Britvic plc Preliminary Results – 26 November 2014

Britvic plc announces its preliminary results for the 52 weeks ended 28 September 2014. All numbers quoted are on a constant currency basis and are pre-exceptional and other items, unless otherwise stated.

Financial headlines:

- Revenue growth of 2.4% to £1,344.4m, with volume growth of 1.5% and ARP growth of 1.0%
- Group EBIT of £158.1m, up 17.6% on last year and ahead of previous guidance, driven by disciplined revenue growth and accelerated delivery of the strategic cost initiatives
- 150bps expansion in EBITA margin
- Reduction in adjusted net debt to £380.9m, with EBITDA ratio falling from 2.2x to 1.9x
- Underlying free cash flow of £88.9m, ahead of previous guidance
- Adjusted EPS of 41.8p, up 18.8% on last year
- Full year dividend of 20.9p, up 13.6% on last year, reflecting earnings growth and robust cash generation

Strategic highlights:

- Strategic cost initiatives generated a higher in-year benefit than originally anticipated, delivering a cumulative £25m gross benefit in 2015
- Increased investment during the year in the International business unit, strategic marketing and innovation
- Further investment in capacity in 2015 to support future growth, including £25m capital spend in a new high speed PET line and warehousing
- Fruit Shoot USA multipack launch anticipated in H2 2015
- Anticipate 2015 EBIT in the range of £164m to £173m, underpinned by cost saving initiatives

	52 weeks ended 28 September 2014 £m(2)	52 weeks ended 29 September 2013 £m(2)	% change actual exchange rate	% change constant(1) exchange rate
Group Revenue(5)	1,344.4	1,321.9	1.7%	2.4%
Group EBITA(8)	161.0	137.9	16.8%	17.3%
EBITA Margin(8)	12.0%	10.4%	160bps	150bps
Group EBIT(9)	158.1	135.0	17.1%	17.6%
Group Profit Before Tax	132.9	108.1	22.9%	23.5%
Group Profit After Tax	99.9	82.6	20.9%	20.9%
Group Profit After Tax, After Exceptional And Other Items	89.7	61.9	44.9%	44.9%
Adjusted Earnings Per Share(10)	41.8p	35.2p	18.8%	18.8%
Weighted Average No. of Shares	245.8	243.2	1.1%	-
Full year Dividend Per Share	20.9p	18.4p	13.6%	-
Underlying Free Cash Flow (11)	88.9	103.5	(14.1)%	-
Group Adjusted Net Debt (12)	(380.9)	(402.3)	5.3%	-
Adjusted Net Debt:EBITDA	1.9x	2.2x	0.3x	-
ROIC(13)	24.9%	21.3%	360bps	-

Simon Litherland, Chief Executive Officer commented:

"This is a strong set of results and we have made excellent progress during the year implementing our new strategy. We have delivered revenue and margin growth, and profit significantly ahead of last year, despite challenging trading conditions in each of our markets. Our international operations are also progressing encouragingly and we anticipate the launch of Fruit Shoot multi-packs in the USA in the second half of 2015. In addition we continue to invest in our people and our infrastructure to ensure we are well placed to deliver the growth opportunities available to us.

The year has begun slowly, reflecting the increasingly challenging trading conditions. However we are confident of further improving our profitability in 2015, as we bring to market our strong innovation and marketing plans and benefit from the delivery of the cost savings programme."

The board is proposing a final dividend per share of 14.8p, up 13.8% on last year. This reflects the board's confidence in the future prospects of our business, the robust free cash flow generation and our stated progressive dividend policy.

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There will be a live webcast of the presentation given today at 9am by Simon Litherland (Chief Executive Officer) and John Gibney (Chief Financial Officer). The webcast will be available at http://ir.britvic.com/, with a transcript available in due course.

Definitions

(1) Where appropriate, comparisons are quoted using constant exchange rates. Constant currency change removes the impact of exchange rate movements during the period by retranslating prior year foreign currency denominated results of the group at current period exchange rates to aid comparability.

(2) All numbers quoted are pre-exceptional and other items, unless otherwise stated.

(3) 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.

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

(5) Group revenue is defined as sales achieved by the group net of price promotional investment and retailer discounts

(6) Brand contribution 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.

(7) Brand contribution margin is a percentage measure calculated as brand contribution, divided by revenue. Each business unit's performance is reported down to the brand contribution level.

(8) Group EBITA is defined as operating profit before exceptional and other items and amortisation. Only amortisation attributable to intangibles related to acquisitions is added back, in the period this is £2.9m (2013: £2.9m as reported last year). EBITA margin is EBITA as a proportion of group revenues.

(9) Group EBIT is defined as operating profit before exceptional and other items. EBIT margin is EBIT as a proportion of group revenues.

(10) Adjusted earnings per share amounts are 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 exceptional and other 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 245.8m (2013: 243.2m).

(11) Underlying free cash flow is defined as net cash flow excluding movements in borrowings, dividend payments and exceptional and other items.

(12) Group adjusted net debt is defined as group net debt, adding back the impact of derivatives hedging the balance sheet debt.

(13) Return on invested capital (ROIC) is defined as operating profit after applying the tax rate for the period, stated before exceptional and other items, as a percentage of invested capital. Invested capital is defined as non-current assets plus current assets less current liabilities, excluding all balances relating to interest bearing liabilities and all other assets or liabilities associated with the financing and capital structure of the group and excluding any deferred tax balances and effective hedges relating to interest-bearing liabilities.

Reconciliation from actual exchange rate to constant exchange rate

	2013 actual exchange rate £m	Change £m	2013 constant exchange rate £m
Group Revenue	1,321.9	(9.4)	1,312.5
Group EBIT	135.0	(0.6)	134.4
Group Profit Before Tax	108.1	(0.5)	107.6
Group Profit After Tax (PAT)	82.6	-	82.6
Group PAT, After Exceptional And Other Items	61.9	-	61.9
Group EBITA	137.9	(0.6)	137.3
Adjusted Earnings Per Share	35.2p	-	35.2p

Notes to editors

About Britvic

Britvic is one of the leading branded soft drinks businesses in Europe. The company leverages its own leading brand portfolio including Robinsons, Tango, J_2O, Fruit Shoot, Teisseire and MiWadi with PepsiCo brands such as Pepsi, 7UP and Mountain Dew Energy which Britvic produces and sells in Great Britain (GB) and Ireland under exclusive PepsiCo agreements.

Britvic is the largest supplier of branded still soft drinks in 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, and in France with brands such as Teisseire and Fruité. 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 27 September 2014. ROI take-home market data referred to in this announcement is supplied by Nielsen and runs to 5 October 2014. French market data is supplied by IRI and runs to 21 September 2014.

Next scheduled announcement

Britvic will publish its quarter one interim management statement on 27 January 2015.

Chief Executive Officer's Strategic Review

We have reported another strong set of results for our financial year ended 28 September 2014 and have made excellent progress in delivering our strategic initiatives. I am incredibly proud of our company and its portfolio of leading brands and it is a privilege to lead an organisation with such a passionate and talented team. Our aspirational vision is to be the most dynamic, creative and admired soft drinks company in the world and we have made great progress in the last twelve months, in what were challenging market conditions.

"Embed a winning culture and improve operating margin"

This has been a year of exceptional change as we continued to implement our new strategy. We completed the re-design of our organisation, matching our resource to the growth opportunities and created a business that is simple, focused and accountable. We have a new Executive Team in place, which includes all our business unit Managing Directors for the first time. As an Executive Team we have created and shared an exciting new vision for our business and set some ambitious targets for ourselves. We have also created a new set of values to guide our behaviours and facilitate effective engagement and ways of working across the business.

As planned we have closed two factories in GB, a depot and a call centre in Ireland, and consolidated back office functions in GB and Ireland. Where possible we have found new roles for those employees willing to relocate and supported those leaving the business in finding alternative employment. I would like to personally thank all affected employees for their commitment and support during this time of change.

During the year we also set up an international business unit to support our ambitious growth plans in the kids, family and adult categories. It now operates as a fully resourced, standalone business unit, with over one hundred employees, and is focused on providing the necessary support to our in-market partners to develop our brands locally, as well as market specific innovation and the creation of relevant marketing campaigns. We have come a long way in the last twelve months and have successfully managed our way through a period of organisational change.

We have made strong progress this year despite challenging trading conditions in each of our markets. Revenue and margins have increased and profits are well ahead of last year. We are on-track to deliver the £30m cost saving programme by 2016. The overwhelming majority will have been delivered in the 2014/15 financial year. Our focus on generating cash has allowed us to reduce net debt and increase the full year dividend by 13.6%.

"Leverage our portfolio in GB & Ireland and innovate to meet changing consumer needs"

In GB our carbonates portfolio has continued to outperform the market. We successfully grew volumes whilst the category was in decline and increased market share. Pepsi has been the key driver of this growth, led by Pepsi Max and its "no sugar, maximum taste" proposition. Throughout the year we have executed a number of exciting and impactful marketing campaigns, including the "Unbelievable" campaign, which saw extensive, ground-breaking advertising for the brand across the country and on-line. The Pepsi Max YouTube channel was a focal point for our digital marketing and we achieved over 50 million views across all platforms. Throughout the summer Pepsi leveraged its connection with key football personalities with limited edition packs on-shelf and the chance to win some great prizes. We also launched an exciting new dispense proposition for the leisure channel, allowing consumers to personalise their soft drink experience, with added flavours.

The GB stills category has been challenged with only minor volume growth, driven by plain water, which is not a scale category for us. Growth in our stills portfolio is crucial to our future success and is a priority for us. Whilst our overall performance has been below what we wanted to achieve this year, there have been positive highlights. Robinsons continued to lead the squash category, and although we have seen increased competition from private-label which impacted our volume, our focus has been to protect price and maintain our brand equity. We have continued to invest in the brand, as demonstrated by the launch of Robinsons Squash'd, which has led the growth of the new water enhancer sub-category. The launch was supported by an extensive marketing campaign, including TV advertising, and we have been delighted with its performance to date. Fruit Shoot performed well, gaining value and volume share in the market. During the year, we stopped selling the full sugar version of Fruit Shoot, as part of our commitment to address public health, and we continued to encourage children to get active with our 'skills' campaign. Lipton Ice Tea drove growth in the emerging cold/hot drinks category, which grew its market value by over 40%, over the year. As consumers continued to focus on value, both when shopping for home and on nights out, the premium juice drinks category has been challenged. J20, which is a premium priced brand, has seen some share decline, as a result of this trend.

In Ireland, we have a branded soft drinks business and a licensed wholesale operation, called Counterpoint. The soft drinks market was down, both in volume and value and we did lose some market share. The carbonates category in particular was very competitive and saw a significant amount of price-led promotions. A highlight of our innovation programme in Ireland this year was the introduction of a new Club Zero range with no added sugar, which is proving popular with consumers. In November, we launched Counterpoint as a standalone licensed wholesaler to supply the pub and club trade across both the Republic of Ireland and Northern Ireland. Since its launch it has added new categories, such as snacks and wine to its range, allowing it to compete far more effectively.

"Exploit global opportunities in kids, family and adult categies"

The international business has continued to grow and we are seeing the benefits of our investment in the establishment of a standalone business unit. In the USA we have made great progress with Fruit Shoot achieving national distribution in the convenience and leisure channels. We signed a 15 year franchise for Fruit Shoot with PepsiCo who started to manufacture Fruit Shoot in the USA. Having signed an agreement with the Narang Group in May 2013, we launched Fruit Shoot in India in the summer. Narang is a well-established sales and marketing business who distribute a range of leading brands across India. With a dedicated production line in market we launched four flavours that were developed specifically for the Indian consumer. Distribution was achieved in the ten major cities that we targeted and a consumer awareness campaign was launched in time for the Diwali festival, including TV advertising.

In France, Fruit Shoot continued to grow, with the brand establishing itself as the number one in the children's juice drinks category. We also transferred a production line from GB to France to supply Fruit Shoot both to the French market and into Spain. We continued to invest in Teisseire, the number one syrups brand in France. This year we extended the pack range with the introduction of the PET "pump" pack to drive greater usage of syrups. The early signs are very good as it brings new households into the brand.

"Build trust and respect in our communities"

The past year has seen a surge of interest in health and sugar levels in soft drinks. We strongly believe that all our drinks can be enjoyed as part of a balanced diet and healthy lifestyle. We offer a wide range of low calorie drinks and lead our marketing with these drinks. We have continued to play an active role to help address the challenge and in the last year we have launched a new health strategy across all business units, which will build on our achievements to date and continue to provide great tasting drinks, while further reducing the average calorie content of our portfolio.

Read more about our health strategy and our approach to sustainability in the annual report.

Our future prospects are very exciting. We have transformed our business and created the conditions for success with a new culture. We have a clear purpose and aspirational vision. Despite the challenging market place everyone in the business is focused on the delivery of our strategy. We continue to invest and have the plans in place to ensure we can continue to grow the business and create value for all of our stakeholders.

Chief Financial Officer's Review

The following is based on Britvic's results for the 52 weeks ended 28 September 2014

A full list of definitions can be found on page 2 of this document.

All numbers quoted are on a constant currency basis and are pre-exceptional and other items, unless otherwise stated.

Overview

In the period the group sold over 2 billion litres of soft drinks, an increase of 1.5% on the previous year, with Average Realised Price (ARP) of 63.0p, increasing by 1.0%. The group's revenue was £1,344.4m, up 2.4% compared to last year, on a constant currency basis.

The focus has remained on building sustainable profit and margin improvement. Both revenue growth and the delivery of the strategic cost initiatives have contributed to the 17.3% growth in adjusted EBITA, to £161m, and the resulting 150 basis points (bps) improvement in operating margin to 12.0%. The strategic cost initiative benefits have been realised in both brand contribution and in fixed costs. In brand contribution we have seen the benefit of our disciplined revenue management principles and the realisation of our procurement strategy. In fixed costs we have seen the benefit from the closure of a number of facilities and the consolidation of back office functions.

Whilst the poorer summer weather in each of our European markets did not help our cause, we were able to deliver EBIT of £158.1m, marginally ahead of the previous guidance by achieving a higher in-year benefit from the cost savings.

GB stills	52 weeks ended 28 September 2014 £m	52 weeks ended 29 September 2013 £m	% change actual exchange rate
Volume (millions litres)	378.9	398.7	(5.0)
ARP per litre	88.5p	85.3p	3.8
Revenue	335.2	340.1	(1.4)
Brand contribution	159.4	154.5	3.2
Brand contribution margin	47.6%	45.4%	220bps

The GB stills category volume, as measured by Nielsen, was marginally up this year. The driver of growth was plain water which was up nearly 10%, a category which is not currently material for us. Excluding water category volume was down 4%. Our volume decline of 5% was primarily driven by two brands, J20 and Robinsons. J20 continued to be impacted by consumers seeking value, both at home and dining out, whilst Robinsons lost volume share to own-label squash. As part of our commercial change programme we have continued to benefit from stronger revenue management disciplines this year. We launched Robinsons Squash'd in the first half of the year, which had a positive impact on ARP reflecting its price point and small 66ml bottle size. Overall ARP increased by 3.8%, limiting the revenue decline to 1.4%. Brand contribution increased by 3.2% whilst margin improved by 220 bps.

GB carbonates	52 weeks ended 28 September 2014 £m	52 weeks ended 29 September 2013 £m	% change actual exchange rate
Volume (millions litres)	1,204.7	1,153.9	4.4
ARP per litre	47.1p	46.5p	1.3
Revenue	567.8	536.4	5.9
Brand contribution	222.4	200.1	11.1
Brand contribution margin	39.2%	37.3%	190bps

Whilst the GB carbonates category volume was down, we increased volume by 4.4% with an increase in ARP of 1.3% as a result of disciplined revenue management. This led to an impressive revenue increase of 5.9%. Pepsi, led by Pepsi Max, was the key driver of growth, and we saw revenue growth across all major pack formats, including cans, PET and dispense in the leisure trade. This was supported by the successful execution of some exciting marketing campaigns including the sponsorship of football personalities and the Max "Unbelievable" campaign. Brand contribution was up 11.1% and margin improved by 190bps.

France	52 weeks ended 28 September 2014 £m	52 weeks ended 29 September 2013 £m	% change actual exchange rate	% change constant exchange rate
Volume (millions litres)	273.6	272.1	0.6	0.6
ARP per litre	93.2p	94.9p	(1.8)	0.6
Revenue	254.9	258.2	(1.3)	1.2
Brand contribution	67.1	63.2	6.2	8.9
Brand contribution margin	26.3%	24.5%	180bps	180bps

In France soft drink market volumes were marginally up and our volume increase was slightly ahead of the market. The poorer weather in the summer had a particularly negative impact on the syrups category. With both volume and ARP up 0.6%, revenue increased 1.2%. The major success story of the year was Fruit Shoot which established itself as the number one brand in the category. We also transferred a Fruit Shoot production line from GB to France. Supply was limited whilst the line was commissioned, impacting both France and other European markets. The line is now fully operational, supplying France and Spain. Brand contribution was up 8.9% and margin improved by 180bps.

Ireland	52 weeks ended 28 September 2014 £m	52 weeks ended 29 September 2013 £m	% change actual exchange rate	% change constant exchange rate
Volume (millions litres)	197.0	199.0	(1.0)	(1.0)
ARP per litre	54.1p	56.8p	(4.8)	(2.9)
Revenue	128.3	136.9	(6.3)	(4.5)
Brand contribution	47.0	49.0	(4.1)	(1.7)
Brand contribution margin	36.6%	35.8%	80bps	100bps

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

Market conditions in Ireland remained difficult with consumers continuing to seek value amid a competitive trading environment. In our branded business volume declined by 1.0% and ARP declined by 2.9%, resulting in revenue down 4.5%, on a constant currency basis. This includes the impact of a revenue decline for our licensed wholesale business, Counterpoint, primarily due to consumers switching from packaged to draught beer, which we do not currently sell. The brand contribution decline was limited to 1.7% with a 100bps improvement in margin. During the year as part of the strategic cost initiatives, we consolidated back office functions into GB as well as closing a depot and a call centre. The benefit of these is realised in fixed costs rather than brand contribution.

International	52 weeks ended 28 September 2014 £m	52 weeks ended 29 September 2013 £m	% change actual exchange rate	% change constant exchange rate
Volume (millions litres)	44.3	43.2	2.5	2.5
ARP per litre	131.4p	116.4p	12.9	14.0
Revenue	58.2	50.3	15.7	16.9
Brand contribution	21.0	18.8	11.7	12.3
Brand contribution margin	36.1%	37.4%	(130)bps	(150)bps

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

International is now a fully established business unit, with responsibility for both our export markets and our franchise markets. In the Netherlands and Spain Fruit Shoot has continued to grow revenue. There has been significant progress in our franchise markets of the USA and India. In the USA we signed a 15 year distribution agreement for Fruit Shoot with PepsiCo Americas Beverages (PAB) and in India we launched Fruit Shoot this summer with our partner, the Narang Group. Revenue was up 16.9%, with brand contribution up 12.3%. Margin declined 150bps, reflecting the increased A&P spend as we increased investment behind the USA and India.

Fixed costs	52 weeks ended 28 September 2014 £m	52 weeks ended 29 September 2013 £m	% change actual exchange rate
Non-brand A&P	(9.9)	(7.3)	(35.6)
Fixed supply chain	(101.8)	(100.7)	(1.1)
Selling costs	(120.7)	(124.5)	3.1
Overheads and other	(126.4)	(118.1)	(7.0)
Total	(358.8)	(350.6)	(2.3)
Total A&P investment	*(72.0)*	*(70.3)*	*(2.4)*
A&P as a % of own-brand revenue	*5.4%*	*5.4%*	-

Fixed costs increased by 2.3% to £358.8m. During the year the benefit of the strategic cost initiatives, such as the factory closures in GB and the consolidation of GB and Ireland back office functions, was realised in fixed costs. We have invested in the establishment of both the international business unit and the strategic marketing and innovation function. In addition we have increased both trade marketing spend, which is reported in overheads, and non-brand A&P. This increased investment is focused behind our strategic growth drivers, primarily in the kids, family and adult categories. A&P spend increased by 2.4% to £72.0m, with the percentage of revenue measure flat at 5.4%.

Exceptional and other items

In the period, we accounted for a net charge of £12.8m of pre-tax (£10.2m post tax) exceptional and other costs. These include:

- Corporate exceptional items of £14.1m, relating to the implementation of the strategic cost initiatives announced at interims in May 2013. This is slightly lower than the previous guidance of £17m. The balance will be realised in 2015.
- Other fair value movements gain of £2.3m. Within exceptional and other items we include the fair value movement of financial instruments where hedge accounting could not be applied. This was made up of two items, a number of share swaps to satisfy our employee incentive share schemes and interest-rate swaps.
- Write-off of unamortised finance fees of £1.0m related to the early refinancing of the revolving credit facility.

The cash costs of exceptional and other items in the period were £18.9m.

Interest

The net finance charge before exceptional and other items for the 52 week period for the group was £25.2m compared with £26.9m in the same period in the prior year, reflecting the lower debt profile of the group and the benefit of the free cash flow generation.

Taxation

The tax charge before exceptional and other items was £33.0m which equates to an effective tax rate of 24.8% (52 weeks ended 29 September 2013: 23.6%). The increase in the effective tax rate reflects the increase in the French corporate tax rate during the period and start-up losses incurred in some of the group's International expansion for which no tax relief is currently available. In 2013 the group's effective tax rate had benefited from the retranslation of its deferred tax liability on the phased reduction in the UK corporate tax rate. A comparable benefit is not available for 2014.

Earnings per share

Adjusted basic EPS for the period, excluding exceptional and other items and acquisition related amortisation, was 41.8p, up 18.8% on the same period last year (35.2p). Basic EPS (after exceptional and other items charges post-tax) for the period was 36.5p compared with 25.5p for the same period last year.

Dividends

The board is recommending a final dividend of 14.8p per share, an increase of 13.8% on the dividend declared last year, with a total value of £36.3m. The final dividend will be paid on 6 February 2015 to shareholders on record as at 5 December 2014. The ex-dividend date is 4 December 2014.

Cash flow and net debt

Underlying free cash flow was a £88.9m inflow, compared to a £103.5m inflow the previous year. Capital expenditure was £22.4m higher than last year, largely as a result of the implementation of the strategic initiatives. The increase in pension contributions was due to the planned additional contributions in GB from the previous 2010 triennial valuation funding agreement. Overall adjusted net debt reduced by over £21m and took our leverage to 1.9x EBITDA from 2.2x last year. The adjusted net debt (taking into account the foreign exchange movements on the derivatives hedging our US Private Placement debt) at 28 September 2014 was £380.9m, compared to £402.3m at the end of 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 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.

On 20 February 2014, Britvic plc repaid US$102m and £25m of notes in the United States private placement market (USPP). These notes were repaid using funds received from the issuance of 2014 notes (see below). The 2007 cross currency interest rate swap instruments which had been designated as part of a cash flow hedge relationship against the future cash flows associated with this maturing portion of the 2007 notes, also matured on 20 February 2014.

On 20 February 2014, Britvic plc issued US$114m and £35m of Senior notes with maturities between 7 and 12 years in the United States private placement market (the '2014 notes'). The proceeds from the 2014 notes were principally used to repay amounts due in relation to the maturity of certain tranches of the 2007 notes.

At 28 September 2014 the group has £920m of committed debt facilities consisting of a £400m bank facility maturing in 2016 and a series of private placement notes with maturities between 2014 and 2026. As part of securing the group's medium term funding platform, the £400m bank facility has been successfully refinanced with improved terms, with a revised maturity of November 2019.

At 28 September 2014, the group's unadjusted net debt of £419.0m (excluding derivative hedges) consisted of £1.4m drawn under the group's committed bank facilities, £558.3m of private placement notes, £3.6m of accrued interest and £0.3m of finance leases, offset by net cash and cash equivalents of £143.3m and unamortised loan issue costs of £1.3m. 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 £380.9m which compares to £402.3m at 29 September 2013.

Pensions

At 28 September 2014, the IAS 19 (Revised) pension deficit in respect of the group defined benefit pension schemes was £8.4m (29 September 2013: net deficit of £19.3m). The reduction in the deficit was mainly due to better than expected investment performance and employer contributions, which was partly offset by the higher liabilities due to changes in the financial assumptions.

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 10 April 2011, with new members being invited to join the defined contribution scheme. The actuarial valuation of this scheme as at 31 March 2013 has been completed without committing additional employer contributions as the funding level has improved since the 2010 actuarial valuation. In addition to the valuation, Britvic has reached agreement with the trustees to move the Plan's assets towards an immunised portfolio by investing in debt instruments. This will lead to the removal of equity risk from the Plan's assets and a reduction in the volatility of the funding level as a result of having investments that better match the Plan's liabilities.

CONSOLIDATED INCOME STATEMENT
For the 52 weeks ended 28 September 2014

		52 weeks ended 28 September 2014			52 weeks ended 29 September 2013		
	Note	**Before exceptional & other items £m**	**Exceptional & other items* £m**	**Total £m**	Before exceptional & other items £m	Exceptional & other items* £m	Total £m
Revenue		**1,344.4**	**-**	**1,344.4**	1,321.9	-	1,321.9
Cost of sales		**(617.5)**	**-**	**(617.5)**	(646.9)	-	(646.9)
Gross profit		**726.9**	**-**	**726.9**	675.0	-	675.0
Selling and distribution costs		**(370.4)**	**-**	**(370.4)**	(351.5)	-	(351.5)
Administration expenses		**(198.4)**	**(12.8)**	**(211.2)**	(188.5)	(26.2)	(214.7)
Operating profit/(loss)	6	**158.1**	**(12.8)**	**145.3**	135.0	(26.2)	108.8
Finance costs	9	**(25.2)**	**-**	**(25.2)**	(26.9)	0.7	(26.2)
Profit/(loss) before tax		**132.9**	**(12.8)**	**120.1**	108.1	(25.5)	82.6
Taxation	10	**(33.0)**	**2.6**	**(30.4)**	(25.5)	4.8	(20.7)
Profit/(loss) for the period attributable to the equity shareholders		**99.9**	**(10.2)**	**89.7**	82.6	(20.7)	61.9
Earnings per share							
Basic earnings per share	11			**36.5p**			25.5p
Diluted earnings per share	11			**36.2p**			25.3p
Adjusted basic earnings per share**	11			**41.8p**			35.2p
Adjusted diluted earnings per share**	11			**41.5p**			34.9p

* See note 5.

** Adjusted basic and diluted earnings per share measures have been adjusted by adding back exceptional & other items (see notes 5 and 11) and amortisation relating to acquired intangible assets (see note 14).

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(EXPENSE)
For the 52 weeks ended 28 September 2014

	Note	**52 weeks ended 28 September 2014 £m**	52 weeks ended 29 September 2013 £m
Profit for the period attributable to the equity shareholders		**89.7**	61.9
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit pension schemes	23	**(12.3)**	(32.4)
Deferred tax on defined benefit pension schemes	10a	**(2.0)**	4.4
Current tax on additional pension contributions	10a	**4.5**	3.1
		(9.8)	(24.9)
Items that may be subsequently reclassified to profit or loss			
Losses in the period in respect of cash flow hedges	26	**(11.9)**	(1.4)
Amounts recycled to the income statement in respect of cash flow hedges	26	**10.5**	0.1
Deferred tax in respect of cash flow hedges accounted for in the hedging reserve	10a	**0.1**	0.4
Exchange differences on translation of foreign operations	26	**(3.9)**	-
Tax on exchange differences accounted for in the translation reserve	10a	**0.7**	(2.9)
Deferred tax on other temporary differences	10a	**0.1**	0.2
		(4.4)	(3.6)
Other comprehensive income/(expense) for the period, net of tax		**(14.2)**	(28.5)
Total comprehensive income for the period attributable to the equity shareholders		**75.5**	33.4

CONSOLIDATED BALANCE SHEET
As at 28 September 2014

	Note	2014 £m	2013 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**221.0**	215.7
Intangible assets	14	**299.7**	317.0
Other receivables	16	**3.0**	3.8
Other financial assets	26	**64.6**	62.5
Pension asset	23	**-**	0.1
		588.3	599.1
Current assets			
Inventories	17	**84.7**	90.8
Trade and other receivables	18	**276.9**	266.1
Other financial assets	26	**4.5**	12.8
Cash and cash equivalents	19	**144.0**	94.0
		510.1	463.7
Non-current assets held for sale	20	**3.6**	-
Total assets		**1,102.0**	1,062.8
Current liabilities			
Trade and other payables	24	**(379.7)**	(381.5)
Bank overdrafts	19	**(0.7)**	(2.5)
Interest bearing loans and borrowings	22	**(22.4)**	(91.6)
Other financial liabilities	26	**(1.6)**	(1.4)
Current income tax payable		**(25.4)**	(17.0)
Provisions	28	**(4.1)**	(10.5)
Other current liabilities	27	**(0.4)**	-
		(434.3)	(504.5)
Non-current liabilities			
Interest bearing loans and borrowings	22	**(539.9)**	(458.3)
Deferred tax liabilities	10d	**(23.3)**	(27.8)
Pension liability	23	**(8.4)**	(19.4)
Other financial liabilities	26	**(9.9)**	(10.0)
Provisions	28	**(1.6)**	-
Other non-current liabilities	27	**(1.5)**	(1.9)
		(584.6)	(517.4)
Total liabilities		**(1,018.9)**	(1,021.9)
Net assets		**83.1**	40.9
Capital and reserves			
Issued share capital	21	**49.4**	49.0
Share premium account		**33.5**	25.0
Own shares reserve		**(2.9)**	(1.1)
Share scheme reserve		**11.2**	7.5
Hedging reserve		**1.4**	2.7
Translation reserve		**16.4**	19.6
Merger reserve		**87.3**	87.3
Retained losses		**(113.2)**	(149.1)
Total equity		**83.1**	40.9

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 52 weeks ended 28 September 2014

	Note	**2014 £m**	2013 £m
Cash flows from operating activities			
Profit before tax		**120.1**	82.6
Finance costs	9	**25.2**	26.2
Other financial instruments		**(1.3)**	(6.0)
Impairment of property, plant and equipment and intangible assets	13,14	**0.6**	12.9
Depreciation	13	**31.5**	36.6
Amortisation	14	**10.4**	7.1
Share based payments	29	**9.1**	6.2
Net pension charge less contributions		**(22.9)**	(17.2)
Decrease/(increase) in inventory		**3.1**	(14.9)
Increase in trade and other receivables		**(15.8)**	(4.7)
Increase/(decrease) in trade and other payables		**10.5**	9.9
(Decrease)/increase in provisions		**(4.8)**	10.5
Loss on disposal of property, plant and equipment and intangible assets		**1.1**	3.8
Income tax paid		**(20.2)**	(11.2)
Net cash flows from operating activities		**146.6**	141.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.7**	0.3
Purchases of property, plant and equipment		**(49.2)**	(26.3)
Purchases of intangible assets		**(8.8)**	(8.9)
Net cash flows used in investing activities		**(57.3)**	(34.9)
Cash flows from financing activities			
Interest paid		**(24.2)**	(26.6)
Interest bearing loans drawndown/(repaid)		**0.2**	(0.9)
Repayment of 2007 USPP Notes	22	**(76.8)**	-
Issue of 2014 USPP Notes	22	**105.8**	-
Issue costs paid		**(0.4)**	-
Issue of shares		**4.9**	7.1
Dividends paid to equity shareholders	12	**(46.8)**	(42.5)
Net cash flows used in financing activities		**(37.3)**	(62.9)
Net increase in cash and cash equivalents		**52.0**	44.0
Cash and cash equivalents at beginning of period		**91.5**	47.6
Exchange rate differences	30	**(0.2)**	(0.1)
Cash and cash equivalents at the end of the period	19	**143.3**	91.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 28 September 2014

	Issued share capital	Share premium account	Own shares reserve	Share scheme reserve	Hedging reserve	Translation reserve	Merger reserve	Retained losses	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**
At 30 September 2012	48.5	17.7	(0.8)	4.2	3.6	22.5	87.3	(145.9)	37.1
Profit for the period	-	-	-	-	-	-	-	61.9	61.9
Other comprehensive income	-	-	-	-	(0.9)	(2.9)	-	(24.7)	(28.5)
	-	-	-	-	(0.9)	(2.9)	-	37.2	33.4
Issue of shares	0.5	7.3	(2.1)	-	-	-	-	-	5.7
Own shares utilised for share schemes	-	-	1.8	(1.8)	-	-	-	1.4	1.4
Movement in share based schemes	-	-	-	5.1	-	-	-	-	5.1
Current tax on share based payments	-	-	-	-	-	-	-	1.0	1.0
Deferred tax on share based payments	-	-	-	-	-	-	-	(0.3)	(0.3)
Payment of dividend	-	-	-	-	-	-	-	(42.5)	(42.5)
At 29 September 2013	49.0	25.0	(1.1)	7.5	2.7	19.6	87.3	(149.1)	40.9
Profit for the period	-	-	-	-	-	-	-	89.7	89.7
Other comprehensive income	-	-	-	-	(1.3)	(3.2)	-	(9.7)	(14.2)
	-	-	-	-	(1.3)	(3.2)	-	80.0	75.5
Issue of shares	0.4	8.5	(5.4)	-	-	-	-	-	3.5
Own shares utilised for share schemes	-	-	3.6	(3.5)	-	-	-	1.3	1.4
Movement in share based schemes	-	-	-	7.2	-	-	-	-	7.2
Current tax on share based payments	-	-	-	-	-	-	-	0.8	0.8
Deferred tax on share based payments	-	-	-	-	-	-	-	0.6	0.6
Payment of dividend	-	-	-	-	-	-	-	(46.8)	(46.8)
At 28 September 2014	**49.4**	**33.5**	**(2.9)**	**11.2**	**1.4**	**16.4**	**87.3**	**(113.2)**	**83.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Britvic plc (the 'company') is a company incorporated in the United Kingdom under the Companies Act 2006. It is a public limited company domiciled in England & Wales and its ordinary shares are traded on the London Stock Exchange. Britvic plc and its subsidiaries (together the 'group') operate in the soft drinks manufacturing and distribution industry, principally in the United Kingdom, Republic of Ireland and France.

The operating companies of the group are disclosed within note 32.

The preliminary results announcement for the 52 week period ended 28 September 2014 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The preliminary statement of results was approved by the board on 25 November 2014. The preliminary statement of results does not represent the full group financial statements of Britvic plc and its subsidiaries which will be delivered to the Registrar of Companies in due course. The preliminary statement of results have, however, been extracted from the statutory accounts for the 52 week period ended 28 September 2014 on which an unqualified report, which did not contain an emphasis of matter reference or a statement under Section 498 (2) or (3) of Companies Act 2006, has been made by the company's auditors. The financial information for the 52 week period ended 29 September 2013 has been extracted from the Britvic Annual Report for that period as filed with the Registrar of Companies.

2. Statement of compliance

The financial information has been prepared on the basis of applicable International Financial Reporting Standards as adopted by the European Union (IFRS), as they apply to the financial statements of the group.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on a historical cost basis except where measurement of balances at fair value is required as explained below. The consolidated financial statements of the group are presented in pounds sterling, which is also the functional currency of the company, and all values are rounded to the nearest 0.1 million except where otherwise indicated.

Going concern

The directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements. As at 28 September 2014, the consolidated balance sheet is showing a net assets position of £83.1m (29 September 2013: net assets of £40.9m).

Group reserves are low due to the capital restructuring undertaken at the time of flotation. This does not impact on Britvic plc's ability to make dividend payments.

The liquidity of the group remains strong in particular with £520.2m of private placement notes with maturity dates between 2014 and 2026 and a £400m bank facility maturing in March 2016. Agreement has been reached to refinance this facility with an expected revised maturity date of November 2019.

Basis of consolidation

The consolidated financial statements of the group incorporate the financial information of the company and the entities controlled by the company (its subsidiaries) in accordance with IAS 27 'Consolidated and Separate Financial Statements'. The financial statements of subsidiaries are prepared for the same reporting period as the company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date the group gains control or up to the date control ceases respectively. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is being made.

Revenue is recognised when goods are delivered and accepted by customers, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount can be measured reliably.

3. Accounting policies (continued)

Revenue recognition (continued)

Revenue is the value of sales, excluding transactions with or between subsidiaries, after the deduction of sales related discounts and rebates, value added tax and other sales related taxes. Sales related discounts comprise:

- Long term discounts and rebates – which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth
- Short term promotional discounts – which are directly related to promotions run by customers

For sales related discounts that must be earned, management make estimates related to customer performance, sales volume and agreed terms, to determine total amounts earned and to be recorded in deductions from revenue.

Property, plant and equipment

Property, plant and equipment 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. 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 10 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 consolidated income statement in the period of derecognition.

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.

Non-current assets held for sale

The group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than continuing use. Such non-current assets as held for sale are measured at the lower of their carrying value and fair value less costs to sell.

Property, plant and equipment and intangibles assets are not depreciated or amortised once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

Goodwill

While the original acquisition of Britannia Soft Drinks Limited was accounted for under the merger method, business combinations on or after 4 October 2004 have been accounted for under IFRS 3 'Business Combinations' using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the consolidated income statement in the period of acquisition.

Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to the group of cash-generating units expected to benefit from the combination's synergies by management. Impairment is determined by assessing the recoverable amount of the group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount, an impairment loss is recognised immediately in the consolidated income statement.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

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 resource rather than external resources. These costs are amortised over their estimated useful lives of three to seven years on a straight line basis.

Trademarks, franchise rights and customer lists

Intangible assets acquired separately are measured on initial recognition at the fair value of consideration paid. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation or impairment losses. An intangible asset acquired as part of a business combination is recognised outside goodwill, at fair value at the date of acquisition, if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite. 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 with finite and indefinite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets with indefinite useful lives are also tested for impairment annually either individually or, if the intangible asset does not generate cash flows that are largely independent of those from other assets or groups of assets, as part of the cash generating unit to which it belongs. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and development

Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the group 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

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.

Impairment of intangible assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects senior management's estimate of the cost of capital. Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Goodwill impairment losses cannot subsequently be reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

Inventories and work in progress

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.

Financial assets

The group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, which is normally the transaction price, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value through profit or loss. The group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables

The group has financial assets that are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the consolidated income statement when loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised at the lower of their original invoiced value and recoverable amount.

Provision is made when collection of the full amount is no longer considered probable. Balances are written off when the probability of recovery is assessed as being remote.

Fair value

The group measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The group uses valuation techniques that are appropriate in the circumstance and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

Derivative financial instruments and hedging

The group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. 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. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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 the consolidated income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

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 consolidated income statement. Amounts previously recognised in other comprehensive income are transferred to the consolidated income statement 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 the consolidated income statement. 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 the consolidated income statement or included in the initial carrying amount of a non-financial asset or liability as above.

Net investment hedges

Financial instruments are classified as net investment hedges when they hedge the group's net investment in foreign operations. Some of the group's foreign currency borrowings qualify as hedging instruments that hedge foreign currency net investment balances. The effective portion of gains or losses on translation of borrowings designated as net investment hedges is recognised in other comprehensive income. Any ineffective portion is recognised immediately in the consolidated income statement. Upon disposal of the associated investment in foreign operations any cumulative gain or loss previously recognised in other comprehensive income is recycled through the consolidated income statement.

Fair value hedges

Hedges of the change in fair value of recognised assets or liabilities are classified as fair value hedges. For fair value hedges, the gain or loss on the fair value of the hedging instrument is recognised in the consolidated income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognised in the consolidated income statement. If the hedge relationship no longer meets the criteria for hedge accounting, the hedged item would no longer be adjusted and the cumulative adjustment to its carrying amount would be amortised to the consolidated income statement based on a recalculated effective interest rate. The fair value gain on loss on the hedging instrument would continue to be recorded in the consolidated income statement.

Derecognition of financial instruments

The derecognition of a financial asset takes place when the contractual rights to the cash flows expire, or when the contractual rights to the cash flows have either been transferred or an obligation has been assumed to pass them through to a third party and the group does not retain substantially all the risks and rewards of the asset.

Financial liabilities are only derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

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 consolidated income statement 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.

Taxation

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 consolidated financial statements.

The principal temporary differences arise from accelerated capital allowances, provisions for pensions and other post-retirement benefits, provisions for share-based payments and unutilised losses incurred in overseas jurisdiction.

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.

Provisions

Provisions are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. 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. The increase in the provision due to passage of time is recognised as interest expense.

Pensions and post retirement benefits

The group operates a number of pension schemes. These include both defined benefit and defined contribution plans.

Defined benefit plans

The defined benefit pension liability or asset in the balance sheet comprises the total for each plan of 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 statement of financial position 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 profit or loss 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

Pensions and post retirement benefits (continued)

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans

Under defined contribution plans, contributions payable for the period are charged to the consolidated income statement as an operating expense.

Employee benefits

Wages, salaries, bonuses and paid annual leave are accrued in the period in which the associated services are rendered by the employees of the group.

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 group. Leases in which the group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Rentals payable under 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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call 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. For the purposes of the statement of cash flows, bank overdrafts repayable on demand are a component of cash and cash equivalents.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised in the balance sheet at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

On a refinancing any unamortised financing charges are accelerated through the consolidated income statement.

Foreign currencies

Functional and presentation currency

The consolidated financial statements of the group are presented in pounds sterling. The presentation currency of the consolidated financial statements is the same as the functional currency of the company.

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 consolidated income statement, except when hedge accounting is applied and for differences in monetary assets and liabilities that form part of the group's net investment in a foreign operation. These are taken in other comprehensive income until the disposal of the net investment, at which time they are recognised in profit and loss.

Foreign operations

The consolidated income statement and statement of cash flows of foreign operations are translated at the average rate of exchange during the period. The balance sheet is translated at the rate ruling at the reporting date. Exchange differences arising on opening net assets and arising on the translation of results at an average rate compared to a closing rate are both recognised in other comprehensive income. On disposal of a foreign operation, the accumulated exchange differences previously recognised in other comprehensive income are included in the consolidated income statement.

Certain of the group's financial instruments are classified as net investment hedges when they hedge the group's net investment in foreign operations. See derivative financial instruments and hedging policy above for further detail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

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.

Issued 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.

Other 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.

Own shares reserve

The own shares reserve is used to record purchases 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.

Share scheme reserve

The share scheme reserve is used to record the movements in equity corresponding to the cost recognised in respect of equity-settled share based payment transactions. Amounts recognised in the share scheme reserve are transferred to retained losses upon subsequent settlement of any awards that vest either by issue or purchase of the group's shares, or when awards lapse.

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 hedging instruments in cash flow hedges.

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.

Own shares

The cost of own shares held in employee share trusts and in treasury is deducted from shareholders' equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, the fair value of any consideration received is also included in shareholders' equity.

Exceptional and other items

The group presents items as exceptional and other items on the face of the consolidated income statement to 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.

- 'Exceptional' items include those significant items of income and expense which, because of the size, nature and infrequency of the events giving rise to them, merit separate presentation.

- 'Other' items include fair value movements on financial instruments where hedge accounting cannot be applied. These items have been included within 'exceptional and other items' because they are non-cash and do not form part of how management assesses performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

Key judgements and 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 the actual outcomes could differ from those estimates. In the process of applying the group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

Post-retirement benefits

The determination of the pension and other post-retirement benefits cost and obligation is based on assumptions determined with independent actuarial advice. The assumptions include discount rate, inflation, pension and salary increases, expected return on scheme assets, mortality and other demographic assumptions. These key assumptions are disclosed in note 23.

Franchise rights

Franchise rights represent franchise agreements acquired as part of the Britvic Ireland business combination which provides long term rights to distribute certain soft drinks. These agreements have been allocated a 35 year useful economic life. The franchise agreement has a contract life less than the useful economic life. The useful economic life has been determined on the basis that the renewal of the franchise agreements is highly probable. A significant emphasis is made on developing relationships with Pepsico, which includes maintaining an appropriate level of communication to deal with on-going operational issues. This is further strengthened through the addition of Pepsico products to Britvic's portfolio in recent years.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash generating units to which the goodwill/intangible asset has been allocated. Management considers these assets to have indefinite lives based on their historical longevity, and a business model and strategy that is based on development and expansion of Britvic's brands. The value in use calculation requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further details are given in note 15

Cross currency interest rate swaps

The group measures cross currency interest rate swaps at fair value at each balance sheet date. The fair value represents the net present value of the difference between the projected cash flows at the swap contract rate and the relevant exchange/interest rate for the period from the balance sheet date to the contracted expiry date. The calculation therefore uses estimates of present value, future foreign exchange rates and interest rates. Information regarding cross currency interest rate swaps is provided in notes 22 and 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Accounting policies (continued)

New standards adopted in the current period

During the period, the group adopted a number of interpretations and amendments to standards including IAS 19 (Revised) ‘Employee Benefits’ and IFRS 13 ‘Fair Value Measurement’, all of which had an immaterial impact on the consolidated financial statements of the group.

The most significant change for Britvic under IAS 19 (Revised) is the replacement of interest cost and expected return on plan assets with a finance cost component which is determined by applying the same discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The difference between the actual return on plan assets and the discount rate will be presented in other comprehensive income. Other changes include the treatment of expenses paid in relation to the plans and the narrative disclosures.

New standards and interpretations not applied

The group has not applied the following IFRSs, which may be applicable to the group, that have been issued (although in some cases not yet adopted by the EU) but are not yet effective:

		Effective date – periods commencing on or after
International Financial Reporting Standards (IFRS)		
IFRS 9 / IAS 39	Financial Instruments – Classification and measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosures of interests in other entities	1 January 2014
IFRS 15	Revenue Recognition	1 January 2017
International Accounting Standards (IAS)		
IAS 27 (revised 2011)	Separate financial statements	1 January 2014
IAS 32	Amendment to IAS 32 – Offsetting of assets and liabilities	1 January 2014
IAS 36	Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39 / IFRS 9	Amendment to IFRS 9 – Novation of derivatives and continuation of hedge accounting	1 January 2014
Other		
IFRIC Interpretation 21	IFRIC 21 - Levies	1 January 2014

The directors do not anticipate that the adoption of these standards, which will be adopted in line with the effective date will have a material impact on the group’s reported income or net assets in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segmental reporting

For management purposes, the group is organised into business units and has five 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
- 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 28 September 2014	**GB stills £m**	**GB carbs £m**	**Total GB £m**	**Ireland £m**	**France £m**	**International £m**	**Total £m**
Revenue	335.2	567.8	**903.0**	128.3	254.9	58.2	**1,344.4**
Brand contribution	159.4	222.4	**381.8**	47.0	67.1	21.0	**516.9**
Non-brand advertising & promotion *							(9.9)
Fixed supply chain**							(101.8)
Selling costs**							(120.7)
Overheads and other costs*							(126.4)
Operating profit before exceptional & other items							**158.1**
Finance costs before exceptional & other items							(25.2)
Exceptional & other items							(12.8)
Profit before tax							**120.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segmental reporting (continued)

52 weeks ended 29 September 2013	GB stills £m	GB carbs £m	Total GB £m	Ireland £m	France £m	International £m	Total £m
Revenue ***	340.1	536.4	**876.5**	136.9	258.2	50.3	**1,321.9**
Brand contribution ***	154.5	200.1	**354.6**	49.0	63.2	18.8	**485.6**
Non-brand advertising & promotion *							(7.3)
Fixed supply chain**							(100.7)
Selling costs**							(124.5)
Overheads and other costs*							(118.1)
Operating profit before exceptional & other items							**135.0**
Finance costs before exceptional & other items							(26.9)
Exceptional & other items							(25.5)
Profit before tax							**82.6**

* 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.

*** As part of the implementation of the new operating model, responsibility for France exports has been transferred to the international business and prior year numbers have been restated to ensure accurate comparisons.

Geographic information

Revenues from external customers
The analysis below is based on the location where the sale originated.

	2014 £m	2013 £m
United Kingdom	**966.7**	940.3
Republic of Ireland	**109.2**	110.6
France	**268.2**	271.0
Other	**0.3**	-
Total revenue	**1,344.4**	1,321.9

Non-current assets

	2014 £m	2013 £m
United Kingdom	**233.7**	236.7
Republic of Ireland	**105.3**	107.8
France	**183.6**	192.0
Other	**1.1**	-
Total	**523.7**	536.5

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Exceptional and other items

Unless otherwise stated, exceptional and other items are included within administration expenses in the consolidated income statement.

	Note	**52 weeks ended 28 September 2014 £m**	52 weeks ended 29 September 2013 £m
Asset impairments	(a)	**(0.7)**	(12.9)
Gain on disposal of previously impaired assets		**0.7**	-
Strategic restructuring costs	(b)	**(14.1)**	(10.6)
Aborted merger costs	(c)	**-**	(9.6)
Other fair value movements	(d)	**2.3**	7.6
Write off of unamortised financing fees	(e)	**(1.0)**	-
Total exceptional and other items before tax		**(12.8)**	(25.5)

a) Asset impairments relates to the loss recognised on transfer of a property from property, plant and equipment to held for sale in Britvic GB following closure in 2014 as part of strategic cost initiatives announced in May 2013.

In 2013, asset impairments related to the planned closure of GB factories, also as part of the strategic cost initiatives announced in May 2013.

b) Strategic restructuring costs in 2014 relate to the continuation of cost initiatives announced in May 2013, following the closure of two factories in Britvic GB and subsequent reorganisation as well as integration of GB and Ireland back office operations.

In 2013 costs also related to the implementation of cost initiatives announced in May 2013, including costs associated with the closure of factories and planned changes to the business operating model.

c) In 2013, costs related to the previously proposed merger of Britvic plc and A.G.Barr plc.

d) Other fair value movements relate to the fair value movement of derivative financial instruments where hedge accounting cannot be applied. For the 52 weeks ended 28 September 2014, a gain of £1.3m is included within administration expenses (52 weeks ended 29 September 2013: £6.9m gain) and a gain of £1.0m is included within finance costs (52 weeks ended 29 September 2013 £0.7m gain) in the consolidated income statement.

e) Following the decision to refinance the group's committed bank facility, unamortised financing fees of £1.0m have been written off to finance costs in the consolidated income statement (see note 9).

Details of the tax implications of exceptional and other items are given in note 10a.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Operating profit/(loss)

This is stated after charging:	**2014** **£m**	2013 £m
Cost of inventories recognised as an expense	**617.5**	646.9
Including: write-down of inventories to net realisable value	**1.1**	1.5
Research and development expenditure written off	**2.6**	0.6
Net foreign currency exchange differences	**1.6**	1.1
Depreciation of property, plant and equipment	**31.5**	36.6
Amortisation of intangible assets	**10.4**	7.1
Operating lease payments – minimum lease payments	**11.7**	13.1

7. Auditor's remuneration

	2014 **£m**	2013 £m
Audit of the group financial statements	**0.2**	0.2
Audit of subsidiaries	**0.4**	0.4
Total audit	**0.6**	0.6
Audit related assurance services	**-**	-
Other assurance services	**-**	0.1
All taxation advisory services	**-**	-
Corporate finance services (excluding amounts included above in tax advisory and other assurance services)	**-**	0.7
Other non-audit services not covered above	**1.4**	1.6
Total non-audit services	**1.4**	2.4
Total fees	**2.0**	3.0

8. Staff costs

	2014 **£m**	2013 £m
Wages and salaries*	**120.4**	119.4
Social security costs	**19.8**	20.3
Net pension charge/(income)	**11.1**	8.7
Expense of share based compensation (note 29)	**9.1**	6.2
	160.4	154.6

* In addition to the above, £7.5m (2013: £6.7m) is included within 'strategic restructuring costs' in exceptional and other items (note 5).

	2014 **£m**	2013 £m
Directors' emoluments	**2.5**	2.7
Aggregate gains made by directors on exercise of options	**1.5**	-

	2014 **No.**	2013 No.
Number of directors accruing benefits under defined benefit schemes	**-**	-

The average monthly number of employees during the period was made up as follows:

	2014 **No.**	2013 No.
Distribution	**300**	331
Production	**1,389**	1,508
Sales and marketing	**911**	979
Administration	**559**	458
	3,159	3,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Finance costs

	2014 £m	2013 £m
Finance costs		
Bank loans, overdrafts and loan notes	**(25.3)**	(26.9)
Unwinding of discount in provisions	**(0.1)**	-
Write off of unamortised financing fees (see note 5)	**(1.0)**	-
Total finance costs	**(26.4)**	(26.9)
Finance income		
Bank loans, overdrafts and loan notes	**0.2**	-
Fair value movement on interest rate swap (see note 26)	**1.0**	0.7
Total finance income	**1.2**	0.7
Net finance costs	**(25.2)**	(26.2)

10. Taxation

a) *Tax on profit on continuing operations*

	2014		
	Before exceptional & other items £m	**Exceptional & other items £m**	**Total £m**
Income statement			
Current income tax			
Current income tax (charge)/credit	**(36.2)**	**3.0**	**(33.2)**
Amounts over/(under) provided in previous years	**(2.0)**	**0.7**	**(1.3)**
Total current income tax (charge)/credit	**(38.2)**	**3.7**	**(34.5)**
Deferred income tax			
Origination and reversal of temporary differences	**4.3**	**(0.4)**	**3.9**
Amounts (under)/over provided in previous years	**0.9**	**(0.7)**	**0.2**
Total deferred tax credit/(charge)	**5.2**	**(1.1)**	**4.1**
Total tax (charge)/credit in the income statement	**(33.0)**	**2.6**	**(30.4)**
Statement of comprehensive income			
Current tax on additional pension contributions			**4.5**
Deferred tax on defined benefit plans			**(2.0)**
Deferred tax in respect of cash flow hedges accounted for in the hedging reserve			**0.1**
Tax on exchange differences accounted for in the translation reserve			**0.7**
Deferred tax on other temporary differences			**0.1**
Total tax credit in the statement of comprehensive income			**3.4**
Statement of changes in equity			
Current tax on share options exercised			**0.8**
Deferred tax on share options granted to employees			**0.6**
Total tax credit in the statement of changes in equity			**1.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Taxation (continued)

a) Tax on profit on continuing operations (continued)

			2013
	Before exceptional & other items	Exceptional & other items	Total
	£m	£m	£m
Income statement			
Current income tax			
Current income tax (charge)/credit	(26.9)	3.3	(23.6)
Amounts over/(under) provided in previous years	1.2	(1.1)	0.1
Total current income tax (charge)/credit	(25.7)	2.2	(23.5)
Deferred income tax			
Origination and reversal of temporary differences	(0.5)	1.4	0.9
Impact of change in UK tax rate on deferred tax liability	3.0	0.2	3.2
Amounts (under)/over provided in previous years	(2.3)	1.0	(1.3)
Total deferred tax credit	0.2	2.6	2.8
Total tax (charge)/credit in the income statement	(25.5)	4.8	(20.7)
Statement of comprehensive income			
Current tax on additional pension contributions			3.1
Deferred tax on defined benefit plans			4.4
Deferred tax in respect of cash flow hedges accounted for in the hedging reserve			0.4
Tax on exchange differences accounted for in the translation reserve			(2.9)
Deferred tax on other temporary differences			0.2
Total tax credit in the statement of comprehensive income			5.2
Statement of changes in equity			
Current tax on share options exercised			1.0
Deferred tax on share options granted to employees			(0.3)
Total tax credit in the statement of changes in equity			0.7

10. Taxation (continued)

b) Reconciliation of the total tax charge

The tax expense in the consolidated income statement is higher (2013: higher) than the standard rate of corporation tax in the UK of 22.0% (2013: 23.5%). The differences are reconciled below:

			2014
	Before exceptional & other items	**Exceptional & other items**	**Total**
	£m	**£m**	**£m**
Profit/(loss) before tax	**132.9**	**(12.8)**	**120.1**
Profit/(loss) multiplied by the UK average rate of corporation tax of 22.0%	**(29.2)**	**2.8**	**(26.4)**
Permanent differences	**0.4**	**0.1**	**0.5**
Impact of change in UK tax rate on deferred tax liability	**(0.2)**	**0.1**	**(0.1)**
Tax underprovided in previous years	**(0.9)**	**(0.1)**	**(1.0)**
Overseas tax rates	**(3.1)**	**(0.3)**	**(3.4)**
	(33.0)	**2.6**	**(30.4)**
Effective income tax rate	**24.8%**		**25.3%**

			2013
	Before exceptional & other items	Exceptional & other items	Total
	£m	£m	£m
Profit/(loss) before tax	108.1	(25.5)	82.6
Profit/(loss) multiplied by the UK average rate of corporation tax of 23.5%	(25.4)	6.0	(19.4)
Permanent differences	0.4	(0.6)	(0.2)
Impact of change in UK tax rate on deferred tax liability	3.0	0.2	3.2
Tax underprovided in previous years	(1.1)	(0.1)	(1.2)
Overseas tax rates	(2.4)	(0.7)	(3.1)
	(25.5)	4.8	(20.7)
Effective income tax rate	23.6%		25.0%

c) Unrecognised tax items

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised total £7.5m (2013: £5.6m). No deferred tax has been provided in respect of these differences, since the timing of the reversals can be controlled and it is probable that the temporary differences will not reverse in the future.

The group expects that future remittances of earnings from its overseas subsidiaries will be covered by the UK dividend exemption and so the un-remitted earnings of these subsidiaries are not disclosed above.

No deferred tax asset has been recognised in respect of unused tax losses of £4.3m (2013: £1.9m). Included in this amount are tax losses of £2.8m (2013: £0.8m) that will expire in 7-8 years. Other losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Taxation (continued)

d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2014	2013
	£m	£m
Deferred tax liability		
Accelerated capital allowances	**(5.4)**	(6.8)
Acquisition fair value adjustments	**(15.4)**	(17.6)
Other temporary differences	**-**	(0.1)
Post employment benefits	**(16.1)**	(13.5)
Deferred tax liability	**(36.9)**	(38.0)
Deferred tax asset		
Employee incentive plan	**5.7**	3.7
Unutilised losses incurred in overseas jurisdictions	**6.6**	5.1
Other temporary differences	**1.3**	1.4
Deferred tax asset	**13.6**	10.2
Net deferred tax liability	**(23.3)**	(27.8)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014	2013
	£m	£m
Net deferred tax assets	**-**	-
Net deferred tax liabilities	**(23.3)**	(27.8)
	(23.3)	(27.8)

The deferred tax included in the consolidated income statement is as follows:

	2014	2013
	£m	£m
Employee incentive plan	**1.4**	0.4
Accelerated capital allowances	**1.5**	3.0
Post employment benefits	**(0.6)**	1.5
Acquisition fair value adjustments	**1.0**	1.3
Unutilised losses incurred in overseas jurisdictions	**1.3**	0.7
Other temporary differences	**(0.5)**	(4.1)
Deferred tax credit/(charge)	**4.1**	2.8

In 2014, there is a £1.1m charge relating to exceptional items (2013: £2.6m credit) included within the overall £4.1m deferred tax credit (2013: overall £2.8m credit) in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit/(loss) 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:

	2014	2013
	£m	£m
Basic earnings per share		
Profit for the period attributable to equity shareholders	**89.7**	61.9
Weighted average number of ordinary shares in issue for basic earnings per share	**245.8**	243.2
Basic earnings per share	**36.5p**	25.5p
Diluted earnings per share		
Profit for the period attributable to equity shareholders	**89.7**	61.9
Weighted average number of ordinary shares in issue for diluted earnings per share	**247.5**	244.7
Diluted earnings per share	**36.2p**	25.3p

The group presents as exceptional and other items on the face of the consolidated income statement, those significant items of income and expense which, because of the size, nature and infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess trends in financial performance more readily.

To this end, basic and diluted earnings per share are also presented on this basis with the amortisation of acquisition related intangible assets also added back using the weighted average number of ordinary shares for both basic and diluted amounts as per the table below.

	Note	**2014**	2013
		£m	£m
Adjusted basic earnings per share			
Profit for the period attributable to equity shareholders		**89.7**	61.9
Add: Net impact of exceptional and other items		**10.2**	20.7
Add: Intangible assets amortisation (acquisition related)	14	**2.9**	2.9
		102.8	85.5
Weighted average number of ordinary shares in issue for basic earnings per share		**245.8**	243.2
Adjusted basic earnings per share		**41.8p**	35.2p
Adjusted diluted earnings per share			
Profit for the period attributable to equity shareholders before exceptional items and other items and acquisition related intangible assets amortisation		**102.8**	85.5
Weighted average number of ordinary shares in issue for diluted earnings per share		**247.5**	244.7
Adjusted diluted earnings per share		**41.5p**	34.9p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Dividends paid and proposed

	2014	2013
	£m	£m
Declared and paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2013: 13.0p per share (2012: 12.4p per share)	**31.8**	29.6
Interim dividend for 2014: 6.1p per share (2013: 5.4p per share)	**15.0**	12.9
Dividends paid	**46.8**	42.5
Proposed		
Final dividend for 2014: 14.8p per share (2013: 13.0p per share)	**36.3**	31.7

13. Property, plant and equipment

	Freehold land and buildings	**Leasehold land and buildings**	**Plant and machinery**	**Fixtures, fittings, tools and equipment**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 30 September 2012, net of accumulated depreciation and impairment	59.1	27.8	101.7	48.0	236.6
Exchange differences	1.0	0.4	1.8	-	3.2
Additions	3.8	2.5	15.2	6.3	27.8
Disposals at cost	(0.1)	-	(3.5)	(12.4)	(16.0)
Depreciation eliminated on disposals	0.1	-	1.9	9.9	11.9
Depreciation charge for the year	(2.4)	(0.9)	(20.3)	(13.0)	(36.6)
Impairment *	-	(0.8)	(10.4)	-	(11.2)
At 29 September 2013 net of accumulated depreciation and impairment	61.5	29.0	86.4	38.8	215.7
Exchange differences	(2.1)	(0.7)	(2.6)	(0.1)	(5.5)
Additions	15.5	0.9	18.8	12.9	48.1
Disposals at cost	-	-	(2.9)	(15.2)	(18.1)
Depreciation eliminated on disposals	-	-	2.0	14.5	16.5
Depreciation charge for the year	(2.5)	(0.9)	(17.6)	(10.5)	(31.5)
Assets transferred to held for sale (note 20)	-	(3.6)	-	-	(3.6)
Reclassification	-	-	0.7	(0.7)	-
(Impairment)*/impairment reversal	-	(0.7)	0.1	-	(0.6)
At 28 September 2014 net of accumulated depreciation and impairment	**72.4**	**24.0**	**84.9**	**39.7**	**221.0**
At 28 September 2014					
Cost (gross carrying amount)	**95.4**	**35.9**	**279.7**	**157.5**	**568.5**
Accumulated depreciation and impairment	**(23.0)**	**(11.9)**	**(194.8)**	**(117.8)**	**(347.5)**
Net carrying amount	**72.4**	**24.0**	**84.9**	**39.7**	**221.0**
At 29 September 2013					
Cost (gross carrying amount)	83.9	43.1	272.9	162.6	562.5
Accumulated depreciation and impairment	(22.4)	(14.1)	(186.5)	(123.8)	(346.8)
Net carrying amount	61.5	29.0	86.4	38.8	215.7

* The impairment in 2014 relates to a loss on transfer of a property held in the GB stills segment to non-current assets held for sale (see note 20), and has been included within exceptional and other items (see note 5).

The impairment in 2013 principally related to the write down of plant and machinery following the strategic cost initiative announcement in May 2013, and was included within exceptional and other items (see note 5).

Finance leases

The net book value of freehold land and buildings and plant and machinery includes £0.1m and £nil respectively (2013: £0.2m and £0.1m respectively) in respect of assets held under finance leases. The assets are pledged as security for the finance lease liabilities.

14. Intangible assets

	Trademarks	Franchise rights	Customer lists	Software costs	Goodwill	Total
	£m	£m	£m	£m	£m	£m
Cost as at 30 September 2012, net of accumulated amortisation	92.5	20.3	35.2	20.3	136.9	305.2
Exchange differences	5.0	1.0	1.8	-	3.9	11.7
Additions	-	-	-	8.9	-	8.9
Amortisation charge for the period	-	(0.7)*	(2.2)*	(4.2)	-	(7.1)
Impairment **	-	-	-	-	(1.7)	(1.7)
At 29 September 2013	97.5	20.6	34.8	25.0	139.1	317.0
Exchange differences	(6.5)	(1.5)	(2.2)	(0.1)	(5.2)	(15.5)
Additions	-	-	-	8.8	-	8.8
Disposals at cost	-	-	-	(0.4)	-	(0.4)
Amortisation eliminated on disposals	-	-	-	0.2	-	0.2
Amortisation charge for the period	-	(0.7)*	(2.2)*	(7.5)	-	(10.4)
At 28 September 2014	**91.0**	**18.4**	**30.4**	**26.0**	**133.9**	**299.7**
At 28 September 2014						
Cost (gross carrying amount)	**117.9**	**23.1**	**46.5**	**72.8**	**196.6**	**456.9**
Accumulated amortisation and impairment	**(26.9)**	**(4.7)**	**(16.1)**	**(46.8)**	**(62.7)**	**(157.2)**
Net carrying amount	**91.0**	**18.4**	**30.4**	**26.0**	**133.9**	**299.7**
At 29 September 2013						
Cost (gross carrying amount)	126.6	24.8	49.7	65.5	205.6	472.2
Accumulated amortisation and impairment	(29.1)	(4.2)	(14.9)	(40.5)	(66.5)	(155.2)
Net carrying amount	97.5	20.6	34.8	25.0	139.1	317.0

* Acquisition related amortisation (see note 11).

** The impairment in 2013 related to the write down of goodwill relating to the Water business following the strategic cost initiative announcement in May 2013, and has been included within exceptional and other items (see note 5).

Trademarks

Britvic Ireland and Britvic France

Trademarks represent those trade names acquired which the group plans to maintain. All trademarks have been allocated an indefinite life by management. A list of the trademarks held in respect of the Britvic Ireland and Britvic France segments is shown in note 15.

It is expected, and in line with existing well-established trademarks within the group, that the trademarks with indefinite lives in respect of Britvic France and Britvic Ireland will be held and supported for an indefinite period of time and are expected to generate economic benefits. The group is committed to supporting its trademarks and invests in significant consumer marketing promotional spend.

Franchise rights

Franchise rights represent the franchise agreements acquired as part of the Britvic Ireland business combination which provide the long term right to distribute certain soft drinks. These agreements have been allocated a 35 year useful economic life. As at 28 September 2014 these intangible assets have a remaining useful life of 28 years. The franchise agreement itself has a contract life less than the useful economic life. The useful economic life has been determined on the basis that the renewal of the contract is highly probable.

14. Intangible assets (continued)

Customer lists

Britvic France
Customer lists recognised on the acquisition of Britvic France relate to those customer relationships acquired. These intangible assets have been allocated useful economic lives of 20 years. At 28 September 2014 these intangible assets have a remaining useful life of 16 years.

Britvic Ireland
Customer lists represent those customer relationships acquired which are valued in respect of the grocery and wholesale businesses. These customer lists have been allocated useful economic lives of between 10 and 20 years. At 28 September 2014 these intangible assets have a remaining useful life of between 3 and 13 years.

Software costs

Software is capitalised at cost. These intangible assets have been assessed as having finite lives and are amortised using the straight-line method over a period of 3 to 7 years. As at 28 September 2014 these intangible assets have a remaining useful life of up to 7 years.

Goodwill

Goodwill is subject to an impairment review at each reporting date in accordance with IAS 36 'Impairment of Assets'. Further detail is provided in note 15.

Intangible assets recognised on the acquisition of Britvic Ireland and Britvic France are valued in euros and translated to sterling at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Impairment testing of intangible assets

Carrying amount of goodwill and trademarks with indefinite lives

The carrying amount of goodwill acquired through business combinations, and trademarks with indefinite lives recognised as part of fair value exercises on acquisitions, are attributable to the following cash-generating units:

	2014	2013
	£m	£m
Goodwill		
Orchid	**6.0**	6.0
Tango	**8.9**	8.9
Robinsons	**38.6**	38.6
Britvic Soft Drinks business (BSD)	**7.8**	7.8
Britvic Ireland	**15.5**	16.6
Britvic France	**57.1**	61.2
	133.9	139.1

	2014	2013
	£m	£m
Trademarks with indefinite lives		
Britvic Ireland		
Britvic	**5.9**	6.3
Cidona	**5.2**	5.5
Mi Wadi	**8.0**	8.6
Ballygowan	**2.2**	2.4
Club	**13.2**	14.2
	34.5	37.0
Britvic France		
Teisseire	**44.7**	47.9
Moulin de Valdonne	**3.7**	3.9
Pressade	**4.2**	4.5
Fruité	**3.9**	4.2
	56.5	60.5
Total Trademarks	**91.0**	97.5

The Britvic Ireland and Britvic France goodwill and trademarks with indefinite lives are valued in euros and translated into sterling at the reporting date. The movements in the carrying amount of goodwill from the prior year relate to translation movements.

With the exception of Britvic Ireland and Britvic France goodwill, all other goodwill amounts were recognised on acquisitions made within Britvic GB.

Trademarks with indefinite lives were recognised as part of the fair value exercises relating to the 2007 acquisition of Britvic Ireland and the 2010 acquisition of Britvic France. They were allocated by senior management to the individual cash-generating units for impairment testing as shown in the table above.

Method of impairment testing

Goodwill and intangible assets with indefinite lives

Impairment reviews of goodwill and intangible assets are undertaken by senior management annually. Value in use calculations are performed for each cash-generating unit using cash flow projections and are based on the latest annual financial budgets prepared by senior management and approved by the board of directors. Senior management expectations are formed in line with performance to date and experience, as well as available external market data.

The group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. The applicable pre-tax discount rate for cash flow projections is:

	At 28 September 2014	At 29 September 2013
Britvic GB	**9.6%**	8.3%
Britvic Ireland	**9.7%**	10.2%
Britvic France	**10.5%**	10.0%

Cash flows beyond a one year period are extrapolated based on growth and discount rates as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Impairment testing of intangible assets (continued)

Method of impairment testing (continued)

Key assumptions used in value in use calculations
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Volume growth rates – reflect senior management expectations of volume growth based on growth achieved to date, current strategy and expected market trends.

Discount rates – reflect senior management's estimate of the pre-tax cost of capital adjusted where necessary to reflect the different risks of different countries in which the group operates. The estimated pre-tax cost of capital is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

Marginal contribution – being revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Marginal contribution is based on financial budgets approved by the Britvic plc board. Key assumptions are made within these budgets about pricing, discounts and costs based on historical data, current strategy and expected market trends.

Advertising and promotional spend – financial budgets approved by senior management are used to determine the value assigned to advertising and promotional spend. This is based on the planned spend for year one and strategic intent thereafter.

Raw materials price, production and distribution costs, selling costs and other overhead inflation – the basis used to determine the value assigned to inflation is the forecast increase in consumer price indices in the relevant market. This has been used in all value in use calculations performed.

Intangible assets with finite lives
No indicators of impairment were identified on intangible assets with finite lives and no impairment was recognised against these assets.

Results and conclusions
No impairments have been identified during the 52 week period ended 28 September 2014. In 2013, following the strategic cost initiative announcement in May 2013, the carrying value of goodwill relating to the Water business of £1.7m was impaired, and the impairment charge recognised within exceptional and other items (see note 5).

Other than for the Britvic trademark within Britvic Ireland, the directors do not consider that a reasonably possible change in the assumptions used to calculate the value in use of remaining goodwill and intangible assets would result in any impairment. The key assumption to which the calculation of value in use for the Britvic trademark is most sensitive is the discount rate where a change of 0.1% could reduce the recoverable amount to carrying amount.

16. Other receivables (non-current)

	2014	2013
	£m	£m
Operating lease premiums	**2.4**	1.8
Prepayments	**-**	1.5
Other	**0.6**	0.5
Total other receivables (non-current)	**3.0**	3.8

Operating lease premiums relates to the un-amortised element of lease premiums paid on inception of operating leases.

17. Inventories

	2014	2013
	£m	£m
Raw materials	**27.5**	27.1
Finished goods	**49.1**	54.9
Consumable stores	**6.7**	7.0
Returnable packaging	**1.4**	1.8
Total inventories at lower of cost and net realisable value	**84.7**	90.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Trade and other receivables (current)

	2014	2013
	£m	£m
Trade receivables	**250.0**	236.4
Other receivables	**9.0**	10.1
Prepayments	**17.9**	19.6
	276.9	266.1

Trade receivables are non-interest bearing and are generally on credit terms usual for the markets in which the group operates. As at 28 September 2014, trade receivables at nominal value of £1.2m (2013: £1.6m) were impaired and fully provided against. Movements in the provision for impairment of receivables were as follows:

	Total
	£m
At 30 September 2012	2.5
Charge for period	2.5
Utilised	(1.9)
Unused amounts reversed	(1.5)
At 29 September 2013	**1.6**
Charge for period	2.5
Utilised	(0.5)
Unused amounts reversed	(2.4)
At 28 September 2014	**1.2**

The group takes the following factors into account when considering whether a provision for impairment should be made for trade receivables:

- Payment performance history; and
- External information available regarding credit ratings.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30 – 60 days	60 – 90 days	90 – 120 days	> 120 days
	£m	£m	£m	£m	£m	£m	£m
2014	**250.0**	**222.7**	**13.1**	**3.1**	**1.3**	**0.4**	**9.4**
2013	236.4	218.1	7.3	4.1	0.9	1.2	4.8

The credit quality of trade receivables that are neither past due nor impaired is considered good. Refer to note 25 for details of the group's credit risk policy. The group monitors the credit quality of trade receivables by reference to credit ratings available externally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Cash and cash equivalents

	2014	2013
	£m	£m
Cash at bank and in hand	**25.3**	16.5
Deposits	**118.7**	77.5
Cash and cash equivalents	**144.0**	94.0
Bank overdrafts	**(0.7)**	(2.5)
Cash and cash equivalents in the statement of cash flows	**143.3**	91.5

During the year, short-term deposits are made for varying periods depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is equal to the book value.

At 28 September 2014 the group had available £400.0m (2013: £400.0m) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met. Agreement has been reached to refinance this facility with an expected revised maturity date of November 2019.

Where available, the group operates cash pooling arrangements whereby the net cash position across a number of accounts is recognised for interest purposes.

20. Non-current assets held for sale

	2014	2013
	£m	£m
Net transfer from property, plant and equipment	**3.6**	-

£2.8m of the transfer relates to a property held for sale in Britvic Ireland. The sale of the property completed on 2 October 2014 and resulted in a gain on disposal of £0.8m.

£0.8m of the transfer relates to a property held for sale in GB. An impairment loss of £0.7m was recognised on transfer of this property from property, plant and equipment to non-current assets held for sale.

21. Issued share capital

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.

Issued, called up and fully paid ordinary shares	**No. of shares**	**Value £**
At 30 September 2012	242,344,551	48,468,910
Shares issued	2,746,477	549,295
At 29 September 2013	245,091,028	49,018,205
Shares issued	2,138,087	427,618
At 28 September 2014	**247,229,115**	**49,445,823**

Of the issued and fully paid ordinary shares, 409,725 shares (2013: 231,547 shares) are own shares held by an employee benefit trust. This equates to £81,945 (2013: £46,309) at £0.20 par value of each ordinary share. These shares are held for the purpose of satisfying the share schemes detailed in note 29.

An explanation of the group's capital management process and objectives is set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Interest bearing loans and borrowings

	2014 £m	2013 £m
Current		
Finance leases	**(0.1)**	(0.2)
Bank loans	**(0.8)**	(0.2)
Private placement notes	**(21.8)**	(92.1)
Less: unamortised issue costs	**0.3**	0.9
Total current	**(22.4)**	(91.6)

	2014 £m	2013 £m
Non-current		
Finance leases	**(0.2)**	(0.3)
Bank loans	**(0.6)**	(0.8)
Private placement notes	**(540.1)**	(459.1)
Less: unamortised issue costs	**1.0**	1.9
Total non-current	**(539.9)**	(458.3)
Total interest bearing loans and borrowings	**(562.3)**	(549.9)

The table below provides an analysis of amounts included within current and non-current interest bearing loans and borrowings:

	2014 £m	2013 £m
Finance leases	**(0.3)**	(0.5)
2007 Notes	**(180.9)**	(270.3)
2009 Notes	**(160.5)**	(164.8)
2010 Notes	**(111.7)**	(112.2)
2014 Notes	**(105.2)**	-
Accrued interest	**(3.6)**	(3.9)
Bank loans	**(1.4)**	(1.0)
Capitalised issue costs	**1.3**	2.8
	(562.3)	(549.9)

Analysis of changes in interest-bearing loans and borrowings

	2014 £m	2013 £m
At the beginning of the period	**(549.9)**	(559.3)
Net bank loans (drawndown)/repaid	**(0.4)**	0.6
Partial repayment of 2007 Notes	**76.8**	-
Issue of 2014 Notes	**(105.8)**	-
Issue costs	**0.4**	-
Repayment of finance leases	**0.2**	0.4
Amortisation of issue costs and write off of financing fees	**(1.9)**	(0.9)
Net translation gain/fair value adjustment	**18.0**	8.6
Accrued interest	**0.3**	0.7
At the end of the period	**(562.3)**	(549.9)
Derivatives hedging balance sheet debt *	**38.1**	56.1
Debt translated at contracted rate	**(524.2)**	(493.8)

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Interest bearing loans and borrowings (continued)

Bank loans

The bank loans classified as non-current are repayable by December 2018 (2013: December 2018).

Loans outstanding at 28 September 2014 attract interest at an average rate of 4.21% for euro denominated loans (2013: 4.03%) and 11.00% for Indian Rupee denominated loans (2013: nil). There were no sterling denominated bank loans outstanding at 28 September 2014 (2013: £nil).

Private placement notes

The group holds loan notes with coupons and maturities as shown in the following table:

Year issued	Maturity date	Amount	Interest terms
2007	February 2019	£13m	UK£ fixed at 5.94%
2007	February 2017 – February 2019	$273m	US$ fixed at 5.90% - 6.00%
2009	December 2014 – December 2019	$250m	US$ fixed at 4.07% - 5.24%
2010	December 2017	£7.5m	UK£ fixed at 3.74%
2010	December 2017 – December 2022	$163m	US$ fixed at 3.45% - 4.14%
2014	February 2021 – February 2024	£35m	UK£ fixed at 3.40% - 3.92%
2014	February 2024 – February 2026	$114m	US$ fixed at 4.09% - 4.24%

The group entered into a number of cross-currency swap agreements in relation to the loan notes to manage any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in note 26.

See note 25 for an analysis of the interest rate profile and the maturity of the borrowings and related interest rate swaps.

Partial repayment of 2007 Notes
On 20 February 2014, in line with the maturity profile of the 2007 Notes, Britvic plc repaid US$102m (equivalent to £51.8m) and £25m of Senior Notes in the United States private placement market (USPP) using funds received from the issuance of 2014 Notes (see below).

Issue of 2014 Notes
On 20 February 2014, Britvic plc issued US$114m (equivalent to £70.8m) and £35m of Senior Notes in the United States private placement market (the '2014 Notes'). The proceeds from the 2014 Notes were principally used to repay amounts due in relation to the maturity of certain tranches of the 2007 Notes.

Issue costs of £0.4m incurred in the period relate to the issue of the 2014 Notes.

The 2014 Notes are unsecured and rank pari passu in right of repayment with other senior unsecured indebtedness of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Pensions

The group's principal pension scheme for GB employees, the Britvic Pension Plan ('BPP') has both a defined benefit and 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 new members moving to the defined contribution section for future service benefits.

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. The latest formal actuarial valuation for contribution purposes was carried out as at 31 March 2013. No additional employer contributions have been requested as the funding level has improved since the 2010 actuarial valuation.

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 ('Britvic Brands'). Britvic SLP, Britvic PP and Britvic Brands are all consolidated by the group. The investment held by BPP does not represent a plan asset for accounting purposes and is therefore not included in the fair value of the plan assets.

In 2010/11 properties were transferred to Britvic PP at a value of £28.6m and in 2011/12 certain group brands to the value of £72.4m were transferred to Britvic Brands, all of which are leased back to Britvic Soft Drinks Limited. The group retains operational flexibility over the properties and brands including the ability to substitute the properties and brands held by Britvic PP and Britvic Brands 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.

In addition to the expected partnership income of at least £5m per annum, the group will make payments to the BPP of £15m per annum by 31 December each year, from 2014 to 2017. Additional contributions of £15m per annum by 31 December in the years 2018 and 2019 will be made should the formal actuarial valuation in 2016 reveal that these contributions are necessary to return the BPP to full funding on a self-sufficiency basis by 31 March 2020. During this year £20m of additional contributions were paid to the BPP, of which £15m was paid by the group and £5.0m relates to income received from the pension funding partnership ('PFP') structure.

All members of the defined benefit section of the BPP may benefit from the Enhanced Early Retirement Facility ('EERF'), which is a non-contractual benefit that allows members to retire within five years of reaching the normal pension age without a reduction in their pension, and to benefit from smaller reductions in their pension if they retire more than five years before reaching normal pension age. The company has given notice to all Plan members that the EERF will be withdrawn from 5 April 2016.

The amount recognised as an expense in relation to the BPP defined contribution scheme in the consolidated income statement for 2014 was £10.8m (2013: £10.6m).

Britvic's business in GB 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.

The Britvic Northern Ireland Pension Plan ('BNIPP') is a defined benefit pension plan which was closed to new members on 28 February 2006, and since this date new employees have been eligible to join a Stakeholder plan with Legal & General. The latest formal actuarial valuation for contribution purposes was carried out as at 31 December 2011.

The Britvic Ireland Pension Plan ('BIPP') is a defined benefit pension plan. Following legislative changes made in 2012 no deficit recovery contributions are currently required. The next triennial valuation is due as at 1 January 2015. The Trustee has been undertaking investment de-risking to protect the on-going funding position achieved as a result of the 2012 changes.

The amount recognised as an expense in relation to the Irish defined contribution schemes in the consolidated income statement for 2014 was £0.8m (2013: £0.8m).

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.

The assets and liabilities of the pension schemes were valued on an IAS 19 (Revised) basis at 28 September 2014 by Towers Watson (BPP and the French schemes), Invesco (BIPP) and Buck (BNIPP).

Impact of IAS 19 (Revised)

The most significant change for Britvic under IAS 19 (Revised) is the replacement of interest cost and expected return on plan assets with a finance cost component which is determined by applying the same discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The difference between the actual return on plan assets and the discount rate will be presented in other comprehensive income. Other changes include the treatment of expenses paid in relation to the plans and the narrative disclosures.

23. Pensions (continued)

Risks
For defined contribution sections and plans, the group's liability is limited to the requirement to pay contributions on behalf of each employee. In these arrangements the associated risks are borne by the members.

For defined benefit sections and plans, the group bears the risks of operation. The main risk that the group 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 group should pay, although the group fully uses the opportunity to make representation to the trustee on this point.

The trustee of the BPP agreed to implement a revised investment strategy following the completion of the 31 March 2013 valuation. The revised investment strategy will consist of a diverse range of fixed interest and index-linked securities, which will provide a partial hedge against inflation and interest rate risk. The removal of equities from the investment portfolio will also reduce investment risk.

The BPP is exposed to specific non-financial risks in respect of the non-contractual EERF benefit available to all members of its defined benefit section. If more members than expected choose to exercise this option, it will serve to increase the pension liability. An allowance for some members to exercise this option has already been made within the liabilities and the facility will be withdrawn from 5 April 2016, at which point this risk will be removed.

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.

Principal assumptions

Financial assumptions

				2014
	ROI	**NI**	**France**	**GB**
	%	**%**	**%**	**%**
Discount rate	**3.00**	**3.90**	**1.86**	**4.00**
Rate of compensation increase	**2.75**	**3.60**	**1.00-4.00***	**n/a**
Pension increases	**-**	**2.10-2.30**	**-**	**1.90-2.95**
Inflation assumption	**1.75**	**2.30**	**-**	**3.20**

				2013
	ROI	NI	France	GB
	%	%	%	%
Discount rate	4.25	4.60	3.12	4.55
Rate of compensation increase	3.00	3.75	1.00-4.00*	n/a
Pension increases	-	1.95-2.45	-	1.95-3.05
Inflation assumption	2.00	2.45	-	3.35

* Rate dependent on employee and business unit.

23. Pensions (continued)

Demographic assumptions

The most significant non-financial assumption is the assumed rate of longevity. This is based on standard actuarial tables, which for the BPP are known as SAPS Series 1. An allowance for future improvements in longevity has also been included. The following life expectancy assumptions have been used:

	2014 ROI Years	**2014 NI Years**	**2014 GB Years**	2013 ROI Years	2013 NI Years	2013 GB Years
Current pensioners (at age 65) – males	**20.9**	**22.2**	**21.3**	22.7	22.0	22.2
Current pensioners (at age 65) – females	**23.4**	**24.9**	**24.3**	24.5	25.0	24.8
Future pensioners currently aged 45 (at age 65) – males	**23.3**	**24.0**	**23.1**	25.6	23.3	24.4
Future pensioners currently aged 45 (at age 65) – females	**25.5**	**26.4**	**26.2**	26.8	26.6	27.1

The mortality assumptions used to calculate the GB pension obligation were revised in 2014 following a mortality analysis carried out as part of the actuarial valuation of the BPP at 31 March 2013.

For the French arrangements mortality follows the INSEE 2012 tables. As benefits are paid on retirement, the mortality assumption is of much less significance for these arrangements than for the GB and Irish arrangements.

Sensitivities

Changes in assumptions used for determining retirement benefit costs and obligations may have a material impact on the consolidated income statement and balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impact of each of these variables on the principal pension plans.

Assumption	**Change in assumption**	**Impact on ROI liabilities**	**Impact on NI liabilities**	**Impact on France liabilities**	**Impact on GB liabilities**
Discount rate	Increase by 0.5%	Decrease by £8.0m	Decrease by £3.1m	Decrease by £0.2m	Decrease by £54.1m
	Decrease by 0.5%	Increase by £9.4m	Increase by £3.1m	Increase by £0.2m	Increase by £63.0m
Inflation rate	Increase by 0.25%*	Increase by £2.1m	Increase by £0.8m	n/a	Increase by £25.2m
	Decrease by 0.25%*	Decrease by £2.0m	Decrease by £0.8m	n/a	Decrease by £19.4m
Longevity rates	Increase by 1 year	Increase by £1.2m	Increase by £0.9m	n/a	Increase by £20.3m

* The sensitivity to inflation assumption includes corresponding changes to future salary (applicable only to France) and future pension increase assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Pensions (continued)

Net benefit income/(expense)

	ROI	NI	France	GB	2014 Total
	£m	**£m**	**£m**	**£m**	**£m**
Current service cost	**(0.8)**	**(0.1)**	**(0.1)**	**-**	**(1.0)**
Net interest on net defined benefit asset/(liability)	**(0.1)**	**-**	**(0.1)**	**-**	**(0.2)**
Curtailment gain	**0.4**	**-**	**-**	**-**	**0.4**
Settlement gain	**-**	**-**	**-**	**1.3**	**1.3**
Net income/(expense)	**(0.5)**	**(0.1)**	**(0.2)**	**1.3**	**0.5**

	ROI	NI	France	GB	2013 Total
	£m	£m	£m	£m	£m
Current service cost	(0.8)	(0.2)	(0.1)	-	(1.1)
Net interest on net defined benefit asset/(liability)	-	-	(0.1)	(0.1)	(0.2)
Settlement gain	-	-	-	3.8	3.8
Net income/(expense)	(0.8)	(0.2)	(0.2)	3.7	2.5

Other than stated below, the net income detailed above is recognised in arriving at net profit from continuing operations before tax and finance costs/income, and is included within cost of sales, selling and distribution costs and administration expenses.

Taken to the statement of comprehensive income

	ROI	NI	France	GB	2014 Total
	£m	**£m**	**£m**	**£m**	**£m**
Actual return on scheme assets	**8.5**	**2.8**	**-**	**48.0**	**59.3**
Less: Return on plan assets (excluding amounts included in net interest expense)	**(2.2)**	**(1.2)**	**-**	**(25.1)**	**(28.5)**
	6.3	**1.6**	**-**	**22.9**	**30.8**
Gains/(losses) due to demographic assumptions	**4.3**	**(0.2)**	**-**	**16.8**	**20.9**
Losses due to financial assumptions	**(12.5)**	**(3.3)**	**(0.4)**	**(48.4)**	**(64.6)**
Experience gains	**0.4**	**0.2**	**-**	**-**	**0.6**
Remeasurement losses taken to the statement of comprehensive income	**(1.5)**	**(1.7)**	**(0.4)**	**(8.7)**	**(12.3)**

	ROI	NI	France	GB	2013 Total
	£m	£m	£m	£m	£m
Actual return on scheme assets	3.5	2.2	-	39.9	45.6
Less: Return on plan assets (excluding amounts included in net interest expense)	(2.4)	(1.2)	-	(23.9)	(27.5)
	1.1	1.0	-	16.0	18.1
Gains due to demographic assumptions	4.1	-	-	-	4.1
Gains/(losses) due to financial assumptions	0.6	(1.7)	-	(59.7)	(60.8)
Experience gains	(0.6)	2.5	-	4.3	6.2
Remeasurement gains/(losses) taken to the statement of comprehensive income	5.2	1.8	-	(39.4)	(32.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Pensions (continued)

Net (liability)/asset

	ROI	**NI**	**France**	**GB**	**2014 Total**
	£m	**£m**	**£m**	**£m**	**£m**
Present value of benefit obligation	**(60.5)**	**(30.5)**	**(2.7)**	**(598.7)**	**(692.4)**
Fair value of plan assets	**58.0**	**30.4**	**-**	**595.6**	**684.0**
Net (liability)/asset	**(2.5)**	**(0.1)**	**(2.7)**	**(3.1)**	**(8.4)**

	ROI	NI	France	GB	2013 Total
	£m	£m	£m	£m	£m
Present value of benefit obligation	(54.8)	(26.6)	(2.2)	(562.4)	(646.0)
Fair value of plan assets	53.2	26.7	0.1	546.7	626.7
Net (liability)/asset	(1.6)	0.1	(2.1)	(15.7)	(19.3)

Movements in present value of benefit obligation

	ROI	**NI**	**France**	**GB**	**2014 Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 29 September 2013	**(54.8)**	**(26.6)**	**(2.2)**	**(562.4)**	**(646.0)**
Exchange differences	**3.7**	**-**	**-**	**-**	**3.7**
Curtailment gain	**0.4**	**-**	**-**	**-**	**0.4**
Settlement gain	**-**	**-**	**-**	**1.3**	**1.3**
Current service cost	**(0.8)**	**(0.1)**	**(0.1)**	**-**	**(1.0)**
Member contributions	**(0.2)**	**-**	**-**	**-**	**(0.2)**
Interest cost on benefit obligation	**(2.2)**	**(1.2)**	**(0.1)**	**(25.1)**	**(28.6)**
Benefits paid	**1.2**	**0.7**	**0.1**	**19.1**	**21.1**
Remeasurement gains/(losses)	**(7.8)**	**(3.3)**	**(0.4)**	**(31.6)**	**(43.1)**
At 28 September 2014	**(60.5)**	**(30.5)**	**(2.7)**	**(598.7)**	**(692.4)**
Weighted average duration of the liabilities	**23 years**	**20 years**	**14 years**	**22 years**	

	ROI	NI	France	GB	2013 Total
	£m	£m	£m	£m	£m
At 30 September 2012	(53.6)	(26.8)	(2.0)	(503.9)	(586.3)
Exchange differences	(3.0)	-	(0.1)	-	(3.1)
Settlement gain	-	-	-	3.8	3.8
Current service cost	(0.8)	(0.2)	(0.1)	-	(1.1)
Member contributions	(0.3)	-	-	-	(0.3)
Interest cost on benefit obligation	(2.4)	(1.2)	(0.1)	(24.0)	(27.7)
Benefits paid	1.2	0.8	0.1	17.1	19.2
Remeasurement gains/(losses)	4.1	0.8	-	(55.4)	(50.5)
At 29 September 2013	(54.8)	(26.6)	(2.2)	(562.4)	(646.0)
Weighted average duration of the liabilities	22 years	20 years	14 years	22 years	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Pensions (continued)

Movements in fair value of plan assets

	ROI £m	**NI £m**	**France £m**	**GB £m**	**2014 Total £m**
At 29 September 2013	**53.2**	**26.7**	**0.1**	**546.7**	**626.7**
Exchange differences	**(3.4)**	**-**	**-**	**-**	**(3.4)**
Interest income on plan assets	**2.1**	**1.2**	**-**	**25.1**	**28.4**
Return on scheme assets excluding interest income	**6.3**	**1.6**	**-**	**22.9**	**30.8**
Employer contributions	**0.8**	**1.6**	**-**	**20.0**	**22.4**
Member contributions	**0.2**	**-**	**-**	**-**	**0.2**
Benefits paid	**(1.2)**	**(0.7)**	**(0.1)**	**(19.1)**	**(21.1)**
At 28 September 2014	**58.0**	**30.4**	**-**	**595.6**	**684.0**

	ROI £m	NI £m	France £m	GB £m	2013 Total £m
At 30 September 2012	47.2	23.8	0.2	511.4	582.6
Exchange differences	2.6	-	-	-	2.6
Interest income on plan assets	2.4	1.2	-	23.9	27.5
Return on scheme assets excluding interest income	1.1	1.0	-	16.0	18.1
Employer contributions	0.8	1.5	-	12.5	14.8
Member contributions	0.3	-	-	-	0.3
Benefits paid	(1.2)	(0.8)	(0.1)	(17.1)	(19.2)
At 29 September 2013	53.2	26.7	0.1	546.7	626.7

Categories of scheme assets as a percentage of the fair value of total scheme assets

	ROI £m	**NI £m**	**France £m**	**GB £m**	**2014 Total £m**	**2014 Total %**
UK equities	**0.9**	**7.4**	**-**	**98.8**	**107.1**	**16**
Overseas equities	**23.9**	**7.6**	**-**	**47.5**	**79.0**	**11**
Properties	**-**	**-**	**-**	**5.5**	**5.5**	**1**
Corporate bonds	**-**	**4.6**	**-**	**196.2**	**200.8**	**29**
Fixed interest gilts	**29.3**	**4.6**	**-**	**-**	**33.9**	**5**
Index linked gilts	**-**	**6.1**	**-**	**245.7**	**251.8**	**37**
Cash and other assets	**3.9**	**0.1**	**-**	**1.9**	**5.9**	**1**
Total	**58.0**	**30.4**	**-**	**595.6**	**684.0**	**100**

	ROI £m	NI £m	France £m	GB £m	2013 Total £m	2013 Total %
UK equities	1.4	6.8	-	118.6	126.8	20
Overseas equities	29.3	6.9	-	106.7	142.9	23
Properties	-	-	-	7.6	7.6	1
Corporate bonds	-	3.8	-	142.1	145.9	23
Fixed interest gilts	21.9	3.8	-	18.0	43.7	7
Index linked gilts	-	5.0	-	150.6	155.6	25
Cash and other assets	0.6	0.4	0.1	3.1	4.2	1
Total	53.2	26.7	0.1	546.7	626.7	100

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.

Normal contributions of £0.8m are expected to be paid into the defined benefit pension schemes during the 2015 financial year. Additional contributions of £21.5m are expected to be paid into the defined benefit pension schemes during the 2015 financial year, of which £16.5m is expected to be paid by the group and £5.0m by the partnership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Trade and other payables (current)

	2014	2013
	£m	£m
Trade payables	**248.4**	237.1
Other payables	**4.5**	4.9
Accruals and deferred income	**81.5**	99.2
Other taxes and social security	**45.3**	40.3
	379.7	381.5

Trade payables are non-interest bearing and are normally settled on 60 - 90 day terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial risk management objectives and policies

Overview

The group's principal financial instruments comprise derivatives, borrowings and overdrafts, and cash and cash equivalents. These financial instruments are used to manage interest rate and currency exposures, funding and liquidity requirements and share price exposure arising under the group's employee incentive schemes. Other financial instruments which arise directly from the group's operations include trade receivables and payables (see notes 18 and 24 respectively).

It is, and has always been, the group's policy that no derivative is entered into for trading or speculative purposes.

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Additionally, the group is exposed to commodity price risk and share price risk. The board of directors review and agree policies for managing these risks as summarised below.

Interest rate risk

The group's policy is to manage its interest cost by maintaining a mix of fixed and variable rate debt. The group's policy is to have an average over the next three years of between 25% and 80% of its borrowings at fixed rates of interest. To manage this, the group enters into interest rate swaps, cross currency swaps and forward rate agreements to hedge underlying debt obligations. At 28 September 2014 after taking into account the effect of these instruments, approximately 75% of the group's borrowings are at a fixed rate of interest (2013: 79%).

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the group's profit before tax (through the impact on floating rate borrowings) and equity (through the change in fair values of applicable derivative instruments).

	Increase/ (decrease) in basis points	Effect on profit/(loss) before tax £m	Effect on equity £m
2014			
Sterling	**200**	**0.1**	**25.0**
	(200)	**(0.1)**	**(29.1)**
Euro	**200**	**(0.2)**	**5.6**
	(200)	**0.1**	**(6.5)**
2013			
Sterling	200	-	18.7
	(200)	-	(22.1)
Euro	200	0.7	6.5
	(200)	(0.8)	(7.6)

Foreign currency risk

Foreign currency risk is primarily in respect of exposure to fluctuations to the sterling-euro, sterling-US dollar and euro-US dollar rates of exchange. The group has operations in euro-denominated countries and finances these partly through the use of foreign currency borrowings and cross currency swaps which hedge the translation risk of net investments in foreign operations. Additionally cash generation from euro-denominated operations can be utilised to meet euro payment obligations in sterling denominated companies, providing a natural hedge.

The group also has transactional exposures arising from purchases of prime materials, capital expenditure and interest costs in currencies other than the functional currency of the individual group entities. Non functional currency purchases and interest costs are mainly in the currencies of US dollars and euros. As at 28 September 2014 the group has hedged 72% (2013: 65%) of forecast net exposures 12 months in advance using forward foreign exchange contracts.

Where funding is raised in a currency other than the currency ultimately required by the group, cross currency interest rate swaps are used to convert the cash flows to the required currency. These swaps have the same duration and other critical terms as the underlying borrowing.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and euro exchange rates, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the group's equity (due to changes in fair value of forward exchange contracts).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in currency rate %	Effect on profit before tax £m	Effect on equity £m
2014			
Sterling/euro	**10**	**(2.1)**	**4.0**
	(10)	**2.1**	**(4.0)**
Sterling/US dollar	**10**	**(0.4)**	**1.0**
	(10)	**0.4**	**(1.0)**
Euro/US dollar	**10**	**(0.5)**	**1.9**
	(10)	**0.5**	**(1.9)**
2013			
Sterling/euro	10	(1.1)	6.5
	(10)	1.1	(6.5)
Sterling/US dollar	10	(0.5)	1.3
	(10)	0.5	(1.3)
Euro/US dollar	10	(1.1)	1.6
	(10)	1.1	(1.6)

Credit risk

The group trades only with recognised creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The maximum exposure is the carrying amount disclosed in note 18. For transactions that do not occur in the country of the relevant operating unit, the group does not offer credit terms without the approval of the Head of Finance Shared Services. There are no significant concentrations of credit risk within the group.

The group maintains a policy on counterparty credit exposures with banks and financial institutions arising from the use of derivatives and financial instruments. This policy restricts the investment of surplus funds and entering into derivatives to counterparties with a minimum credit rating maintained by either Moody's, Standard & Poors or Fitch. The level of exposure with counterparties at various ratings levels is also restricted under this policy. The level of exposure and the credit worthiness of the group's banking counterparties is reviewed regularly to ensure compliance with this policy.

Commodity price risk

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

Share schemes equity price risk

The group operates several employee incentive share schemes. It has an exposure to the share price for the schemes in which shares are purchased in the market to satisfy the requirements of the plan. To hedge this risk the group has entered into a number of total return share swaps against schemes maturing in 2014.

The following table demonstrates the sensitivity to a reasonably possible change in the Britvic plc share price, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of the share swaps).

	Increase/ (decrease) in share price %	Effect on profit before tax £m
2014	**10**	**0.9**
	(10)	**(0.9)**
2013	10	0.8
	(10)	(0.8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial risk management objectives and policies (continued)

Liquidity risk

The group monitors its risk of a shortage of funds using rolling cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations. The objective of the group's liquidity policy is to maintain a balance between continuity of funds and flexibility through the use of bank loans and overdrafts and long term private placement issuance. The bank loans entered into under the £400.0m bank facility are unsecured however £0.8m of outstanding Britvic France bank loans are secured. At 28 September 2014, £22.4m of the group's debt will mature in less than one year (2013: £91.6m).

The table below summarises the maturity profile of the group's financial liabilities at 28 September 2014 based on contractual undiscounted payments and receipts including interest:

2014	**Less than 1 year £m**	**1 to 5 years £m**	**> 5 years £m**	**Total £m**
Bank loans	**0.8**	**0.6**	**-**	**1.4**
Private placement notes	**44.8**	**360.0**	**277.7**	**682.5**
Derivatives hedging private placement notes - payments	**34.9**	**272.1**	**226.8**	**533.8**
Derivatives hedging private placement notes - receipts	**(42.0)**	**(301.7)**	**(241.4)**	**(585.1)**
	37.7	**330.4**	**263.1**	**631.2**
Interest rate swap - payments	**1.3**	**0.4**	**-**	**1.7**
Interest rate swap - receipts	**(0.2)**	**-**	**-**	**(0.2)**
	1.1	**0.4**	**-**	**1.5**
Trade and other payables (excluding other taxes and social security)	**334.4**	-	-	**334.4**
Finance leases	**0.1**	**0.2**	-	**0.3**
Other financial liabilities	**1.6**	-	-	**1.6**
	375.7	**331.6**	**263.1**	**970.4**

2013	Less than 1 year £m	1 to 5 years £m	> 5 years £m	Total £m
Bank loans	0.2	0.8	0.1	1.1
Private placement notes	113.2	285.7	253.4	652.3
Derivatives hedging private placement notes - payments	67.9	229.2	215.7	512.8
Derivatives hedging private placement notes - receipts	(75.0)	(256.4)	(226.6)	(558.0)
	106.1	258.5	242.5	607.1
Interest rate swap - payments	1.6	2.1	-	3.7
Interest rate swap - receipts	(0.3)	(0.3)	-	(0.6)
	1.3	1.8	-	3.1
Trade and other payables (excluding other taxes and social security)	341.2	-	-	341.2
Finance leases	0.2	0.3	-	0.5
Other financial liabilities	1.4	-	-	1.4
	450.4	261.4	242.6	954.4

In respect of the private placement notes, the periods when the cash flows are expected to occur (as shown by the tables above) and when they are expected to affect the consolidated income statement are the same.

Details with regard to derivative contracts are included in note 26.

All bank loans outstanding at year end were secured loans from inception.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial risk management objectives and policies (continued)

Fair value

Hierarchy
The group uses the following valuation hierarchy to determine the carrying value of financial instruments that are measured at fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2014		**Assets £m**	**Liabilities £m**
Level 1		**-**	**-**
Level 2	- Derivatives used for hedging	**66.5**	**(9.6)**
	- Financial instruments at fair value through profit or loss	**2.6**	**(1.9)**
	- Fair value of fixed rate borrowings	**-**	**(584.5)**
Level 3		**-**	**-**
Total		**69.1**	**(596.0)**

2013		Assets £m	Liabilities £m
Level 1		-	-
Level 2	- Derivatives used for hedging	74.0	(8.5)
	- Financial instruments at fair value through profit or loss	1.3	(2.9)
	- Fair value of fixed rate borrowings	-	(572.6)
Level 3		-	-
Total		75.3	(584.0)

Fair values of financial assets and financial liabilities

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. Non-derivative financial liabilities are carried at amortised cost.

All derivatives are valued using valuation techniques with market observable inputs; this covers cross currency interest rate swaps, interest rate swaps, FX forwards, FX swaps and share swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. In assessing the fair value of derivatives the non-performance risk of both Britvic and its derivative trading counterparties has been taken into consideration. Default credit risk has been measured and the potential impact on derivatives valuations quantified. As at 28 September 2014, the potential impact from non-performance risk on the fair value of the derivatives portfolio is not material.

As in the prior year, the carrying value of financial assets and liabilities disclosed in notes 18, 19, 22, 24 and 26 are considered to be reasonable approximations of their fair values, except for fixed rate borrowings which, at 28 September 2014, have a book value of £562.0m (2013: £540.1m) compared to a fair value £584.5m (2013: £572.6m).

The fair value of the group's fixed rate interest-bearing borrowings and loans are determined by using discounted cash flow methods using discount rates that reflect the group's borrowing rate as at the end of the reporting period. The own non-performance risk as at 28 September 2014 was assessed to be insignificant.

Capital management
The group defines 'capital' as being net debt plus equity. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern and maintain an appropriate capital structure to balance the needs of the group to grow, whilst operating with sufficient headroom within its bank covenants.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group has a number of options available to it including modifying dividend payments to shareholders, returning capital to shareholders or issuing new shares. In this way, the group balances returns to shareholders between long term growth and current returns whilst maintaining capital discipline in relation to investing activities and taking any necessary action on costs to respond to the current environment.

The group monitors capital on the basis of the adjusted net debt/EBITDA ratio. Adjusted net debt is calculated as being the net of cash and cash equivalents, interest bearing loans and borrowings and the element of the fair value of interest rate currency swaps hedging the balance sheet value of the US private placement notes. Adjusted net debt is shown in note 30. The adjusted net debt/EBITDA ratio enables the group to plan its capital requirements in the medium term. The group uses this measure to provide useful information to financial institutions and investors.

26. Derivatives and hedge relationships

Derivatives not designated as part of hedge relationships

Interest rate swaps
The 2009 USPP cross currency swaps converted an amount of US dollar borrowings into a floating rate euro liability. To mitigate exposure to changes in euro interest rates on this liability, €75.0m of interest rate swaps were transacted. These 5-year fixed rate swaps had an effective start date of December 2010.

Share swaps
The group operates several employee incentive share schemes. It has an exposure to the share price for the schemes in which shares are purchased in the market to satisfy the requirements of the plan. To hedge this risk the group has entered into a number of total return share swaps against schemes maturing in 2014.

FX swaps
As part of operational cash management €127.4m of euro/sterling FX swaps were in existence at 28 September 2014 (2013: €82.5m).

Hedging activities

The group has a number of derivative contracts which are designated as part of effective hedge relationships. These are included in other financial assets and liabilities as follows:

	2014	2013
	£m	£m
Consolidated balance sheet		
Non-current assets: other financial assets		
Fair value of the 2007 USD GBP cross currency fixed interest rate swaps[1]	**34.4**	36.9
Fair value of the 2009 USD GBP cross currency floating interest rate swaps [3]	**15.1**	20.2
Fair value of the 2009 GBP euro cross currency floating interest rate swaps [2]	**15.1**	5.4
	64.6	62.5
Current assets: other financial assets		
Fair value of the 2007 USD GBP cross currency fixed interest rate swaps[1]	**-**	11.4
Fair value of the 2009 USD GBP cross currency floating interest rate swaps [3]	**0.7**	-
Fair value of forward currency contracts [1]	**1.2**	0.1
Fair value of share swaps	**2.6**	1.3
	4.5	12.8
Current liabilities: other financial liabilities		
Fair value of forward currency contracts [1]	**(1.5)**	(1.2)
Fair value of foreign exchange swaps	**(0.1)**	(0.1)
Fair value of interest rate swaps	**-**	(0.1)
	(1.6)	(1.4)
Non-current liabilities: other financial liabilities		
Fair value of the 2010 USD GBP cross currency fixed interest rate swaps[1]	**(4.9)**	(4.9)
Fair value of the 2010 GBP euro cross currency fixed interest rate swaps [2]	**(0.2)**	(1.6)
Fair value of the 2010 USD GBP cross currency floating interest rate swaps [3]	**(0.9)**	(0.8)
Fair value of the 2014 USD GBP cross currency fixed interest rate swaps [1]	**(2.1)**	-
Fair value of interest rate swaps	**(1.8)**	(2.7)
	(9.9)	(10.0)

[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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Derivatives and hedge relationships (continued)

There have been no significant changes to derivative contracts designated as part of effective hedge relationships in the period. As at the 28 September 2014 these hedging relationships are categorised as follows:

Cash flow hedges

Forward currency contracts

The forward currency contracts hedge the expected future purchases in the period to October 2015 and have been assessed as part of effective cash flow hedge relationships as at 28 September 2014. All cash flows under forward currency contracts fall due within one year.

Cross currency interest rate swaps

USD GBP cross currency interest rate swaps

The group has a number of cross currency interest rate swaps relating to the 2007, 2010 and 2014 USPP Notes. These cross currency interest rate swaps have the effect of fixing both the value of the USD borrowings into sterling and the rate of interest payable. The cross currency interest rate swaps are designated as part of a cash flow hedge relationship with the Notes.

The cross currency interest rate swaps were assessed to be highly effective hedges as at 28 September 2014.

Cash flows due under these cross currency interest rate swaps match the interest payment dates and maturity profile of the USPP Notes. The maturity profile of the USPP Notes can be seen in note 22.

Cash flow hedge net unrealised gains/(losses) and related deferred tax assets/(liabilities):

2014	**Net unrealised gain/(loss) within equity £m**	**Related deferred tax asset/(liability) £m**
Forward currency contracts	**(0.3)**	**(0.1)**
2007 cross currency swaps	**5.1**	**(1.0)**
2010 cross currency swaps	**(1.4)**	**0.3**
2014 cross currency swaps	**(1.4)**	**0.3**

2013	Net unrealised gain/(loss) within equity £m	Related deferred tax asset/(liability) £m
Forward currency contracts	(1.2)	0.3
2007 cross currency swaps	6.5	(1.3)
2010 cross currency swaps	(1.9)	0.4
2014 cross currency swaps	-	-

Fair value hedges

Cross currency interest rate swaps

The group has a number of cross currency interest rate swaps in respect of the 2009 and 2010 USPP Notes. These instruments swap the principal and interest from fixed rate US dollar into floating rate sterling (the '2009 and 2010 USD GBP cross currency interest rate swaps'). The cross currency interest rate swaps are designated as part of a fair value hedge relationship with the Notes.

The fair value movements on the 2009 and 2010 USD GBP cross currency interest rate instruments are recorded in the consolidated income statement, as is the fair value movement in the Notes.

The cross currency interest rate swaps were assessed to be highly effective hedges as at 28 September 2014.

The decrease in fair value of the cross currency interest rate swaps of £4.5m (2013: £9.3m decrease) has been recognised in finance costs and offset with a similar gain on the borrowings. No ineffectiveness has been recognised in the consolidated income statement (2013: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Derivatives and hedge relationships (continued)

Net investment hedges

2009 and 2010 GBP EUR cross currency interest rate swaps

These instruments swap sterling liabilities arising from the 2009 and 2010 USD GBP cross currency interest rate swaps into euro liabilities and have been designated as part of effective hedges of the net investments in Britvic France and Britvic Ireland.

The GBP EUR cross currency interest rate swaps, along with the underlying loan instruments, are being used to hedge the group's exposure to foreign exchange risk on these euro investments. Movements in the fair value of the GBP EUR cross currency interest rate swaps are taken to equity where they offset foreign exchange movements on the translation of the net investments in Britvic France and Britvic Ireland.

No ineffectiveness has been recognised in the consolidated income statement (2013: £nil).

Impact of derivatives and hedge relationships on the consolidated statement of comprehensive income

	2014	2013
	£m	£m
Consolidated statement of comprehensive income		
Amounts recycled to the income statement in respect of cash flow hedges		
Forward currency contracts*	**(3.2)**	0.6
2007 cross currency interest rate swaps**	**12.5**	(0.4)
2010 cross currency interest rate swaps**	**0.5**	(0.1)
2014 cross currency interest rate swaps**	**0.7**	-
	10.5	0.1
Gains/(losses) in the period in respect of cash flow hedges		
Forward currency contracts	**4.1**	0.1
2007 cross currency interest rate swaps	**(14.0)**	(1.6)
2010 cross currency interest rate swaps	**-**	0.1
2014 cross currency interest rate swaps	**(2.0)**	-
	(11.9)	(1.4)
Exchange differences on translation of foreign operations		
Movement on 2009 GBP euro cross currency interest rate swaps	**9.7**	(5.7)
Movement on 2010 GBP euro cross currency interest rate swaps	**1.4**	(4.0)
Exchange movements on translation of foreign operations	**(15.0)**	9.7
	(3.9)	-

* Offsetting amounts recorded in cost of sales.
** Offsetting amounts recorded in finance costs.

27. Other liabilities

	2014	2013
	£m	£m
Current	**0.4**	-
Non-current	**1.5**	1.9
Firm commitment	**1.9**	1.9

A firm commitment exists in respect of the receipt of the 2009 and 2010 Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Provisions

	Restructuring £m	Other £m	Total £m
At 30 September 2012	-	2.4	2.4
Provisions made during the year	11.4	-	11.4
Provisions utilised during the year	(2.9)	(0.4)	(3.3)
Exchange differences	(0.1)	0.1	-
At 29 September 2013	8.4	2.1	10.5
Provisions made during the year	6.7	-	6.7
Provisions utilised during the year	(10.8)	(0.2)	(11.0)
Unused amounts reversed	(0.5)	-	(0.5)
Unwinding of discount	-	0.1	0.1
Exchange differences	-	(0.1)	(0.1)
At 28 September 2014	**3.8**	**1.9**	**5.7**
Current	**3.8**	**0.3**	**4.1**
Non-current	**-**	**1.6**	**1.6**
Total	**3.8**	**1.9**	**5.7**

Restructuring provisions
Restructuring provisions at 28 September 2014 and 29 September 2013, primarily relate to contract termination costs, consultation fees and employee termination benefits, recognised by the group following the implementation of cost initiatives announced in May 2013.

Other provisions
Other provisions at 28 September 2014 and 29 September 2013, primarily relate to onerous lease provisions that have arisen due to the exit of certain group premises, and the period over which these will be settled ranges from 2 to 9 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 28 September 2014, including national insurance of £1.8m (2013: £1.1m) and dividend equivalents of £nil (2013: £nil), is £9.1m (2013: £6.2m). This expense arises from transactions which are expected to be equity-settled share-based payment transactions.

The Britvic Share Incentive Plan ('SIP')

The SIP is an all-employee plan approved by HMRC. The plan allows for discretionary annual awards of free ordinary shares with a value of 3% of salary (subject to HMRC maximum limits) together with an offer of matching shares on the basis of one free matching share for each ordinary share purchased with a participant's savings, up to a maximum of £50 (2013: £50) per four week pay period. 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. There are no cash settlement alternatives.

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.

	2014	2013
	No. of shares	No. of shares
Annual free shares award	**-**	-
Matching shares award – 1 free share for every ordinary share purchased	**115,377**	185,563

The Britvic Executive Share Option Plan ('Option Plan')

The Option Plan allows for options to buy ordinary shares to be granted to selected employees. 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.

The performance condition requires average growth in EPS of 7% pa over a three year period in excess of the average growth in RPI over the same period for the options to vest in full. If EPS growth averages 3% per annum in excess of RPI growth, 25% (2013: 25%) of the options will vest. Straight-line apportionment will be applied between these two levels to determine the number of options that vest and no options will vest if average EPS growth is below the lower threshold.

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.

The following table illustrates the movements in the number of share options during the period:

	Number of share options	**Weighted average exercise price (pence)**
Outstanding at 30 September 2012	10,440,020	318.0
Granted during the period	1,583,878	427.5
Exercised during the period	(2,220,417)	253.7
Forfeited during the period	(573,284)	367.7
Lapsed during the period	(1,994,425)	364.4
Outstanding at 29 September 2013	7,235,772	347.1
Granted during the period	858,126	664.5
Exercised during the period	(1,249,325)	281.9
Forfeited during the period	(195,906)	400.2
Lapsed during the period	(1,306,732)	464.6
Outstanding at 28 September 2014	**5,341,935**	**383.9**
Exercisable at 28 September 2014	**1,700,841**	**255.5**

The weighted average share price at the date of exercise for share options exercised during the period was 656.2p (2013: 491.1p).

The share options outstanding as at 28 September 2014 had a weighted average remaining contractual life of 6.9 years (2013: 6.8 years) and the range of exercise prices was 221.0p – 664.5p (2013: 221.0p – 464.6p).

The weighted average fair value of options granted during the period was 127.6p (2013: 79.8p).

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.

29. Share-based payments (continued)

The Britvic Performance Share Plan ('PSP')

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 a performance condition. Different performance conditions apply to different groups of employees. Awards up to and including 2008 were made in respect of ordinary shares. Awards granted since 2009 have been in respect of nil cost options. Nil cost options become exercisable on the satisfaction of the performance conditions and remain exercisable until 10 years/7 years after the date of grant for employees based in the UK/Ireland respectively.

The performance condition applying to the total number of awards granted to members of the senior leadership team during the current period is divided equally between the total shareholder return ('TSR') and return on invested capital ('ROIC') performance conditions described below.

The TSR condition measures the company's TSR relative to a comparator group (consisting of 18 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 25% (2013: 25%) will vest, rising on a straight-line basis to 100% vesting at upper quartile.

For the award granted during the 52 weeks ended 28 September 2014, the ROIC performance condition requires the company's ROIC to be at least 23.8% (2013: 21.5%) over the three year performance period for the award to vest in full. If ROIC is 23.4% (2013: 20.7%) over the performance period, 25% (2013: 25%) of the award will vest. Straight-line apportionment will be applied between these two levels to determine the percentage of awards that vest and no awards will vest if ROIC is below the lower threshold.

Awards granted to members of the senior management team vest solely subject to a performance condition which requires average growth in EPS of 7% pa over a three year period in excess of the growth in RPI over the same period for the awards to vest in full. If EPS growth averages 3% pa in excess of RPI growth, 25% (2013: 25%) of the awards will vest. Straight-line apportionment will be applied between these two levels to determine the number of awards that vest and no awards will vest if average EPS growth is below the lower threshold.

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 following tables illustrate the movements in the number of shares and nil cost options during the period.

	Number of shares subject to TSR condition	**Number of shares subject to EPS condition**	**Number of shares subject to ROIC condition**
Outstanding at 30 September 2012 and 29 September 2013	52,625	194,176	52,622
Lapsed during the period	-	(10,575)	-
Outstanding at 28 September 2014	**52,625**	**183,601**	**52,622**

	Number of nil cost options subject to TSR condition	**Number of nil cost options subject to EPS condition**	**Number of nil cost options subject to ROIC condition**
Outstanding at 30 September 2012	1,117,815	2,030,366	1,117,815
Granted during the period	372,514	746,155	372,514
Forfeited during the period	(116,080)	(244,435)	(116,080)
Lapsed during the period	(353,192)	(578,173)	(353,192)
Outstanding at 29 September 2013	1,021,057	1,953,913	1,021,057
Granted during the period	191,610	516,014	191,610
Forfeited during the period	(49,450)	(148,530)	(49,450)
Lapsed during the period	(299,594)	(468,851)	(299,594)
Outstanding at 28 September 2014	**863,623**	**1,852,546**	**863,623**

There were no nil cost options exercisable at 28 September 2014 (2013: nil).

The nil cost options outstanding as at 28 September 2014 had a weighted average remaining contracted life of 8.0 years (TSR condition) (2013: 8.2 years), 7.8 years (EPS condition) (2013: 8.3 years) and 8.0 years (ROIC condition) (2013: 8.2 years).

The weighted average fair value of nil cost options granted during the period was 355.9p (TSR condition) (2013: 203.1p), 624.2p (EPS condition) (2013: 381.5p) and 624.2p (ROIC condition) (2013: 250.2p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payments (continued)

Key assumptions used to determine the fair value of the options

The fair value of equity-settled shares and nil cost options granted is estimated as at the date of grant using separate models, taking account of the terms and conditions upon which the shares and nil cost options were granted. The fair value of the options subject to the TSR condition is determined using a Monte Carlo simulation. The fair value of all other options is calculated using the share price at the date of grant, adjusted for dividends not received during the vesting period.

The following table lists the inputs to the model used in respect of the Option Plan and PSP awards granted during the 52 weeks ended 28 September 2014. The comparative shows the inputs to the model used in respect of the awards granted during the 52 weeks ended 29 September 2013.

	2014	2013
Dividend yield (%)	**4.15**	4.45
Expected volatility (%)	**29.8**	32.2
Risk-free interest rate (%)	**0.8**	0.8
Expected life of option (years)	**5.0**	5.0
Share price at date of grant (pence)	**664.0**	421.0
Exercise price (pence)	**664.5**	427.5

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

30. Notes to the consolidated cash flow statement

Analysis of net debt

	2013 £m	Cash flows £m	Exchange differences £m	Other movement £m	**2014** **£m**
Cash and cash equivalents	94.0	50.4	(0.4)	-	**144.0**
Bank overdrafts	(2.5)	1.6	0.2	-	**(0.7)**
Debt due within one year	(91.6)	76.6	11.4	(18.8)	**(22.4)**
Debt due after more than one year	(458.3)	(105.8)	6.6	17.6	**(539.9)**
	(458.4)	22.8	17.8	(1.2)	**(419.0)**
Derivatives hedging the balance sheet debt *	56.1	-	(18.0)	-	**38.1**
Adjusted net debt	(402.3)	22.8	(0.2)	(1.2)	**(380.9)**

	2012 £m	Cash flows £m	Exchange differences £m	Other movement £m	2013 £m
Cash and cash equivalents	49.5	44.4	0.1	-	94.0
Bank overdrafts	(1.9)	(0.4)	(0.2)	-	(2.5)
Debt due within one year	(0.6)	0.9	(0.3)	(91.6)	(91.6)
Debt due after more than one year	(558.7)	-	9.0	91.4	(458.3)
	(511.7)	44.9	8.6	(0.2)	(458.4)
Derivatives hedging the balance sheet debt *	65.0	-	(8.9)	-	56.1
Adjusted net debt	(446.7)	44.9	(0.3)	(0.2)	(402.3)

* Represents the element of the fair value of interest rate currency swaps hedging the balance sheet value of the Notes. This amount has been disclosed separately to demonstrate the impact of foreign exchange movements which are included in debt due after more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Commitments and contingencies

Operating lease commitments

Future minimum lease payments under non-cancellable operating leases are as follows:

			2014
	Land and buildings	**Other**	**Total**
	£m	**£m**	**£m**
Within one year	**2.3**	**8.6**	**10.9**
After one year but not more than five years	**10.0**	**14.6**	**24.6**
After more than five years	**39.0**	**-**	**39.0**
	51.3	**23.2**	**74.5**

			2013
	Land and buildings	Other	Total
	£m	£m	£m
Within one year	3.2	8.4	11.6
After one year but not more than five years	14.9	17.0	31.9
After more than five years	41.0	-	41.0
	59.1	25.4	84.5

Finance lease commitments

Future minimum lease payments under finance leases are as follows:

	2014	2013
	£m	£m
Within one year	**0.1**	0.2
After one year but not more than five years	**0.2**	0.3
More than five years	**-**	-
	0.3	0.5

Due to the timing of the expiry of the finance lease commitments, there is no material difference between the total future minimum lease payments and their fair value.

Capital commitments
At 28 September 2014, the group has commitments of £3.6m (2013: £8.0m) relating to the acquisition of new plant and machinery.

Contingent liabilities
The group had no material contingent liabilities at 28 September 2014 (2013: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Related party disclosures

The consolidated financial statements include the financial statements of Britvic plc and the subsidiaries listed in the table below. Particulars of dormant and non-trading subsidiaries which do not principally affect the group results have been excluded. A full list of all subsidiaries is annexed to the annual report submitted to Companies House.

Name	Principal activity	Country of incorporation	% equity interest
Directly held			
Britannia Soft Drinks Limited	Holding company	England and Wales	100
Britvic Finance No 2 Limited	Financing company	Jersey	100
Indirectly held			
Britvic International Limited	Marketing and distribution of soft drinks	England and Wales	100
Britvic Soft Drinks Limited	Manufacture and sale of soft drinks	England and Wales	100
Britvic Irish Holdings Limited	Holding company	Republic of Ireland	100
Britvic Ireland Limited	Manufacture and marketing of soft drinks	Republic of Ireland	100
Britvic Northern Ireland Limited	Marketing and distribution of soft drinks	Republic of Ireland	100
Aquaporte Limited	Supply of water-coolers and bottled water	Republic of Ireland	100
Britvic Worldwide Brands Limited	Marketing and distribution of soft drinks	Republic of Ireland	100
Counterpoint Wholesale (Ireland) Limited	Wholesale of soft drinks to the licensed trade	Republic of Ireland	100
Counterpoint Wholesale (NI) Limited	Wholesale of soft drinks to the licensed trade	Northern Ireland	100
Britvic North America LLC	Marketing and distribution of soft drinks	USA	100
Britvic France SNC	Holding partnership	France	100
Fruité Entreprises SAS	Holding company	France	100
Fruité SAS	Manufacture and sale of soft drinks	France	100
Bricfruit SAS	Manufacture and sale of soft drinks	France	100
Unisource SAS	Manufacture and sale of soft drinks	France	100
Teisseire SAS	Manufacture and sale of soft drinks	France	100
Teisseire Benelux SA	Marketing and distribution of soft drinks	France	100
Britvic Soft Drinks PTE. Ltd	Holding company	Singapore	100
Britvic India Manufacturing Private Ltd.	Manufacture and sale of soft drinks	India	100

Key management personnel are deemed to be the executive and non-executive directors of the company and members of the Executive Committee. The compensation payable to key management in the period is detailed below.

	2014 £m	2013 £m
Short-term employee benefits	**6.7**	6.6
Post-employment benefits	**0.2**	0.1
Share-based payments	**1.5**	1.1
	8.4	7.8

See note 8 for details of directors' emoluments.

There were no other related party transactions requiring disclosure in these financial statements.