ 0.25% £ 000**	**0.0% £ 000**	**- 0.25% £ 000**
Present value of total obligation	(803,886)	(779,686)	(761,786)	(676,720)	(658,220)	(640,420)

	29 September 2019		30 September 2018	
Adjustment to longevity rate assumption	**+ 1 Year £ 000**	**None £ 000**	**+ 1 Year £ 000**	**None £ 000**
Present value of total obligation	(815,286)	(779,686)	(681,420)	(658,220)

27 Share-based payments

The Britvic Share Incentive Plan ('SIP')

Scheme description

The SIP is an all-employee HMRC approved share plan open to employees based in GB. Employees are entitled to receive the annual free share award, where granted by the group, provided they are employed by the company on the last day of each financial year and on the award date. Employees can't sell these shares for three years from their date of award. There are no cash settlement alternatives. Employees also have the opportunity to invest up to £138 every 4 weeks (£1,800 per year) through the partnership share scheme. This is deducted from their gross salary. Matching shares are offered on the basis of one free matching share for each ordinary share purchased with a participant's savings, up to a maximum of £50 (2018: £50) per four week pay period.

Awards made during the period are shown in the table below. The fair value of these awards is equivalent to the intrinsic value of the shares.

	2019 No. of shares	2019 Weighted average fair value (p)	2018 No. of shares	2018 Weighted average fair value (p)
Annual free shares award	284,035	839	325,052	792
Matching shares award - 1 free share for every ordinary share purchased	86,131	866	101,665	759

The Britvic Executive Share Option Plan ('ESOP')

Scheme description

The ESOP allows for options to buy ordinary shares to be granted to executives. The option price is the average market price of Britvic plc's shares on the three business days before the date of grant. Options become exercisable on the satisfaction of the performance condition and remain exercisable until ten years after the date of grant.

Options granted in 2019
The performance condition requires the increase in EPS of Britvic plc of 3% – 8% pa compound over a three year performance period for the options to vest. If the EPS growth of Britvic plc is 3%, 20% of the options will vest, with full vesting at 8% EPS growth. Straight-line apportionment will be applied between these two levels to determine the number of options that vest and no options will vest if the EPS growth is below the lower threshold.

27 Share-based payments (continued)

Options granted in 2018
Options granted in 2018 were as per the three awards in 2019 outlined above.

In some circumstances, at the discretion of the company, an option holder who exercises his/her option may receive a cash payment rather than the ordinary shares under option. The cash payment would be equal to the amount by which the market value of the ordinary shares under option exceeds the option price. However, it is expected that this plan will be equity-settled and as a consequence has been accounted for as such.

	2019 No. of shares	2018 No. of shares
Exercised	254,947	238,856
Outstanding	4,078,671	4,486,465

The weighted average share price at the date of exercise for share options exercised during the period was 862.4p (2018: 792.1p).

The share options outstanding as at 29 September 2019 had a weighted average remaining contractual life of 5.6 years (2018: 6.5 years) and the range of exercise prices was 221.0p - 902.0p (2018: 221.0p - 810.0p).

The weighted average fair value of options granted during the period was 101.5p (2018: 116.7p).

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking account of the terms and conditions upon which the options were granted.

27 Share-based payments (continued)

The Britvic Performance Share Plan ('PSP')

Scheme description

The PSP allows for awards of ordinary shares or nil cost options to be made to selected employees with vesting subject to the satisfaction of performance conditions, where different performance conditions apply to different groups of employees. Awards up to and including 2008, and 2013 and later were made in respect of ordinary shares. Awards granted between 2009 and 2011 were nil cost options. Nil cost options remain exercisable until 7 or 10 years after the date of grant for employees based in Ireland and UK respectively, whereas awards of ordinary shares are exercised when vested.

Awards granted in 2019
Three awards were granted in 2019. The first award is split between the senior leadership team and the senior management team. The performance condition applied to awards granted to members of the senior leadership team is divided 75% and 25% between EPS and the total shareholder return (TSR) performance conditions respectively. EPS is the only condition applied to awards granted to senior management team. The EPS condition is the same as described in the ESOP section for options granted in 2015. The TSR condition measures the company's TSR relative to a comparator group (consisting of 16 companies) over a three year performance period. The awards will not vest unless the company's position in the comparator group is at least median. At median 20% will vest, rising on a straight-line basis to 100% vesting at upper quartile. The performance conditions are assessed for Britvic plc.

The second award was granted to members of the senior management team. EPS is the only condition applied to awards granted to senior management team. In some circumstances, at the discretion of the company, vested awards may be satisfied by a cash payment rather than a transfer of ordinary shares. However, it is expected that this plan will be equity-settled and as a consequence has been accounted for as such.

The third award is an exceptional award under the Performance Share Plan and has been awarded to selected employees. The performance condition applied to awards granted is continued employment for three years from date of grant.

Awards granted in 2018
Awards granted in 2018 were as per the three awards in 2019 outlined above.

	2019 No. of shares	2018 No. of shares
Exercised during the period	8,212	69,917
Outstanding at the end of the period	2,705,373	3,088,495

28 Provisions for liabilities and charges

	52 weeks ended 29 September 2019 £ 000	52 weeks ended 30 September 2018 £ 000
Restructuring provision	3,799	4,522
Deferred tax liabilities (Note 12)	43,875	32,606
	47,674	37,128

	Restructuring provision £ 000
At 1 October 2018	4,522
Additional provisions	5,949
Provisions used	(6,672)
At 29 September 2019	3,799

Restructuring provisions at 29 September 2019 and 30 September 2018, primarily relate to contract termination costs, consultation fees and employee termination benefits, recognised by the group following the implementation of cost initiatives announced in 2016. These costs include provisions for the closure of the Norwich site as announced in October 2017.

29 Intercompany loan waivers

During the 52 week period ended 29 September 2019 Britvic Group management undertook an exercise to simplify the group structure by reducing the net assets of several group companies to nil, such that these companies will be dormant from 30 September 2019. As a result, the related intercompany balances within Britvic Soft Drinks Limited (the Company) were impacted as follows;

On 12 April 2019, a loan balance amounting to £108,841,000 owed from Britannia Soft Drinks Limited, immediate parent of the Company, was waived by the Company. This loan waiver was considered a deemed distribution by the Company to its immediate parent and is therefore accounted for within equity.

Additionally, an intercompany receivable balance of £1,174,000 owed from Robinsons Soft Drinks Limited, a fellow subsidiary company, was written off in the year. This was considered a deemed distribution made by the Company to its ultimate parent, Britvic plc, and is therefore accounted for within equity.

On 25 September 2019, a loan balance amounting to £178,310,000 owed to Britvic International Investment Limited (BIIL), a fellow subsidiary company, net of an intercompany receivable of £557,000 was waived by BIIL in favour of the Company. The net amount of £177,753,000 was considered a capital contribution made by the ultimate parent, Britvic plc, to the Company and is therefore accounted for within equity.

These transactions are included in the Profit and loss account reserve within equity and do not have any impact on the future distributable reserves of the Company.

30 Dividends

In addition to a deemed distribution of £108,841,000 and £1,174,000 as described in note 29 above, during the period, a dividend of £100,000,000 was paid by the Company to its immediate parent, Britannia Soft Drinks Limited (2018: £nil). The directors do not recommend payment of a final dividend.

31 Commitments

The total amount contracted for but not provided in the financial statements was £57,675,000 (2018 - £20,870,000). This relates to the acquisition of new plant and machinery, of which £52m relates to the CHP plant.

At 29 September 2019, the company has an annual commitment expiring after 3 years to pay £16,024,000 (2018: £16,024,000) for use of brands to a fellow group undertaking.

The Britvic Executives Top-Up Scheme (Scheme) is an unapproved pension arrangement that provides top-up pensions for certain Britvic senior executives. There are no assets in the Scheme and the benefits are paid by the employer as and when they arise. The liabilities are secured by means of a charge on the National Distribution Centre property in the event that the employer is unable to pay the benefits.

31 Commitments (continued)

On 26 October 2018, the High Court ruled that Lloyds Banking Group must equalise the guaranteed minimum pensions (GMP) for men and women. The judgement is likely to have an impact on the liabilities of the company's pension schemes. The company has started to work through the impact of this judgement with the schemes' actuaries. Based on the approach used in recent buy-outs of pension schemes the expected impact for all UK schemes affected would be in the region of 1-3% of scheme liabilities depending on the individual characteristics of the pension scheme. There is therefore a risk that the schemes liabilities for the company could increase by c.£7m - £20m. The impact of the GMP equalisation has been quantified (£5,886,000) and accounted for during the accounting period ended 29 September 2019.

32 Contingent liabilities

The company has assigned its interest in certain leasehold properties to other tenants. It remains liable, however, for rentals due to the landlord for any defaults on the part of these tenants. It is not practical to estimate the amount or timing of rentals that may arise as a result of default.

The company has guaranteed the bank facilities of its ultimate parent, Britvic plc, to the extent of £400,000,000 (2018: £400,000,000), of which £67,000,000 was utilised at 29 September 2019 (2018: £58,000,000). In addition, the company is guarantor to the United States Private Placement ('USPP') debt of Britvic plc, to the extent of £614,500,000 (2018: £707,600,000), of which £614,500,000 was outstanding at 29 September 2019 (2018: £707,600,000).

33 Parent and ultimate parent undertaking

The immediate parent undertaking of Britvic Soft Drinks Limited is Britannia Soft Drinks Limited, incorporated in the United Kingdom and registered in England and Wales.

The smallest and largest group of which the company is a member and for which group financial statements are prepared, is Britvic plc incorporated in the United Kingdom and registered in England and Wales.

Britvic plc is the ultimate parent undertaking of Britvic Soft Drinks Limited. The consolidated financial statements of Britvic plc are available to the public and may be obtained from Breakspear Park, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4TZ or at www.britvic.com.

Britvic plc is both the smallest and largest group in which the results of Britvic Soft Drinks Limited are included and for which group accounts are drawn up.