FUNKIN LIMITED

FINANCIAL STATEMENTS

for the year 31 January 2018

Registered Number: 03765967

FUNKIN LIMITED

OFFICERS AND ADVISORS

For the year ended 31 January 2018

Registered Office
Crossley Drive
Magna Park
Milton Keynes
United Kingdom
MK17 8FL

Directors
A S King
R A White
I A Reid

Secretary
J A Barr

Auditor
Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
United Kingdom
G1 3BX

Registered Number
03765967

FUNKIN LIMITED

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FUNKIN LIMITED

STRATEGIC REPORT

For the year ended 31 January 2018

The directors present their strategic report on Funkin Limited ("the Company") for the year ended 31 January 2018.

The Company is a wholly owned subsidiary of its ultimate parent, A.G. BARR p.l.c., a company incorporated in Scotland. The largest and smallest Group in which the results of the Company are consolidated is that headed by A.G. BARR p.l.c. A copy of the Group accounts (which includes the results and balances of the Company) can be obtained from the registered office of A.G. BARR p.l.c., Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

Business review and principal activity

Funkin Limited is a provider of premium cocktail mixers, purees and syrups which are sold primarily in the UK on-trade, with some business in UK retail and also some export to over 20 countries. The business primarily sells to wholesalers in the UK, who in turn supply the national bar chains and also the independent bar customers. Funkin also sells its products on various online platforms including its own web site. The Company has close marketing relationships with the bar chains, and co-creates drinks menus and develops new products in conjunction with bar groups and bar tenders.

During the financial year, Funkin launched a range of products for the UK grocery market and continues to invest in this product and will look to extend the distribution and range in 2018/19. Funkin continues to focus on the core on-trade market, with cocktails still providing growth for our on-trade customers as their consumers continue to drink cocktails more frequently. Funkin has again grown its online business in the year as well as its export business which grew in line with the core business. Innovation was an important part of the business mix, and Funkin will continue to expand its range and look at new opportunities for cocktail products moving forward into 2018/19.

Key Performance Indicators

The directors believe that the following financial and operational indicators will provide shareholders with sufficient information to assess how the business is performing:

	2017/18	2016/17	Movement
Revenue	£14,722,521	£11,699,677	+25.8%
Operating profit	£2,850,207	£2,217,726	+28.5%

Principal risks and uncertainties

Details of the principal risks and uncertainties of the Group are disclosed in the strategy report on pages 34 to 37 of the annual report and accounts of the ultimate parent company, A.G. BARR p.l.c. for the 52 weeks ended 28 January 2018.

Business uncertainty on account of the Brexit vote, the resultant currency weakness of sterling which has inceased many raw materials and the struggling Casual Dining Sector in the UK are all factors that make for a more volatile trade environment. The business seeks to mitigate these factors by endeavouring to have more certainty where possible and has taken action to buy forward ingredients, increase the percentage of turnover that is derived from export and continues to look to develop more UK produced product. The business continues to work closely with its customers and build long term relationships that increase certainty and deliver new products to benefit our mutual businesses. The directors are confident that the business will continue to achieve a satisfactory outcome.

Principal risks and uncertainties (continued)
Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable secutiries and the availability of funding through an adequate amount of committed credit facilities. The Company maintains flexibility in funding by maintaining sufficient cash reserves.

Management monitors rolling forecasts of the Company's liquidity reserve (which comprises cash and cash equivalents) on the basis of expected cash flows. This is carried out at Group level and involves projecting forward cash flows and considering the level of liquid assets necessary to meet excesses of expenditure relative to income.

Future outlook

Further to its acquisition by A.G. BARR p.l.c in February 2015, the Funkin brand has performed well, thanks to its market leading position, quality products and exciting innovation. Therefore the directors continue to believe that the trend for increasing numbers of consumers choosing to drink cocktails will continue and that Funkin is well positioned to take advantage of this. New products that launch in 2018 will bring Funkin into new areas of the cocktail market that have been difficult to access previously and the business looks to continue to expand its international presence and grow the number of cocktails it serves both in the UK and abroad.

This report was approved by the Board of directors on 23 October 2018 and signed on its behalf by:

J A Barr
Company Secretary
Crossley Drive
Magna Park
Milton Keynes
United Kingdom
MK17 8FL
23 October 2018

FUNKIN LIMITED

DIRECTORS' REPORT

For the year ended 31 January 2018

The directors present their report and the audited financial statements for the year ended 31 January 2018. The report and financial statements have been prepared in accordance with the Companies Act 2006.

The Company is incorporated in England. The Company's registration number is 03765967.

Results for the year
The results for the Company show a pre-tax profit of £2,839,626 (2017: £2,206,754) for the year and revenue of £14,722,521 (2017 restated: £11,699,677). Revenue increased over 25% due to an increase in demand. Cost of sales and net operating expenses increased in line with the increase in sales leading to a 28% increase in profit before tax. The directors are satisfied with the results and are in line with expectations.

The Company has no debt at the year end.

Business review
A review of the business is included in the Strategic Report on page 1 and is incorporated by reference into this Directors' Report.

Principal risks and uncertainties
A review of the Company's principal risks and uncertainties is included in the Strategic Report on page 1 and is incorporated by reference into this Directors' Report. The Company's activities expose it to market risk (including foreign exchange risk, cash flow interest rate risk and price risk).

Risk management is carried out by the parent company finance department under policies approved by the board of directors. The finance department identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The Group Board provides guidance on overall risk management including foreign exchange risk and investment of excess liquidity. Refer to note 12 for further details.

Future outlook
Comments on the future outlook of the Company's future outlook are included in the Strategic Report on page 2 and is incorporated by reference into this Directors' Report.

Research and Development
The Company undertakes research and development activities to update and expand its range of products in order to improve and develop new and existing products. Expenditure during the year on research and development amounted to £79,928 (2017: £69,990). None of the expenditure has been capitalised (2017: no expenditure was capitalised).

Political and charitable contributions
The Company made charitable donations of £4,831 during the year (2017: £4,180).

Going concern
In line with the FRC guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis of preparation and have concluded that it is appropriate.

Following review of cash flow and profit forecasts, the directors have concluded that the Company will be able to meet its financial obligations for the foreseeable future and therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this annual report). Further, the Company has reported a profit for the year of £2,288,226 (2017: £1,750,855) and has net assets of £7,183,937 (2017: £7,010,057). Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Directors
The directors of the Company during the year were as follows:
A S King
R A White
S Lorimer (resigned 10 March 2017)
I A Reid (appointed 10 March 2017, resigned 30 April 2018)
B Anderson (appointed 1 October 2018)
M G Steele (appointed 1 October 2018)
I Taylor (appointed 1 October 2018)

Proposed dividend

The directors recommend the payment of a dividend of £13.71 per share being £2,000,000 (2017: £12.84 per share being £1,872,830). This was approved at a board meeting on 16 October 2018 and will be paid to the ultimate parent company, A.G. Barr p.l.c., who is the 100% equity owner of the company on the same date.

Financial Instruments
The Company's policy is to minimise the use of complex financial instruments.

Disclosure of information to auditor
So far as each director is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware. Each director has taken all steps that ought to be taken by a director to make themselves aware of and to establish that the auditor is aware of any relevant audit information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor
During the year to 31 January 2017 the ultimate parent company, A.G. BARR p.l.c, undertook a competitive tender process to appoint their new external auditor. As a result, Deloitte LLP were appointed as external auditors for the Group and subsidiaries at the A.G. BARR p.l.c. Annual General Meeting on 31 May 2017. Deloitte LLP has indicated its willingness to continue in office and have been reappointed as auditors for the period ended 31 January 2019.

The Director's report is approved by the Board and signed on behalf of the Board,

J A Barr

J A Barr
Company Secretary
Crossley Drive
Magna Park
Milton Keynes
United Kingdom
MK17 8FL

23 October 2018

FUNKIN LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 January 2018

The directors are responsible for preparing the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUNKIN LIMITED

31 January 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Funkin Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the cash flow statement; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Stephen Pratt CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
23 October 2018

FUNKIN LIMITED

INCOME STATEMENT

For the year ended 31 January 2018

	Note	Year ended 31 January 2018	Restated Year ended 31 January 2017
		Total	Total
		£	£
Revenue	2	**14,722,521**	11,699,667
Cost of sales		**(7,388,260)**	(6,049,287)
Gross profit		**7,334,261**	5,650,380
Net operating expenses	5	**(4,484,984)**	(3,433,062)
Other income		**930**	408
Operating profit	3	**2,850,207**	2,217,726
Finance income		**-**	8
Finance costs		**(10,581)**	(10,980)
Profit before tax		**2,839,626**	2,206,754
Tax on profit	6	**(551,400)**	(455,899)
Profit for the year attributable to equity holders		**2,288,226**	1,750,855

FUNKIN LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2018

	Year ended 31 January 2018	Year ended 31 January 2017
	£	£
Profit for the year	2,288,226	1,750,855
Other comprehensive result for the year, net of tax	-	-
Total comprehensive income attributable to equity shareholders	2,288,226	1,750,855

FUNKIN LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2018

	Note	Share capital	Share premium	Other Reserves	Retained earnings	Total
		£	£	£	£	£
As at 30 January 2016		145,820	1,233,947	42,780	330,067	1,752,614
Total comprehensive income for the period		-	-	-	1,750,855	1,750,855
As at 30 January 2017		145,820	1,233,947	42,780	2,080,922	3,503,469
Total comprehensive income for the period		-	-	-	2,288,226	2,288,226
Dividend paid	7	-	-	-	(1,872,830)	(1,872,830)
As at 31 January 2018		**145,820**	**1,233,947**	**42,780**	**2,496,318**	**3,918,865**

FUNKIN LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 January 2018

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	8	**201,450**	202,726
Investment in subsidiary undertakings	9	**100**	100
Deferred tax asset	6	**12,091**	671
		213,641	203,497
Current assets			
Inventories	10	**685,848**	601,583
Trade and other receivables	11	**3,013,159**	2,346,357
Cash and cash equivalents		**3,271,289**	3,858,620
		6,970,296	6,806,560
Total assets		**7,183,937**	7,010,057
Current liabilities			
Trade and other payables	12	**2,842,866**	3,050,979
Current tax		**422,206**	455,609
Total liabilities		**3,265,072**	3,506,588
Equity			
Called up share capital	16	**145,820**	145,820
Share Premium		**1,233,947**	1,233,947
Other Reserves	16	**42,780**	42,780
Retained earnings		**2,496,318**	2,080,922
Total equity		**3,918,865**	3,503,469
Total equity and liabilities		**7,183,937**	7,010,057

Company number: 03765967

The financial statements and accompanying notes on pages 9 to 26 were authorised for issue and approved by the board of directors on 23 October 2018.

R A White
Director

FUNKIN LIMITED

CASH FLOW STATEMENT

For the year ended 31 January 2018

	Note	12 months to 31 January 2018 £	12 months to 31 January 2017 £
Operating activities			
Profit before tax		2,839,626	2,206,754
Adjustments for:			
Depreciation of property, plant and equipment	8	81,652	33,622
Write off of investment in subsidiary		-	100
Operating cash flows before movements in working capital		2,921,278	2,240,476
(Increase) in inventories		(84,265)	(232,292)
(Increase) in receivables		(666,802)	(601,868)
(Decrease) / increase in payables		(208,113)	869,460
Cash generated by operations		1,962,098	2,275,776
Movement in tax creditor due to tax paid by other group companies		(596,223)	(318,437)
Net cash generated from operating activities		1,365,875	1,957,339
Investing activities			
Purchase of plant and equipment	8	(80,376)	(194,544)
Net cash generated used in investing activities		(80,376)	(194,544)
Financing activities			
Dividends paid		(1,872,830)	-
Net cash used in financing activities		(1,872,830)	-
Net (decrease) / increase in cash and cash equivalents		(587,331)	1,762,795
Cash and cash equivalents at beginning of year		3,858,620	2,095,825
Cash and cash equivalents at end of year		3,271,289	3,858,620

1. Accounting policies

General information
Funkin Limited is a Company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown in the Officers and Advisors section of this report.

The principal activities of the Company and nature of operations are set out in the strategic report on page 1.

These financial statements are presented in pounds sterling because that this the currency of the primary economic environment in which the company operates.

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

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. They have been prepared under the historical cost convention.

The directors have adopted the going concern basis in preparing these accounts for the reasons set out in the directors' report on page 3.

The Company is exempt by virtue of s400 of the Companies Act 2006 and IFRS 10:4(a) from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Changes in accounting policy and disclosures
(a) New and amended standards adopted by the Company

There are no new or amended standards adopted for the year beginning 1 February 2017 that have a material impact on the Company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 February 2017 and not adopted early

There are no IFRSs or IFRIC interpretations that are issued but have not been adopted early for the year beginning 1 February 2017 that have a material impact on the Company. A number of new standards and amendments to standards and interpretations are effective for future year ends, and have not been applied in preparing these consolidated financial statements. These standards and amendments are listed below and are unlikely to have any significant impact on the Company.

International Accounting Standards and Interpretations	Financial year beginning which standard becomes effective
IFRS 15 Revenue from Contracts with Customers	1 February 2018
IFRS 9 Financial Instruments	1 February 2018
IFRS 16 Leases	1 February 2019
IFRIC 23 Uncertainty over Income Tax Treatments*	1 February 2019

* Standard not yet endorsed by the EU.

1. **Accounting Policies (continued)**

(c) Prior year restatement – presentation of revenue

A change in the presentation of revenue is being processed in order to align the classification of promotional spend in Funkin with the requirements of IAS 18. The change in policy results in certain volume and pricing rebate and promotional spend payable to customers being shown as a deduction to revenue rather than an operating cost.

The impact of this change is a £504,413 reduction in gross profit for the year ended 28 January 2017 with no change in the net profit figure. The balance sheet and opening shareholder's fund is not affected.

The table below demonstrates the impact of the restatement:

Impacted financial statement line item	As previously reported	As restated
	£	£
Revenue	12,204,080	11,699,667
Gross profit	6,154,793	5,650,380
Operating expenses	3,937,475	3,433,062

Revenue recognition
All revenue relates to the sale of goods. Revenue is the net invoiced sales value of goods and services supplied in the year, after deducting promotional costs and exclusive of value added tax. Sales are recorded based on the price specified in the sales invoices, net of any agreed discounts and rebates.

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

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised as a disposal. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

FUNKIN LIMITED

NOTES ON FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 January 2018

1. Accounting Policies (continued)

Property, plant and equipment (continued)
Depreciation is calculated using the straight-line method to allocate the cost down to the residual values of the related assets using the following rates:

Freehold and Leasehold buildings	1%
Plant, equipment and vehicles	10% and 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date.

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

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

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

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

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

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

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

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

Where the carrying value of the asset is to be recovered through both use and subsequent disposal, a single tax base is attributed to that asset resulting in a single temporary difference being recognised.

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

1. Accounting Policies (continued)

Financial Instruments
Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements whilst maximising shareholder value.

The Company's treasury policies are controlled by the ultimate parent company, A.G. BARR p.l.c. Disclosure of the policies can be found in the Group accounts.

Trade and other receivables are not interest bearing and are stated at the expected recoverable amount. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated cash flows. The carrying amount of the asset is reduced through the use of a bad debt provision account and the amount of the loss is recognised in the income statement within administration costs. When a trade receivable becomes uncollectable it is written off against the bad debt provision.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The company currently has no financial liability at FVTPL. Other financial liabilities including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently remeasured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company does not hold any derivative financial instruments or carry out any hedging activities. Cash and cash equivalents comprise cash at bank which is available for immediate withdrawal.

Critical accounting judgements and key sources of estimation and uncertainty
In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the view of the directors, there are no critical accounting judgements or key sources of estimation uncertainty which affect the company's financial statements.

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

2. Segment reporting

Geographical information
The Company operates predominantly in the US with some worldwide sales. All of the operations are based in the UK.

Revenue	Year ended 31 January 2018 £	Year ended 31 January 2017 £
UK	**13,651,521**	11,398,080
Rest of the world	**1,071,000**	806,000
	14,722,521	12,204,080

3. Operating profit

Operating profit is stated after charging the following items:

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Depreciation	**81,652**	33,622
Operating lease rentals payable - motor vehicles	**-**	8,668
Cost of inventories recognised as a cost of sales	**7,388,260**	6,049,287
Research and development costs	**79,928**	69,990
Foreign exchange gains	**(16,725)**	(476,009)
Impairment of inventories	**14,748**	10,359

Fees paid to the Company's auditor for the audit of the financial statements for the year 31 January 2018 are not disclosed in these financial statements as the fees are borne by the ultimate parent company. The total fee paid by the ultimate parent A.G. BARR p.l.c. for the audit of the subsidiary accounts amounted to £15,000 (2017: £10,000).

4. Employees and directors

The average monthly number of people employed by the Company (including directors)

	Year ended 31 January 2018	Year ended 31 January 2017
Administration	31	29
	31	29

The aggregate payroll costs of these employees was as follows:

	Year ended 31 January 2018	Year ended 31 January 2017
Wages and salaries	1,909,628	1,674,812
Social security costs	206,899	158,045
Pension costs - defined contribution plans	45,959	27,156
	2,162,486	1,860,013

Directors remuneration

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Aggregate emoluments and benefit	276,180	161,315
Company pension contributions to money purchase scheme	45,959	27,156

Key management is defined as being the directors of the company as well as S Lorimer. R A White, S Lorimer and I A Reid did not receive any remuneration from the company for their services in either year. Details of R A White's and S Lorimer's remuneration as directors of the ultimate parent company, A.G. BARR p.l.c. are disclosed in the directors' remuneration report on pages 48-71 of the A.G. BARR p.l.c. annual report and accounts for the 52 weeks ended 28 January 2018.

FUNKIN LIMITED

NOTES ON FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 January 2018

5. Net operating expenses

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Distribution costs	521,751	449,528
Administration costs	4,586,979	3,487,947
	5,108,730	3,937,475

6. Taxation

The tax charge comprises:

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Current tax	564,375	482,436
Adjustments in respect of prior periods	(1,555)	(26,827)
Total current corporation tax	562,820	455,609
Deferred tax:		
Origination and reversal of timing differences	(11,420)	237
Adjustment in respect of rate change	-	53
	(11,420)	291
Total tax on profit	551,400	455,899

The tax on the Company's profit before tax differs from the amount that would arise using the tax rate applicable to the profits of the Company as follows:

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Profit before tax	2,839,626	2,206,754
Tax at 19.16% (2017: 20%)	544,072	441,351
Corporation tax – prior year adjustment	(1,555)	(26,827)
Deferred tax – adjustment for rate change	-	53
Current year impact of change of deferred tax rate	-	(14)
Adjustment for intercompany write-off	-	14,570
Items not deductible in determining taxable profit	7,385	26,517
Other differences	1,498	249
Tax charge	551,400	455,899

FUNKIN LIMITED

NOTES ON FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 January 2018

6. Taxation (continued)

Deferred tax assets and liabilities

The movement in the balance is as follows:

	Deferred tax asset/(liability) – accelerated capital allowances
	£
Balance at 30 January 2016	962
Charge to income statement	(291)
Balance at 31 January 2017	671
Credit to income statement	11,420
Balance at 31 January 2018	12,091

As announced in the Autumn Budget on 23 November 2016, the main rate of corporation tax was reduced to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020. Finance No. 2 Bill 2017 became substantively enacted on 16 November 2017.

The deferred tax asset at 31 January 2018 has therefore been calculated having regard to the rate of 17% substantively enacted at the balance sheet date.

7. Dividends paid and proposed

	2018	2017
	£	£
Declared and paid during the year:		
Final dividend for 2017 £12.84 (2016: £Nil)	1,872,830	-
Dividends paid	1,872,830	-
Proposed and approved by shareholders at the AGM:		
Final dividend for 2018 £13.71 (2017: £12.84)	2,000,000	1,872,830

8. Property, plant and equipment

	Land and buildings	Plant, equipment and vehicles	Total
	£	£	£
Cost			
At 31 January 2017	91,180	513,172	604,352
Additions	-	80,376	80,376
At 31 January 2018	**91,180**	**593,548**	**684,728**
Depreciation			
At 31 January 2017	91,180	310,446	401,626
Charge for the period	-	81,652	81,652
At 31 January 2018	**91,180**	**392,098**	**483,278**
Net Book Value			
At 31 January 2018	**-**	**201,450**	**201,450**
At 31 January 2017	-	202,726	202,726

9. Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorporation	Registered Address	Ownership %	Share capital
				No. of ordinary shares
Funkin USA Limited	England	Crossley Drive, Magna Park, Milton Keynes, England, MK17 8FL	100%	100

10. Inventories

	2018	2017
	£	£
Raw materials	28,650	54,548
Finished goods	657,198	547,035
	685,848	601,583

11. Trade and other receivables

	2018	2017
	£	£
Trade Receivables	**2,324,333**	1,755,111
Less: Provision for impairment of trade receivables	**(43,577)**	(43,554)
	2,280,756	1,711,557
Prepayments and other debtors	**202,290**	158,895
Recoverable VAT	**37,996**	61,981
Intercompany receivable	**492,117**	413,924
	3,013,159	2,346,357

As at 31 January 2018, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due <30 days	Past due 30-60 days	Past due >60 days
	£	£	£	£	£
2018	2,324,333	768,099	1,219,307	258,302	78,625
Provision	(43,577)	-	-	-	(43,577)
2017	1,755,111	727,274	835,569	158,438	33,830
Provision	(43,554)	-	-	(9,724)	(33,830)

12. Trade and other payables

	2018	2017
	£	£
Trade payables	**1,253,538**	1,423,058
Accruals	**1,410,298**	1,178,517
Intercompany payable	**134,874**	403,106
Other taxes and social security costs	**44,156**	46,298
	2,842,866	3,050,979

For the two statement of financial position dates presented all outstanding accruals are expected to be paid within a year of the respective dates. Balances due to Group undertakings are repayable on demand. The liability has therefore been treated as a current liability.

12. Trade and other payables (continued)

All of the balances are expected to be settled within one month of the statement of financial position dates with the exception of accruals which are expected to be settled within six months of the financial position dates.

13. Financial Instruments

Other than cash and cash equivalents, all financial assets are categorised as loans and receivables:

	2018	2017
	£	£
Assets classified as loans and receivables		
Trade receivables	**2,280,756**	1,711,557
Intercompany receivables	**492,117**	413,924
	2,772,873	2,125,481
Cash and cash equivalents	**3,271,289**	3,858,620

All financial liabilities are classified as other financial liabilities at amortised cost:

	2018	2017
	£	£
Liabilities as per statement of financial position		
Trade payables	**1,253,538**	1,423,058
Intercompany payable	**134,874**	403,106
	1,388,412	1,826,164

There have been no gains or losses on any of the above categories of financial instruments in the periods presented.

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

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

For both years presented, financial assets and liabilities consist of trade receivables, intercompany receivables and payables, cash and cash equivalents and trade payables. The fair value of all financial assets and liabilities approximates the carrying value given the short maturity of these instruments.

14. Financial risk management

The Company's activities expose it to market risk (including foreign exchange risk, cash flow interest rate risk and price risk).

Risk management is carried out by the parent company finance department under policies approved by the board of directors. The finance department identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The group board provides guidance on overall risk management including foreign exchange risk and investment of excess liquidity.

15. Operating lease commitments

Commitments under non-cancellable operating leases expiring:

	2018 £	2017 £
Within one year	-	8,668
Within 2 to 5 years	-	-
	-	8,668

16. Share capital

	At 31 January 2018 Number of shares	At 31 January 2018 £	At 31 January 2017 Number of shares	At 31 January 2017 £
Allotted called up and fully paid				
Ordinary shares of £1 each – Class A	30,000	30,000	30,000	30,000
Ordinary shares of £1 each – Class B	115,820	115,820	115,820	115,820
Total	145,820	145,820	145,820	145,820

The ordinary shares carry the right to notice of and to attend the general meetings of the Company. Every holder of an ordinary share carries one vote for each ordinary share held.

Other reserves disclosed in the balance sheet relate to a capital redemption reserve, created on the cancellation of previously issued shares.

17. Ultimate parent undertaking

The Company's ultimate parent and controlling company is A.G. BARR p.l.c., a company incorporated in Scotland. The largest and smallest Group in which the results of the Company are consolidated is that headed by A.G. BARR p.l.c. A copy of the Group accounts (which includes the results and balances of the Company) can be obtained from the registered office of A.G. BARR p.l.c., Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

18.Related party transactions

A.G BARR p.l.c , the ultimate parent company of Funkin Limited charged the Company £nil (2017: £nil) in management fees for the year to 31 January 2018 in relation to support provided to the Company during the year.

A.G. BARR p.l.c ran the payroll function for the year, paying the Company's employees and the associated tax liabilities through until the end of the year. The Company refunded A.G. BARR p.l.c. each month for these cash flows.

The sales between the Company and its subsidiaries totalled £158,725 for the year (2017: £172,010). Consistent with prior year, there were no purchases made from subsidiary companies.

The net closing balance due from other Group companies was £357,243 (2017: £10,818).