

Britvic plc Preliminary Results – 29 November 2017

For the 52 weeks ended 1 October 2017.

“A strong performance delivered by the successful execution of our strategy”

Group Financial Headlines:

- Revenue increased 7.7% to £1,540.8m with organic revenue** up 2.5%
- Adjusted EBITA* increased 5.1% to £195.5m, with organic adjusted EBITA* up 5.6%
- Organic adjusted EBITA margin* increased 30bps
- Profit after tax decreased 2.5% to £111.6m, including £24.7m of planned costs related to the business capability programme
- Adjusted free cash flow* of £54.5m, an increase of £43.6m
- Adjusted earnings per share* increased 7.3% to 52.9p, resulting in a full year dividend increase of 8.2%

Strategic highlights:

- 5.4% of total revenue now from innovation (FY16: 4.0%)
- Successful management of cost inflation through disciplined revenue management and cost control
- Bela Ischia and East Coast acquisitions completed, will exceed planned synergies
- 41% of group revenue now generated outside of GB
- £8m in-year benefits from Business Capability Programme, including £3m from the investment in our GB supply chain, ahead of previous guidance

	52 weeks ended 1 October 2017 £m	53 weeks ended 2 October 2016 £m	% change Actual Exchange Rate	% change Organic Constant Exchange Rate **
Revenue	1,540.8	1,431.3	7.7%	2.5%
Adjusted EBITA*	195.5	186.1	5.1%	5.6%
Adjusted EBITA margin*	12.7%	13.0%	(30)bps	30bps
Profit after tax	111.6	114.5	(2.5)%	
Basic EPS	42.4p	43.8p	(3.2)%	
Adjusted EPS*	52.9p	49.3p	7.3%	
Full year dividend per share	26.5p	24.5p	8.2%	
Adjusted net debt/EBITDA	2.0x	1.8x	(0.2)x	

* Items marked with an asterisk throughout this document are non-GAAP measures, definitions and relevant reconciliations are provided in the Glossary on page 11.

** Organic constant exchange rate adjusts for the impact of Bela Ischia, an additional week in 2016 and constant currency. Detailed adjustments are shown on pages 24 to 26.

Simon Litherland, Chief Executive Officer commented:

“Britvic has again demonstrated the resilience of our business, delivering another strong set of results. We have grown both organic revenue and margins whilst continuing to progress our strategic priorities. I am particularly encouraged that we have increased the proportion of revenue generated from innovation and accelerated the returns from the business capability programme.

While April 2018 brings uncertainty with the introduction of the Soft Drinks Industry Levy in GB and Ireland, we are well placed to navigate it thanks to the strength and breadth of our brand portfolio and our exciting marketing and innovation plans. This, combined with our continued focus on revenue and cost management, means we remain confident of making further progress next year.”

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There will be a live webcast of the presentation given today at 09:00am by Simon Litherland (Chief Executive Officer) and Mathew Dunn (Chief Financial Officer). The webcast will be available at www.britvic.com/investors with a transcript available in due course.

Notes to editors

About Britvic

Britvic is one of the leading branded soft drinks businesses in Europe. The company combines its own leading brand portfolio including Fruit Shoot, Robinsons, Tango, J2O, Teisseire and MiWadi with PepsiCo brands such as Pepsi, 7UP and Mountain Dew Energy which Britvic produces and sells in GB and Ireland under exclusive PepsiCo agreements.

Britvic is the largest supplier of branded still soft drinks in Great Britain ("GB") and the number two supplier of branded carbonated soft drinks in GB. Britvic is an industry leader in the island of Ireland with brands such as MiWadi and Ballygowan, in France with brands such as Teisseire and Pressade and in Brazil with Maguary and Dafruta. Britvic is growing its reach into other territories through franchising, export and licensing. Britvic's management team has successfully developed the business through a clear strategy of organic growth and international expansion based on creating and building scale brands. Britvic is listed on the London Stock Exchange under the code BVIC and is a constituent of the FTSE 250 index.

Cautionary note regarding forward-looking statements

This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules and applicable law, Britvic undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

Market data

GB take-home market data referred to in this announcement is supplied by Nielsen and runs to 30 September 2017. ROI take-home market data referred to in this announcement is supplied by Nielsen and runs to 8 October 2017. French market data is supplied by IRI and runs to 17 September 2017.

Next scheduled announcement

Britvic will publish its quarter one trading statement on 31 January 2018.

Chief Executive Officer's Strategic Review

This year we have continued to make good progress delivering our long-term strategic goals. The challenges we face in all our markets have been well documented, however, our continued focus on meeting consumer needs, successfully executing our commercial plans and driving cost efficiency has translated into a strong full year performance. We have delivered revenue and margin growth and our adjusted EBITA increased by 5.1%, enabling us to deliver an 8.2% increase in the full year dividend.

Generate profitable growth in our core markets

GB

The GB soft drinks market, as measured by Nielsen, has for the first time in several years seen value growth ahead of volume. Thanks to disciplined revenue management we have led the value growth in the soft drinks category and successfully protected our profitability in response to rising costs driven by underlying cost inflation and the weakening of sterling. Margins improved in the second half of the year following the implementation of revenue management changes.

In the carbonates category, we have continued to focus on no and low-sugar offerings. Despite a highly competitive grocery market, Pepsi MAX has continued to gain volume and value share and we have seen an excellent performance from the R Whites brand, following the introduction of a premium range last year. In GB stills, whilst we have seen a decline in revenue, our performance trajectory has improved year on year and, encouragingly, we have returned to volume growth. Robinsons and Fruit Shoot have faced pricing pressure in grocery, largely due to aggressive private label and branded competition. Whilst we anticipated a weaker final quarter, it was worse than expected due to the poor weather in July and August. Warm weather during the school holidays is particularly beneficial to our portfolio of still brands.

We have continued to benefit from a strong performance in our portfolio of immediate refreshment packs, while in the leisure channel we have won or retained major accounts such as Mitchells & Butlers, Marston's and KFC.

Our recent innovations, which we believe offer significant future growth opportunities, have performed well and now represent 5.4% of total revenue. Purdey's, a healthier, more natural energy drink, is resonating with consumers and increased its retail value by 55% this year. In the second half of the year we launched Robinsons 'Refresh'd' and we are really pleased with its early performance, achieving £4m retail sales value in 19 weeks since its launch. This ready-to-drink format offers naturally sourced ingredients and no added sugar, enabling consumers to enjoy tasty, healthy hydration at only 55 calories per bottle.

France

The soft drinks market, as measured by IRI, has remained subdued, reflecting both the poor summer weather and the continued impact of the consolidation of procurement by grocery retailers. Despite these headwinds, our revenues increased, driven by the growth of our branded portfolio. We have focused our juice brand marketing on the organic Pressade brand and have seen consumers respond positively to the introduction of the 'Bonjour' range of breakfast time juices. In addition, Fruit Shoot has continued to grow, benefiting from the recent introduction of new flavour variants and the launch of a higher-juice Fruit Shoot range called Fruizeo, that uses spring water and has no added sugar.

Ireland

The year has seen continued success in Ireland, with growth in both our own brand portfolio and the Counterpoint wholesale business. Growth in Counterpoint has been further boosted by additional business in Dublin following the successful completion of the acquisition of East Coast in January. Our owned brands, including Ballygowan and MiWadi, have grown whilst 7UP declined in a competitive lemon and lime category.

Realise global opportunities in kids, family and adult categories

After a very successful first year in Brazil, we have seen the well-publicised macro environment challenges have an adverse effect on consumer spending and FMCG categories. Our focus has been two fold. Firstly, we have looked to protect margins in the short term to ensure our business is well positioned now and for the future. We have increased prices to offset high cost inflation, yet continued to take share thanks to our strong in-store execution. Secondly, we have continued to invest in the long-term opportunities we see; we continued to expand our brand portfolio, including continuing the roll out of Fruit Shoot, and we have extended our geographic reach through the acquisition of Bela Ischia, where we will exceed the planned R\$10m cost synergies. We believe we are taking the right actions to build a strong, sustainable position for future long-term growth.

We continue to invest in our international business for long-term growth, and our efforts to improve the profitability of the business unit are delivering results. In the United States Fruit Shoot has made steady progress this year. We continue to work with PepsiCo to grow the presence of singles outside of the convenience & gas channel into areas such as foodservice and leisure. In the grocery channel, we are now lapping the first year of multi-pack in market. We have retained key listings and retailer feedback has been positive as we head into year two. The focus is to ensure that we deliver the best experience in outlet. Alongside this we are working behind the scenes to optimise the supply chain framework to improve profitability. To date we have seen enough proof points to support our belief that there is a meaningful opportunity for us to invest in, but is still too early to call it a long-term success.

Continue to step-change our business capability

We are now two years into the three year business capability programme and this year we have seen a significant amount of progress. Our Leeds site is now close to completion, with both the big and small PET lines up and running and the automation of the new warehouse due for completion in the coming months. Our London site is now fully operational with a new flexible PET line and on-site warehouse completed. The site that has seen the most change this year is Rugby, where we have installed three new can lines and started the groundworks for the new warehouse and aseptic line that will come on-stream next year. We are ahead of schedule on the delivery of benefits, with £3m feeding through to the bottom line in 2017.

In October, we announced the proposed closure of our Norwich site in 2019. Subject to completion of consultation, production of Robinsons and Fruit Shoot is then proposed to transfer to our other GB sites, with additional PET lines proposed to be installed to accommodate this. We are fully committed to treating our employees fairly and with respect, and will be providing a full support package including redeployment, assistance to find jobs elsewhere and redundancy packages.

Upon completion of the proposed works in early 2019, we will then be in a position to realise the full benefits of the programme from 2020 in line with previously stated guidance. As well as greater production efficiency, we will benefit from reduced distribution costs and will be able to unlock a working capital benefit by carrying lower inventory. Free cash flow should accelerate significantly, as capital expenditure reduces to more normal levels from 2019 and benefits continue to accrue. The benefits go beyond cost savings and lower stock levels, as this state of the art network provides a broader range of pack sizes and configurations to enable our commercial teams to participate more effectively in the market. We continue to roll out the programme to other business units, with the closure of our Nangor Road distribution centre in Ireland and the outsourcing of logistics, and the saving of over £5m of overhead cost across the Group.

Build trust and respect in our communities

Being trusted and respected in our communities has been a core pillar of our strategy since 2013. We set ourselves stretching 2020 goals, reflecting the issues we face as a business and as a society more broadly. This year we have taken the opportunity to review our sustainable business programme to ensure that it is focused on the issues that matter most to our business and to our stakeholders. The result of this is a programme which focuses on three key areas where we believe we can make a real difference – Healthier People; Healthier Communities; and Healthier Planet. As part of our review, we have decided that from this year we will embed our sustainable business report into our Annual Report, reflecting the importance we attach to growing Britvic in a way that builds trust and respect with our stakeholders.

Helping consumers make healthier choices has been a key plank of our sustainable business strategy since 2013. We have continued to make progress in this area through our three-pronged approach: reformulation with no compromise on taste or quality, through which we have removed over 20 billion calories from GB diets on an annualised basis; innovation, where our pipeline is heavily weighted towards low/no-sugar drinks which comprised 68% of all projects across the Group; and marketing responsibly through our Responsible Marketing Code, where we do not advertise high sugar products to under 16s and have led all advertising in relation to Pepsi with sugar-free MAX since 2005. By next April, 72% of our total portfolio and 94% of our owned brands will be below or out of scope of the Soft Drinks Industry Levy in GB and 69% of our total portfolio and 79% of our owned brands in Ireland.

Helping communities to thrive through being a good employer and good neighbour is the second plank of our sustainable business programme. This year our Great Place to Work Trust Index – our measure of how our employees feel about working at Britvic – rose for the fourth consecutive year to 75%.

We have focused on minimising our impact on the environment through efficiency measures and new technology as part of our investment in the GB supply chain. Once fully commissioned, our new lines will reduce our water and energy consumption, for example in our East London factory the new PET line runs at twice the capacity of the older lines and is 30% more energy efficient. We also eliminated over 300 tonnes of plastic bottle packaging in GB through our supply chain investment programme in 2017.

Outlook

We have again demonstrated our ability to deliver both our short-term financial goals and our long-term strategic priorities in the face of a challenging external environment. 2018 brings the introduction of the Soft Drinks Industry Levy in GB and Ireland. We recognise the significance of this event for the industry and the high level of uncertainty it will create in the short term. However, we have prepared well and, with our great portfolio of brands and our strong marketing and innovation plans, we believe we are well placed to navigate it. This, combined with our continued focus on revenue and cost management, including the benefits of the business capability programme, mean, we feel confident of delivering further progress next year. Further forward, as the business capability programme approaches completion, we will see additional cost and cash flow improvements, creating a strong platform for an exciting future for Britvic.

Chief Financial Officer's Review

Overview

In the period, we sold over 2.3 billion litres of soft drinks, an increase of 1.2% on the previous year, with Average Realised Price (ARP*) of 63.3p, increasing by 1.6% on a constant currency basis. Revenue was £1,540.8m, an increase of 7.7% (AER) compared to last year and 2.5% on an organic constant currency basis¹. Adjusted EBITA* increased 5.1% (AER) to £195.5m, and adjusted EBITA* margin decreased 30bps (AER). Organic adjusted EBITA margin¹, on a constant currency basis, increased by 30bps. Profit after tax decreased 2.5% to £111.6m, including £24.7m of planned costs related to the business capability programme.

GB carbonates

	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 ¹ £m	% change
Volume (million litres)	1,281.5	1,264.3	1.4
ARP* per litre	48.2p	47.1p	2.3
Revenue	617.8	595.7	3.7
Brand contribution*	246.6	244.7	0.8
Brand contribution margin*	39.9%	41.1%	(120)bps

GB carbonates generated strong growth in the period as both volume and ARP increased. Pepsi, led by no-sugar MAX, was the main driver of growth and increased its market volume and value share in a competitive cola category. R Whites launched a premium range in 2017, leveraging its heritage credentials and a new formulation, and delivered revenue growth of over 12%. ARP increased, in part due to the implementation of new promotional price points in the off-trade. In addition, a 10% increase in revenue from 'on-the-go' consumption packs had a positive impact on price/mix. Brand contribution margin declined 120bps (H1: -220bps). Margins were impacted by increased A&P investment, cost and foreign exchange pressures as well as increased sourcing of product from Ireland as we managed through our line changes in the supply chain. The second half of the year benefited from the changes we made to our price and promotions framework in the first half.

GB stills

	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 ¹ £m	% change
Volume (million litres)	359.5	357.6	0.5
ARP* per litre	79.3p	83.7p	(5.3)
Revenue	285.2	299.2	(4.7)
Brand contribution*	125.4	132.8	(5.6)
Brand contribution margin*	44.0%	44.4%	(40)bps

GB stills revenue declined in the year, primarily due to price deflation in Robinsons in a competitive squash category. Robinsons volume was marginally down in the year, reflecting a weaker final quarter against a strong comparative last year. J20 also declined in the year as it transitioned to new promotional price points in the off-trade. Whilst the Fruit Shoot brand was flat, the focus on the Hydro variant resulted in further growth as it captured an increased share of the flavoured water category. The recently launched Robinsons Refresh'd generated £4m retail sales value in its first 19 weeks, broadening the penetration of the brand into 'on-the-go' consumption occasions.

<u>France</u>	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 £m	% change actual exchange rate	% change constant exchange rate
Volume (million litres)	281.0	280.0	0.4	0.4
ARP* per litre	100.6p	87.3p	15.2	2.7
Revenue	282.7	244.5	15.6	3.0
Brand contribution*	84.9	75.9	11.9	(0.6)
Brand contribution margin*	30.0%	31.0%	(100)bps	(110)bps

Following strong performance in the first nine months of the year, the poor late summer weather in France led to a weak soft drinks category performance in the final quarter. The continued focus on the branded portfolio generated a 5% increase in branded revenue, partly offset by a decline in private label. The consolidation of buying groups has continued to create challenges, particularly in syrups category pricing, although pricing improvements were realised in juice in order to protect profitability. Pressade and Fruit Shoot continued to deliver growth, more than offsetting the decline in private label and the subdued syrups performance. However, the weaker performance in the last quarter, combined with increased A&P investment and cost pressures, resulted in a reduction in brand contribution on a constant currency basis, with the growth in juice further impacting margins.

<u>Ireland</u>	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 ¹ £m	% change actual exchange rate	% change constant exchange rate
Volume (million litres)	216.5	209.5	3.3	3.3
ARP* per litre	56.0p	51.1p	9.6	0.2
Revenue	164.7	131.7	25.1	14.1
Brand contribution*	56.7	47.2	20.1	8.4
Brand contribution margin*	34.4%	35.8%	(140)bps	(180)bps

Note: Volumes and ARP include own brand soft drinks sales and do not include factored product sales included within total revenue and brand contribution

Ireland has continued to grow, with both owned brands and Counterpoint wholesale revenue increasing. Owned brand growth was led by the stills portfolio and the range of low and no-sugar products we offer. Counterpoint benefited from an improved offering across its alcohol and snacks range, as well as a benefit from the acquisition of East Coast earlier in the year. The margin decrease is a result of the substantial growth in the sale of third party brands in the wholesale business which only generate a distribution margin.

<u>International</u>	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 £m	% change actual exchange rate	% change constant exchange rate
Volume (million litres)	41.5	41.9	(1.0)	(1.0)
ARP* per litre	138.1p	120.5p	14.6	6.1
Revenue	57.3	50.5	13.5	5.1
Brand contribution*	17.8	9.6	85.4	81.6
Brand contribution margin*	31.1%	19.0%	1,210bps	1,310bps

Note: Concentrate sales are included in both revenue and ARP but do not have any associated volume.

International has continued to generate revenue growth and increase margin. The United States benefited from the launch of Fruit Shoot multi-pack last year, resulting in a 21% increase in revenue. In Benelux, there was a continued focus on improving margin and mix. In Belgium, there was a significant increase in revenue due to the growth of Teisseire, whilst in the Netherlands revenue declined but contribution increased, benefiting from disciplined revenue management and a focus on improving the profitability of promotional sales.

<u>Brazil</u>	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 £m	% change actual exchange rate	% change organic constant exchange rate
Volume (million litres)	186.3	184.6	0.9	(14.2)
ARP* per litre	71.4p	48.5p	47.2	14.1
Revenue	133.1	89.5	48.7	(2.2)
Brand contribution*	28.2	17.5	61.1	7.5
Brand contribution margin*	21.2%	19.6%	160bps	190bps

Brazil has benefited from the acquisition of Bela Ischia in early March and the positive impact of foreign exchange movements. The underlying organic, constant currency performance was impacted by the well-publicised macro-economic challenges in the country. Despite these challenges, brand contribution increased and performance towards the end of the financial year was more encouraging. But the environment remains difficult and the short-term outlook uncertain. The brand contribution increase resulted from our focus on protecting margins in the short-term through price realisation to offset cost inflation despite increased investment in the long-term growth drivers of the business.

<u>Fixed costs – pre-adjusting items</u>	52 weeks ended 1 October 2017 £m	52 weeks ended 25 September 2016 £m	% change actual exchange rate	% change organic constant exchange rate
Non-brand A&P	(10.1)	(12.1)	16.5	17.2
Fixed supply chain	(105.1)	(95.8)	(9.7)	(3.0)
Selling costs	(132.4)	(124.9)	(6.0)	0.5
Overheads and other	(127.2)	(120.6)	(5.5)	1.3
Total	(374.8)	(353.4)	(6.1)	0.3

Total A&P investment

(67.8)

(68.6)

A&P as a % of own brand revenue

4.5%

4.9%

A&P spend declined by £0.8m (AER) and by £3.6m on a constant currency basis. Whilst branded spend decreased marginally, a large element of the reduction was as a result of efficiencies in our non-working A&P spend, which continues to reduce as a percentage of our overall investment. Fixed supply chain costs have increased due to incremental depreciation from our GB investment programme, whilst selling and overheads and other costs have benefited from our rigorous approach to cost control. We took proactive cost action by extending our business capability programme to incorporate £5m of overhead savings in 2017. This includes a flattening of our structure in some areas as well as reducing duplication between our business units through the combination of some roles. Reported fixed costs on a 52 week basis (AER) increased 6.1% due to the inclusion of Bela Ischia and the impact of foreign exchange movements.

Adjusting items

In the period, we accounted for a net charge of £25.9m of pre-tax adjusting items. These include:

- Strategic restructuring – business capability programme of £24.7m;
- Unwind of discount on deferred consideration of £4.9m;
- Acquisition and integration costs of £3.7m;
- Net impairment reversal of intangible asset carrying value of £(2.6)m;
- Fair value gains of £(5.0)m; and
- Net other items of £0.2m

The cash costs of adjusting items pre-tax in the period were a £4.4m inflow, reflecting gains on derivatives received and proceeds from property sales. Further detail on adjusting items can be found on pages 24 to 26.

Interest

The adjusted net finance charge for the 52 week period for the Group was £20.1m, compared with £20.8m (53 week) in the prior year, reflecting the benefits of our refinancing activities in the earlier part of the fiscal year. The reported net finance charge was £24.2m (2016: £24.5m).

Taxation

The adjusted tax charge was £36.3m, which equates to an effective tax rate of 22.0% (2016: 23.0%), primarily resulting from a decrease in UK and French tax rates, beneficial overseas profit mix and fewer losses arising internationally. The reported net tax charge was £27.2m (2016: £37.4m).

Earnings per share (EPS)

Adjusted basic EPS* for the period was 52.9p, up 7.3% on the same period last year. Basic EPS for the period was 42.4p, compared with 43.8p for last year.

Dividends

The Board is recommending a final dividend of 19.3p per share, an increase of 10.3% on the dividend declared last year, with a total value of £50.9m. The final dividend for 2017 will be paid on 5 February 2018 to shareholders on record as at 8 December 2017. The ex-dividend date is 7 December 2017.

Cash flow and net debt

Adjusted free cash flow* was a £54.5m inflow, compared with a £10.9m inflow the previous year. Working capital generated an inflow of £26.0m (2016: £25.8m outflow), benefiting from the reversal of the additional payment run incurred in 2016 due to the additional week last year and a continued focus on working capital management across the business. Inventory costs increased, primarily due to a proactive decision to build stock to mitigate risk from the business capability programme. Capital expenditure was £24.8m higher than last year, driven by the continuation of the transformational business capability programme in GB. Overall adjusted net debt* increased by £86.5m, partly due to the acquisitions of Bela Ischia and East Coast. Adjusted net debt leverage increased to 2.0x EBITDA* from 1.8x last year.

Treasury management

The financial risks faced by the Group are identified and managed by a central treasury department, whose activities are carried out in accordance with Board approved policies and subject to regular Audit and Treasury Committee reviews. The department does not operate as a profit centre and no transaction is entered into for trading or speculative purposes. Key financial risks managed by the treasury department include exposures to movements in interest rates and foreign exchange rates whilst managing the Group's debt and liquidity, currency risk, interest rate risk and cash management. The Group uses financial instruments to hedge against interest rate and foreign currency exposures. At 1 October 2017 the Group had £1,045.0m of committed debt facilities, consisting of a £400.0m bank facility which matures in 2021, and a series of private placement notes with maturities between 2017 and 2032, providing the business with a secure funding platform.

At 1 October 2017, the Group's unadjusted net debt of £589.9m (excluding derivative hedges) consisted of £23.7m drawn under the Group's committed bank facilities, £645.0m of private placement notes, £3.0m of accrued interest and £3.0m of finance leases, offset by net cash and cash equivalents of £82.5m and unamortised loan issue costs of £2.3m. After taking into account the element of the fair value of interest rate currency swaps hedging the balance sheet value of the private placement notes, the Group's adjusted net debt was £502.9m, which compares with £416.4m at 2 October 2016.

Pensions

At 1 October 2017, the Group had IAS 19 pension surpluses in Great Britain and Northern Ireland totalling £40.5m and IAS 19 pension deficits in Ireland and France totalling £9.3m, resulting in a net pension surplus of £31.2m (2 October 2016: net liability of £17.4m). The net surplus has increased primarily due to changes in the financial and demographic assumptions and additional employer contributions made to the GB plan of £20.0m, partially offset by a loss on scheme assets. The defined benefit section of the GB plan was closed to new members on 1 August 2002, and closed to future accrual for active members from 1 April 2011, with new employees being invited to join the defined contribution scheme. The Northern Ireland scheme is only open to future accrual for members who joined before 28 February 2006, and new employees are eligible to join the defined contribution scheme. All new employees in Ireland join the defined contribution plan. The 31 March 2016 actuarial valuation of the GB plan was recently completed. Agreement has been made with the scheme trustee on a number of key principles, including allowing a longer period to fund the deficit and agreeing that no additional contributions will be payable over and above those payments to 2019 agreed at the 2013 valuation. Future contributions beyond 2019 will be on a contingent basis. The Ireland and Northern Ireland Defined Benefit Pension schemes have an investment strategy journey plan to manage the risks as the funding position improves. The GB Pension scheme mainly has credit-type investments and the Trustees have developed proposals to manage the investment risks.

Risk management process

As with any business we face risks and uncertainties. We believe that effective risk management supports the successful delivery of our strategic objectives. The management of these risks is based on a balance of risk and reward determined through assessment of the likelihood and impact as well as the company's risk appetite. The Executive team performs a formal robust assessment of the principal risks facing the company annually, which is reviewed by the Board. Similarly, all business units and functions perform formal annual risk assessments that consider the company's principal risks and specific local risks relevant to the market in which they operate. Risks are monitored throughout the year with consideration to internal and external factors, the company's risk appetite and updates to risks and mitigation plans are made as required. The principal risks that could potentially have a significant impact on our business in the future are set out on pages 29 to 32 of the 2017 Annual Report.

Implementation of IFRS 15: Revenue from Contracts with Customers

Britvic is committed to continually improving both the quality and transparency of its financial reporting and will therefore be early adopting IFRS 15 (Revenue from Contracts with Customers), from the accounting period starting 2 October 2017 with full retrospective application.

IFRS 15 establishes a comprehensive framework for determining and recognising revenue as well as requiring entities to provide users of financial statements with more informative and relevant disclosures. The primary impact for Britvic on implementing IFRS 15 will be a reclassification of certain rebates offered to customers that had previously been recognised as selling and distribution costs to revenue and the reclassification of certain incentives received, from revenue, to cost of sales. Adoption of the standard is expected to have no impact on profit before tax. The impact of this standard on the group if it had been adopted in the current year would have been a reduction in revenue of £110.3m with a decrease in cost of sales of £57.1m, a decrease in selling and distribution costs of £52.3m and a decrease in administration expenses of £0.9m.

Further disclosures will be available on the Group's website in the coming weeks.

1. *The GB and Ireland businesses included an additional week last year in quarter four. This occurs as we operate a 52-week accounting calendar rather than a 365-day calendar, resulting in an additional week in 2016. As a result, this financial year is a 52-week period ending on 1 October 2017. To ensure consistent and comparable reporting the additional week has been excluded from the last year segmental analysis included within this report.*

Glossary

Non-GAAP measures are provided because they are closely tracked by management to evaluate Britvic's operating performance and to make financial, strategic and operating decisions.

Volume is defined as number of litres sold, excluding factored brands sold by Counterpoint in Ireland. No volume is recorded in respect of international concentrate sales.

AER refers to Actual Exchange Rate where variances are calculated on sterling values translated at actual exchange rates

ARP is defined as average revenue per litre sold, excluding factored brands and concentrate sales.

Revenue is defined as sales achieved by the group net of price promotional investment and retailer discounts.

Brand contribution is a non-GAAP measure and is defined as revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Such costs include brand specific advertising and promotion costs, raw materials, and marginal production and distribution costs.

Brand contribution margin is a non-GAAP measure and is a percentage measure calculated as brand contribution, divided by revenue. Each business unit's performance is reported down to the brand contribution level.

Adjusted EBITA is a non-GAAP measure and is defined as operating profit before adjusting items and amortisation. Only amortisation attributable to intangibles related to acquisitions is added back, in the period this is £10.7m (2016: £7.4m). EBITA margin is EBITA as a proportion of group revenue.

Adjusted earnings per share are a non-GAAP measure calculated by dividing adjusted earnings by the average number of shares during the period. Adjusted earnings is defined as the profit/(loss) attributable to ordinary equity shareholders before adjusting items adjusted for the adding back of acquisition related amortisation. Average number of shares during the period is defined as the weighted average number of ordinary shares outstanding during the period excluding any own shares held by Britvic that are used to satisfy various employee share-based incentive programmes. The weighted average number of ordinary shares in issue for adjusted earnings per share for the period was 263.0m (2016: 261.7m).

Adjusted free cash flow is a non-GAAP measure and is defined as net cash flow excluding movements in borrowings, dividend payments and adjusting items.

Adjusted net debt is a non-GAAP measure and is defined as group net debt, adding back the impact of derivatives hedging the balance sheet debt.

Organic is a non-GAAP measure and excludes the impact of the acquisition of Bela Ischia and on a constant currency basis.

Innovation is defined as new launches over the last three years, excluding new flavours and pack sizes of established brands.

Revenue management is a measure and is used to define a range of actions to affect ARP. It includes, but is not limited to, price increases, changes to price promotions and variation of pack size.

Quality distribution is a measure used to describe the placement of products in the appropriate outlets for the specified product.

Retail market value and volume is a measure and is a measure of the recorded sales at the retail point of purchase. This data is typically collated by independent organisations such as Nielsen and IRI from data supplied by retailers.

A&P is a measure of marketing spend including marketing, research and advertising.

Non-working A&P is a measure of marketing spend that is not spent directly on consumer facing activity. It would include, but not limited to, agency fees, research and production costs.

Constant currency is a non-GAAP measure of performance in the underlying currency to eliminate the impact of foreign exchange movements.

Great Place to Work (GPTW) is a methodology process adopted by businesses to measure employee engagement.

CONSOLIDATED INCOME STATEMENT

	Note	52 weeks ended 1 October 2017 £m	53 weeks ended 2 October 2016 £m
Revenue	2	1,540.8	1,431.3
Cost of sales		(724.3)	(659.3)
Gross profit		816.5	772.0
Selling and distribution costs		(443.8)	(402.3)
Administration expenses		(209.7)	(193.3)
Operating profit		163.0	176.4
Finance income	3	2.1	2.4
Finance costs	3	(26.3)	(26.9)
Profit before tax		138.8	151.9
Taxation	4	(27.2)	(37.4)
Profit for the period attributable to the equity shareholders		111.6	114.5
Earnings per share			
Basic earnings per share	5	42.4p	43.8p
Diluted earnings per share	5	42.2p	43.5p

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks ended 1 October 2017 £m	53 weeks ended 2 October 2016 £m
Profit for the period attributable to the equity shareholders	111.6	114.5
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurement gains/(losses) on defined benefit pension schemes	26.7	(58.7)
Deferred tax on defined benefit pension schemes	(4.2)	8.7
Current tax on additional pension contributions	–	3.3
Deferred tax on other temporary differences	0.1	0.2
	22.6	(46.5)
Items that may be subsequently reclassified to profit or loss		
(Losses)/gains in the period in respect of cash flow hedges	(3.2)	68.5
Amounts recycled to the income statement in respect of cash flow hedges	(7.0)	(64.1)
Amounts recycled to goodwill on acquisition of subsidiary	–	10.2
Tax recycled to goodwill on acquisition of subsidiary	–	(2.0)
Deferred tax in respect of cash flow hedges accounted for in the hedging reserve	1.7	(0.7)
Exchange differences on translation of foreign operations	(1.3)	36.5
Tax on exchange differences accounted for in the translation reserve	(6.1)	3.9
	(15.9)	52.3
Other comprehensive income for the period, net of tax	6.7	5.8
Total comprehensive income for the period attributable to the equity shareholders	118.3	120.3

CONSOLIDATED BALANCE SHEET

	Note	1 October 2017 £m	2 October 2016 £m
Assets			
Non-current assets			
Property, plant and equipment	7	461.6	382.4
Intangible assets	7	455.0	417.9
Other receivables		6.7	4.4
Derivative financial instruments	12	69.7	98.6
Deferred tax asset		7.5	6.5
Pension asset	11	40.5	0.6
		1,041.0	910.4
Current assets			
Inventories		146.7	112.7
Trade and other receivables		321.1	317.9
Current income tax receivables		4.5	5.1
Derivative financial instruments	12	17.2	81.0
Cash and cash equivalents		82.5	205.9
		572.0	722.6
Non-current assets held for sale		–	1.4
Total assets		1,613.0	1,634.4
Current liabilities			
Trade and other payables		(472.6)	(437.2)
Interest bearing loans and borrowings	10	(89.7)	(288.1)
Derivative financial instruments	12	(2.7)	(1.1)
Current income tax payable		(12.4)	(13.1)
Provisions		(3.7)	(6.8)
Other current liabilities		(36.7)	(33.1)
		(617.8)	(779.4)
Non-current liabilities			
Interest bearing loans and borrowings	10	(582.7)	(491.7)
Deferred tax liabilities		(51.4)	(53.0)
Pension liability	11	(9.3)	(18.0)
Derivative financial instruments	12	(4.1)	(4.3)
Provisions		(5.0)	(5.9)
Other non-current liabilities		(3.4)	(1.1)
		(655.9)	(574.0)
Total liabilities		(1,273.7)	(1,353.4)
Net assets		339.3	281.0
Capital and reserves			
Issued share capital	8	52.8	52.6
Share premium account		133.9	129.1
Own shares reserve		(3.7)	(3.3)
Other reserves	9	130.5	146.5
Retained earnings/(losses)		25.8	(43.9)
Total equity		339.3	281.0

The financial statements were approved by the board of directors and authorised for issue on 28 November 2017. They were signed on its behalf by:

Simon Litherland

Mathew Dunn

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	52 weeks ended 1 October 2017 £m	53 weeks ended 2 October 2016 £m
Cash flows from operating activities			
Profit before tax		138.8	151.9
Net finance costs		24.2	24.5
Other financial instruments		13.5	(13.6)
Impairment of property, plant and equipment and intangible assets		(2.6)	0.7
Depreciation		40.3	33.2
Amortisation		19.0	16.3
Share based payments		6.3	6.6
Net pension charge less contributions		(22.1)	(25.9)
Increase in inventory		(24.2)	(0.3)
Decrease in trade and other receivables		4.3	10.9
Increase/(decrease) in trade and other payables		41.2	(40.3)
(Decrease)/increase in provisions		(4.9)	3.3
Loss/(profit) on disposal of property, plant and equipment and intangible assets		1.6	(0.3)
Income tax paid		(37.4)	(34.2)
Net cash flows from operating activities		198.0	132.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		17.7	6.7
Purchases of property, plant and equipment		(139.8)	(114.2)
Purchases of intangible assets		(6.9)	(7.7)
Interest received		0.8	1.7
Acquisition of subsidiaries, net of cash acquired	13	(60.3)	(41.2)
Net cash flows used in investing activities		(188.5)	(154.7)
Cash flows from financing activities			
Interest paid, net of derivative financial instruments		(20.8)	(22.2)
Net movement on revolving credit facility	10	(91.4)	104.7
Other interest bearing loans repaid	10	(0.6)	(0.1)
Net repayment of finance leases	10	(0.8)	(0.1)
Acquired debt repaid	10	(2.4)	(38.0)
Partial repayment of USPP Notes	10	(119.6)	–
Issue of 2017 USPP Notes	10	175.0	–
Issue costs paid	10	(0.7)	–
Issue of shares relating to incentive schemes for employees		0.7	5.9
Issue of shares under a non pre-emptive placing, net of costs		–	(1.1)
Purchase of own shares		(5.3)	(2.1)
Dividends paid to equity shareholders	6	(64.9)	(60.9)
Net cash flows used in financing activities		(130.8)	(13.9)
Net decrease in cash and cash equivalents		(121.3)	(35.8)
Cash and cash equivalents at beginning of period		205.9	239.6
Exchange rate differences		(2.1)	2.1
Cash and cash equivalents at the end of the period		82.5	205.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Own shares reserve £m	Other reserves (note 9) £m	Retained earnings/ (losses) £m	Total £m
At 27 September 2015	52.2	123.2	(11.4)	94.1	(46.3)	211.8
Profit for the period	–	–	–	–	114.5	114.5
Other comprehensive income/(expense)	–	–	–	52.3	(46.5)	5.8
	–	–	–	52.3	68.0	120.3
Issue of shares relating to incentive schemes for employees	0.4	5.9	(1.8)	–	–	4.5
Own shares purchased for share schemes	–	–	(3.2)	–	–	(3.2)
Own shares utilised for share schemes	–	–	13.1	–	(12.1)	1.0
Movement in share based schemes	–	–	–	–	7.1	7.1
Current tax on share based payments	–	–	–	–	1.8	1.8
Deferred tax on share based payments	–	–	–	–	(1.4)	(1.4)
Movement in non-distributable profit	–	–	–	0.1	(0.1)	–
Payment of dividend	–	–	–	–	(60.9)	(60.9)
At 2 October 2016	52.6	129.1	(3.3)	146.5	(43.9)	281.0
Profit for the period	–	–	–	–	111.6	111.6
Other comprehensive (expense)/income	–	–	–	(15.9)	22.6	6.7
	–	–	–	(15.9)	134.2	118.3
Issue of shares relating to incentive schemes for employees	0.2	4.8	(4.4)	–	–	0.6
Own shares purchased for share schemes	–	–	(4.8)	–	–	(4.8)
Own shares utilised for share schemes	–	–	8.8	–	(7.9)	0.9
Movement in share based schemes	–	–	–	–	6.1	6.1
Current tax on share based payments	–	–	–	–	0.1	0.1
Deferred tax on share based payments	–	–	–	–	2.0	2.0
Movement in non-distributable profit	–	–	–	(0.1)	0.1	–
Payment of dividend	–	–	–	–	(64.9)	(64.9)
At 1 October 2017	52.8	133.9	(3.7)	130.5	25.8	339.3

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The preliminary consolidated financial information was approved by the board on 28 November 2017.

The preliminary consolidated financial information for the 52 week period ended 1 October 2017, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies are consistent with those described in the 2016 annual report and group financial statements, with the exception of the removal of the separable classification of exceptional items in the consolidated income statement. The preliminary consolidated financial information does not constitute statutory consolidated financial statements as defined by section 434 of the Companies Act 2006.

The annual report and group financial statements for the 52 week period ended 1 October 2017 were approved by the board on 28 November 2017. The report of the auditor on those group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The annual report and group financial statements for 2017 will be filed with the Registrar of Companies in due course.

The annual report and group financial statements for the 53 week period ended 2 October 2016 were approved by the board on 29 November 2016. The report of the auditor on those group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The directors consider that the group has, at the time of approving the group financial statements, adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the preliminary consolidated information.

2. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the company. The acquisitions of Bela Ischia and East Coast during the current period (see note 13) have been included in the Brazil and Ireland segments respectively.

For management purposes, the group is organised into business units and has six reportable segments as follows:

- GB stills – United Kingdom excluding Northern Ireland
- GB carbs – United Kingdom excluding Northern Ireland
- Ireland – Republic of Ireland and Northern Ireland
- France
- Brazil
- International

These business units sell soft drinks into their respective markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on brand contribution. This is defined as revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Such costs include brand specific advertising and promotion costs, raw materials and marginal production and distribution costs. However, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to reportable segments.

Transfer prices between reportable segments are on an arm's length basis in a manner similar to transactions with third parties.

52 weeks ended 1 October 2017	GB stills £m	GB carbs £m	Total GB £m	Ireland £m	France £m	International £m	Brazil £m	Total £m
Revenue	285.2	617.8	903.0	164.7	282.7	57.3	133.1	1,540.8
Brand contribution	125.4	246.6	372.0	56.7	84.9	17.8	28.2	559.6
Non-brand advertising & promotion*								(10.1)
Fixed supply chain**								(105.1)
Selling costs**								(132.4)
Overheads and other costs*								(127.2)
Adjusted operating profit***								184.8
Finance costs								(20.1)
Adjusting items***								(25.9)
Profit before tax								138.8

* Included within 'administration expenses' in the consolidated income statement. 'Overheads and other costs' relate to central expenses including salaries, IT maintenance, depreciation and amortisation.

** Included within 'selling and distribution costs' in the consolidated income statement.

*** See Non-GAAP reconciliations for further details on adjusting items.

2. Segmental reporting (continued)

53 weeks ended 2 October 2016	GB stills £m	GB carbs £m	Total GB £m	Ireland £m	France £m	International £m	Brazil £m	Total £m
Revenue	304.4	607.7	912.1	133.9	244.5	51.3	89.5	1,431.3
Brand contribution	133.9	250.7	384.6	48.4	75.9	9.7	17.5	536.1
Non-brand advertising & promotion*								(12.2)
Fixed supply chain**								(96.9)
Selling costs**								(126.4)
Overheads and other costs*								(121.9)
Adjusted operating profit***								178.7
Finance costs								(20.8)
Adjusting items***								(6.0)
Profit before tax								151.9

* Included within 'administration expenses' in the consolidated income statement. 'Overheads and other costs' relate to central expenses including salaries, IT maintenance, depreciation and amortisation.

** Included within 'selling and distribution costs' in the consolidated income statement.

*** See Non-GAAP reconciliations for further details on adjusting items.

3. Finance income and costs

	2017 £m	2016 £m
Finance income		
Bank deposits	1.0	1.7
Fair value movement on interest rate swap (see note 25)	–	0.3
Ineffectiveness in respect of fair value hedges	1.1	–
Ineffectiveness in respect of cash flow hedges	–	0.4
Total finance income	2.1	2.4
Finance costs		
Bank loans, overdrafts and loan notes	(21.1)	(22.5)
Unwind of discount on deferred consideration	(4.9)	(3.3)
Other charges	(0.3)	(0.6)
Ineffectiveness in respect of fair value hedges	–	(0.5)
Total finance costs	(26.3)	(26.9)
Net finance costs	(24.2)	(24.5)

4. Taxation

Tax on profit on continuing operations

	2017 £m	2016 £m
Income statement		
Current income tax		
Current income tax charge	(30.3)	(34.2)
Amounts (under)/over provided in previous years	(2.1)	2.4
Total current income tax charge	(32.4)	(31.8)
Deferred income tax		
Origination and reversal of temporary differences	3.8	(4.1)
Amounts over/(under) provided in previous years	1.4	(1.5)
Total deferred tax credit/(charge)	5.2	(5.6)
Total tax charge in the income statement	(27.2)	(37.4)

5. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to the equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

	2017 £m	2016 £m
Basic earnings per share		
Profit for the period attributable to equity shareholders	111.6	114.5
Weighted average number of ordinary shares in issue for basic earnings per share	263.0	261.7
Basic earnings per share	42.4p	43.8p
Diluted earnings per share		
Profit for the period attributable to equity shareholders	111.6	114.5
Effect of dilutive potential ordinary shares – share schemes	1.3	1.5
Weighted average number of ordinary shares in issue for diluted earnings per share	264.3	263.2
Diluted earnings per share	42.2p	43.5p

The group has granted share options to employees which have the potential to dilute basic EPS in the future which have not been included in the calculation of diluted EPS as they are antidilutive for the periods presented.

6. Dividends paid and proposed

	2017 £m	2016 £m
<i>Declared and paid during the period</i>		
Equity dividends on ordinary shares		
Final dividend for 2016: 17.5p per share (2015: 16.3p per share)	45.9	42.6
Interim dividend for 2017: 7.2p per share (2016: 7.0p per share)	19.0	18.3
Dividends paid	64.9	60.9
<i>Proposed</i>		
Final dividend for 2017: 19.3p per share (2016: 17.5p per share)	50.9	46.0

7. Property, plant and equipment and intangible assets

During the 52 weeks ended 1 October 2017, the group purchased property, plant and equipment with a cost of £124.6m (53 weeks ended 2 October 2016: £134.2m) and intangible assets with a cost of £6.8m (53 weeks ended 1 October 2016: £8.2m). These amounts exclude the assets acquired on the acquisition of Bela Ischia and East Coast (see note 13).

8. Share capital

	No. of shares	Value £
Issued, called up and fully paid ordinary shares		
At 27 September 2015	261,139,852	52,227,970
Shares issued relating to incentive schemes for employees	1,731,404	346,281
At 2 October 2016	262,871,256	52,574,251
Shares issued relating to incentive schemes for employees	925,744	185,149
At 1 October 2017	263,797,000	52,759,400

The issued share capital is wholly comprised of ordinary shares carrying one voting right each. The nominal value of each ordinary share is £0.20. There are no restrictions placed on the distribution of dividends, or the return of capital on a winding up or otherwise.

Of the issued and fully paid ordinary shares, 585,025 shares (2016: 500,983 shares) are own shares held by an employee benefit trust. This equates to £117,005 (2016: £100,197) at £0.20 par value of each ordinary share. These shares are held for the purpose of satisfying the employee share schemes.

9. Other reserves

	Hedging reserve £m	Translation reserve £m	Capital reserve £m	Merger reserve £m	Total £m
At 27 September 2015	(8.1)	14.9	—	87.3	94.1
Gains in the period in respect of cash flow hedges	68.5	—	—	—	68.5
Amounts recycled to the income statement in respect of cash flow hedges	(64.1)	—	—	—	(64.1)
Amounts recycled to goodwill on acquisition of subsidiary	10.2	—	—	—	10.2
Tax recycled to goodwill on acquisition of subsidiary	(2.0)	—	—	—	(2.0)
Deferred tax in respect of cash flow hedges	(0.7)	—	—	—	(0.7)
Exchange differences on translation of foreign operations	—	36.5	—	—	36.5
Tax on exchange differences	—	3.9	—	—	3.9
Movement in non-distributable profit	—	—	0.1	—	0.1
At 2 October 2016	3.8	55.3	0.1	87.3	146.5
Losses in the period in respect of cash flow hedges	(3.2)	—	—	—	(3.2)
Amounts recycled to the income statement in respect of cash flow hedges	(7.0)	—	—	—	(7.0)
Deferred tax in respect of cash flow hedges	1.7	—	—	—	1.7
Exchange differences on translation of foreign operations	—	(1.3)	—	—	(1.3)
Tax on exchange differences	—	(6.1)	—	—	(6.1)
Movement in non-distributable profit	—	—	(0.1)	—	(0.1)
At 1 October 2017	(4.7)	47.9	—	87.3	130.5

Share premium account

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

Own shares reserve

The own shares reserve is used to record purchases and issues by the group of its own shares, which will be distributed to employees as and when share awards made under the Britvic employee share plans vest.

Hedging reserve

The hedging reserve 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.

Translation reserve

The translation reserve includes cumulative net exchange differences on translation into the presentational currency of items recorded in group entities with a non-sterling functional currency net of amounts recognised in respect of net investment hedges.

Merger reserve

The merger reserve arose as a result of the non pre-emptive share placement which took place on 21 May 2010. It was executed using a structure which created a merger reserve under Section 612-3 of the Companies Act 2006.

10. Interest bearing loans and borrowings

	2017 £m	2016 £m
Current		
Finance leases	(1.0)	(0.9)
Bank loans	(23.1)	(114.2)
Private placement notes	(66.3)	(173.7)
Less: unamortised issue costs	0.7	0.7
Total current	(89.7)	(288.1)
	2017 £m	2016 £m
Non-current		
Finance leases	(2.0)	(2.9)
Bank loans	(0.6)	(0.9)
Private placement notes	(581.7)	(489.4)
Less: unamortised issue costs	1.6	1.5
Total non-current	(582.7)	(491.7)
Total interest bearing loans and borrowings	(672.4)	(779.8)
Total interest bearing loans and borrowings comprise the following:		
	2017 £m	2016 £m
Finance leases	(3.0)	(3.8)
2007 Notes	(107.0)	(223.5)
2009 Notes	(109.8)	(174.5)
2010 Notes	(133.1)	(138.9)
2014 Notes	(120.1)	(122.9)
2017 Notes	(175.0)	–
Accrued interest	(3.0)	(3.3)
Bank loans	(23.7)	(115.1)
Capitalised issue costs	2.3	2.2
	(672.4)	(779.8)
Analysis of changes in interest-bearing loans and borrowings		
	2017 £m	2016 £m
At the beginning of the period	(779.8)	(575.3)
Acquisition of subsidiary	(3.3)	(36.7)
Acquired debt repaid	2.4	38.0
Net movement on revolving credit facility	91.4	(104.6)
Other loans repaid	0.6	0.1
Partial repayment of USPP debt	119.6	–
Issue of 2017 USPP	(175.0)	–
Issue costs	0.7	–
Net repayment of finance leases	0.8	0.1
Amortisation of issue costs and write off of financing fees	(0.6)	(0.6)
Net translation gain/(loss) and fair value adjustment	70.5	(100.9)
Accrued interest	0.3	0.1
At the end of the period	(672.4)	(779.8)
Derivatives hedging balance sheet debt*	87.0	157.5
Debt translated at contracted rate	(585.4)	(622.3)

* Represents the element of the fair value of interest rate currency swaps hedging the balance sheet value of the private placement notes. This amount has been disclosed separately to demonstrate the impact of foreign exchange movements which are included in interest bearing loans and borrowings.

11. Pensions

Net asset/(liability) by scheme

	2017			
	GB £m	ROI £m	NI £m	France £m
Present value of benefit obligation	(726.1)	(83.5)	(35.3)	(3.9)
Fair value of plan assets	759.2	78.1	42.7	–
Net asset/(liability)	33.1	(5.4)	7.4	(3.9)

	2016			
	GB £m	ROI £m	NI £m	France £m
Present value of benefit obligation	(805.4)	(91.3)	(39.8)	(3.9)
Fair value of plan assets	804.9	77.7	40.4	–
Net (liability)/asset	(0.5)	(13.6)	0.6	(3.9)

GB Schemes

The group'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.

Republic of Ireland scheme

The Britvic Ireland Pension Plan ('BIPP') is a defined benefit pension plan. The scheme remains open to future accrual for current members.

Northern Ireland scheme

The Britvic Northern Ireland Pension Plan ('BNIPP') is a defined benefit pension plan which was closed to new members on 28 February 2006. The scheme remains open to future accrual for current members.

France schemes

Britvic France operates two defined benefit schemes: in the first, employees receive long-service cash payments at various stages throughout their careers. From the second, employees receive a lump sum at retirement. Payment amounts are dependent upon salary and service with the company. The schemes are unfunded therefore these benefits are paid directly as they fall due.

All group pension schemes are administered by trustees who are independent of the group's finances, except for the Britvic France schemes which are operated directly by the company.

12. Derivatives and hedge relationships

As at 1 October 2017 the group had entered into the following derivative contracts.

	2017 £m	2016 £m
Consolidated balance sheet		
<i>Non-current assets: derivative financial instruments</i>		
Fair value of the USD GBP cross currency fixed interest rate swaps ¹	43.5	58.1
Fair value of the USD GBP cross currency floating interest rate swaps ³	25.6	39.0
Fair value of the GBP euro cross currency floating interest rate swaps ²	0.5	1.0
Fair value of forward currency contracts	0.1	0.5
	69.7	98.6
<i>Current assets: derivative financial instruments</i>		
Fair value of the USD GBP cross currency fixed interest rate swaps ¹	7.1	41.6
Fair value of the USD GBP cross currency floating interest rate swaps ³	6.8	16.8
Fair value of the GBP euro cross currency floating interest rate swaps ²	0.5	1.7
Fair value of forward currency contracts ¹	2.8	9.3
Fair value of forward currency contracts	–	11.6
	17.2	81.0
<i>Current liabilities: derivative financial instruments</i>		
Fair value of forward currency contracts ¹	(1.5)	(0.3)
Fair value of foreign exchange swaps	(0.2)	–
Fair value of the GBP euro cross currency floating interest rate swaps ²	(1.0)	–
Fair value of equity forwards	–	(0.8)
	(2.7)	(1.1)
<i>Non-current liabilities: derivative financial instruments</i>		
Fair value of the GBP euro cross currency fixed interest rate swaps ²	(3.9)	(3.6)
Fair value of forward currency contracts ¹	(0.2)	–
Fair value of equity forwards	–	(0.7)
	(4.1)	(4.3)

¹ Instruments designated as part of a cash flow hedge relationship.

² Instruments designated as part of a net investment hedge relationship.

³ Instruments designated as part of a fair value hedge relationship.

13 Acquisition of subsidiaries

On 2 March 2017, the group acquired 100% of the issued share capital of Bela Ischia Alimentos Ltda (Bela Ischia), a soft drinks company in Brazil with a large presence in the key areas of Rio de Janeiro and Minas Gerais. The acquisition strengthens both Britvic's brand portfolio and distribution footprint in Brazil by complementing our existing strengths in Sao Paulo and the north east.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£m
Property, plant and equipment	14.1
Intangible assets	26.4
Inventory	8.1
Trade and other current receivables	8.0
Cash and cash equivalents	0.5
Total assets	57.1
Trade and other current payables	(9.0)
Interest bearing loans and borrowings	(3.3)
Derivative financial instruments	(0.3)
Deferred tax liabilities	(1.0)
Total liabilities	(13.6)
Total identifiable net assets	43.5
Goodwill	8.9
Total consideration	52.4
Satisfied by:	
Cash	52.4
Total consideration	52.4
Net cash outflow arising on acquisition:	
Cash consideration	52.4
Less: cash and cash equivalent balances acquired	(0.5)
Total consideration transferred	51.9

The consideration for the acquisition comprised of cash consideration of £52.4m (BR\$200.8m). There is no deferred consideration.

Included in goodwill are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the assembled workforce and the market presence which Bela Ischia has in the Brazilian market that Britvic can use to exploit the potential of its global brands. Intangible assets identified separately from goodwill are Trademark £14.9m (BR\$57.2m), Customer relationships £10.3m (BR\$39.6m) and Non-compete agreement £1.0m (BR\$4.0m).

From the date of acquisition to 1 October 2017, the acquired business contributed £19.2m to revenue and £3.9m to brand contribution for the period.

Acquisition and integration related costs of £3.7m have been incurred in the current period.

On 2 February 2017, the group completed the acquisition of the trade and assets of East Coast Suppliers Limited a licenced wholesaler in Ireland. the acquisition enables the group to grow its wholesale business in Ireland and in particular in the Dublin area. The consideration for the acquisition is £11.1m (€12.8m) comprising of an initial cash consideration of £8.4m (€9.5m) with £2.4m (€2.8m) due 12 months from completion, £0.2m (€0.3m) due 36 months from completion and stamp duty of £0.2m (€0.2m). The fair value/acquisition accounting has been determined with the identifiable assets being customer relationships of £5.4m (€6.3m), non-compete agreement of £0.1m (€0.2m), goodwill of £4.3m (€5.0m), deferred tax liability of £0.7m (€0.8m) and inventory of £1.8m (€2.1m). Due to the integration of the business into the existing wholesale business in Ireland it is not possible to separately identify the revenue and contribution of this acquisition in the current period.

In the prior period on 30 September 2015, the group acquired 100% of the issued share capital of Empresa Brasileira de Bebidas e Alimentos SA (Ebba), a leading soft drinks company in Brazil. The acquisition is in line with the strategic direction of the group, specifically to pursue international expansion by capitalising on global opportunities in the kids, family and adult categories, where Britvic has the leading brands in its core markets.

The final tranche of deferred consideration payable on the acquisition of Ebba was paid subsequent to the period end, on 2 October 2017. The amount paid was £35.9m (BR\$152.2m). This final undiscounted amount was included as a liability in the 1 October 2017 consolidated balance sheet within other current liabilities (2016: £31.2m discounted liability).

* All £ amounts are at the £:BR\$ rate prevailing at the acquisition date of 2 March 2017 with the exception of the current value of the deferred consideration on the purchase of Ebba.

14 Post balance sheet event

Following a detailed review of our manufacturing sites and distribution network Britvic announced on 3 October 2017 a proposal to transfer production of Robinsons and Fruit Shoot from our Norwich site to our manufacturing sites in East London, Leeds and Rugby. The proposal is being made to improve the efficiency and productivity of our manufacturing operations and, as a result, Britvic is proposing to close the Norwich manufacturing site. The proposal has been approved by the Board for consultation with impacted employees and, subject to full and proper consultation, it is proposed that the site will close towards the end of 2019.

NON-GAAP RECONCILIATIONS

Adjusting items

The group includes adjusting items which are charges and credits included in the financial statements that are disclosed separately because it 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 and also where hedge ineffectiveness is recognised. These items have been included within adjusting items because they are non-cash and do not form part of how management assess performance.

	Notes	52 weeks ended 1 October 2017 £m	53 weeks ended 2 October 2016 £m
Costs in relation to the acquisition and integration of subsidiaries	(a)	(3.7)	(5.2)
Net gain on sale of properties	(b)	0.3	3.2
Strategic restructuring – cost initiatives		–	(0.6)
Strategic restructuring – business capability programme	(c)	(24.7)	(8.4)
Net reversal of impairments of trademarks	(d)	2.6	–
Costs in relation to the closure of operations		(0.2)	(2.4)
Fair value movements	(e)	3.9	11.1
Total included in operating profit		(21.8)	(2.3)
Fair value movements	(e)	1.1	0.6
Total included in finance income		1.1	0.6
Fair value movements	(e)	–	(0.4)
Unwind of discount on deferred consideration	(f)	(4.9)	(3.3)
Finance costs in relation to the acquisition and integration of subsidiaries	(g)	(0.3)	(0.6)
Total included in finance costs		(5.2)	(4.3)
Total included in net finance costs		(4.1)	(3.7)
Tax on adjusting items included in profit before tax		4.1	(1.1)
Impact of change on France tax rate on deferred tax relating to acquisition fair value adjustments		5.0	–
Total included in taxation		9.1	(1.1)
Net adjusting items		(16.8)	(7.1)

- a) Costs primarily relating to the acquisition and integration of Bela Ischia Alimentos Ltda (Bela Ischia) in the current year offset by the release of provisions for Empresa Brasileira de Bebidas e Alimentos SA (Ebba). In the prior year costs related to employee costs, travel costs and advisors fees incurred on the integration of Ebba.
- b) The net gain on sale of properties relates to various properties sold during the current period in Britvic Ireland and Britvic France. In the prior period the gain related to the sale of two properties in Britvic GB.
- c) Strategic restructuring – business capability programme relates to a restructuring of supply chain and operating model to enhance commercial capabilities in Britvic GB and Ireland. Primarily these costs relate to employee costs, advisors fees and dual running supply chain costs.
- d) Net reversal of impairments of trademarks – these comprise of a reversal of impairment in the Ballygowan trademark of £9.2m offset by an impairment in the Britvic brand in Ireland of £2.2m and an impairment in the Fruite brand in France of £4.4m.
- e) Fair value movements relate to the fair value movement of derivative financial instruments where either hedge accounting cannot be applied to future transactions or where there is ineffectiveness in the hedge relationship including gains on FX forwards taken out as part of cash management for expected future payments in relation to the deferred consideration of the purchase of Ebba.
- f) The final tranche of deferred consideration for Ebba was due on 2 October 2017. This amount had been included on acquisition discounted to net present value. This represents the unwind of this discount until October 2017.
- g) These costs relate to tax on funds injected into Brazil in the current year and debt repayment charges incurred on the repayment of acquired debt in the prior year.

Adjusted profit

	52-week period ended 1 October 2017 £m	53-week period ended 2 October 2016 £m
Operating profit as reported	163.0	176.4
Add back adjusting items in operating profit	21.8	2.3
Adjusted operating profit	184.8	178.7
Net finance costs	(24.2)	(24.5)
Add back adjusting net finance costs	4.1	3.7
Adjusted profit before tax	164.7	157.9
Taxation	(27.2)	(37.4)
Less/add back adjusting tax (credit)/charge	(9.1)	1.1
Adjusted profit after tax	128.4	121.6
Adjusted effective tax rate	22.0%	23.0%

Earnings per share

	2017 £m	2016 £m
Adjusted basic earnings per share		
Profit for the period attributable to equity shareholders	111.6	114.5
Add: Net impact of adjusting items	16.8	7.1
Add: Intangible assets amortisation (acquisition related)	10.7	7.4
	139.1	129.0
Weighted average number of ordinary shares in issue for basic earnings per share	263.0	261.7
Adjusted basic earnings per share	52.9p	49.3p
Adjusted diluted earnings per share		
Profit for the period attributable to equity shareholders before adjusting items and acquisition related intangible assets amortisation	139.1	129.0
Weighted average number of ordinary shares in issue for diluted earnings per share	264.3	263.2
Adjusted diluted earnings per share	52.6p	49.0p

EBITA

	52-week period ended 1 October 2017 £m	53-week period ended 2 October 2016 £m
Adjusted operating profit	184.8	178.7
Acquisition related amortisation	10.7	7.4
Adjusted EBITA	195.5	186.1

Like-for-like

	Revenue £m	EBITA £m
2016		
53-week period ended 2 October 2016, as reported	1,431.3	186.1
Week 53	(20.2)	(4.2)
Adjust for FX	73.6	1.5
52-week period ended 28 September 2016 @ constant currency	1,484.7	183.4
2017		
52-week period ended 1 October 2017, as reported	1,540.8	195.5
Bela Ischia	(19.1)	(1.9)
2017 "like for like" with 2016	1,521.7	193.6

Free cash flow

	52-week period ended 1 October 2017 £m	53-week period ended 2 October 2016 £m
Adjusted EBITA	195.5	186.1
Depreciation	40.3	33.2
Amortisation (non-acquisition related)	8.3	8.9
Adjusted loss on disposal of PPE	2.0	1.9
Adjusted EBITDA	246.1	230.1
Adjusted working capital movements	26.0	(25.8)
Purchases of intangible and tangible assets	(146.7)	(121.9)
Net pension charge less contributions	(22.1)	(25.9)
Net Interest and finance costs	(19.5)	(20.5)
Adjusted income tax paid	(31.7)	(34.2)
Share based payments	6.3	6.6
Issue of shares	0.7	4.8
Purchase of own shares	(5.3)	(2.1)
Other	0.7	(0.2)
Adjusted free cash flow	54.5	10.9