FUNKIN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the period ended 29 January 2023

Registered Number: 03765967

FUNKIN LIMITED

OFFICERS AND ADVISORS

For the period ended 29 January 2023

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

Directors
A. S. King
R. A. White
B. Anderson
C. S. Graham
I. Taylor
L. M. C. Hipperson

Registered Number
03765967

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STRATEGIC REPORT

For the period ended 29 January 2023

The directors present their strategic report on FUNKIN Limited ("the Company") for the 52 week period ended 29 January 2023 (period ended 30 January 2022: 53 weeks).

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 financial statements (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 purées, mixers, syrups and ready to drink ('RTD') cocktails. FUNKIN Limited supplies both the UK on-trade and UK retail customers. FUNKIN Limited also sells its products on various online platforms, including its own website, as well as exporting to over 20 countries. The Company has close marketing relationships with a number of major bar chains and develops new products in conjunction with its core customers and consumers.

FUNKIN has made particularly strong progress across the past 12 months as a market-leading consumer brand, seeing an increase in revenue and gross profit. FUNKIN invested in its biggest ever advertising campaign in 2022 across TV, outdoor, social and digital channels.

Section 172 (1) statement

Effective engagement with our key stakeholders is critical to the long-term success of the Company. Understanding the perspectives of our stakeholders and building good relationships enables their views to be taken into account in FUNKIN Board and Committee discussions and decision-making. The FUNKIN Board will continue to focus on enhancing its engagement with key stakeholders.

To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the A.G. BARR p.l.c. Board has considered the matters set out in s172 (for the Group and for the Company) is set on pages 74 – 80 of the Group's annual report. Where more specific details can be provided for FUNKIN Limited these are described below.

Shareholders
Regular strategy meetings and performance reviews are held throughout the period with executive leadership members of the parent company (A.G. BARR p.l.c.).

Customers
Engagement with customers is largely in line with those practices outlined in the parent Group's annual report, in relation to regular customer meetings, product launches and sustainability agenda. In particular FUNKIN Limited engaged with customers to optimise service levels, inventory rotations and credit management as restrictions to the on-trade channel changed throughout the period.

Suppliers
Engagement with suppliers is largely in line with those practices outlined in the parent Group's annual report, in relation to regular supplier meetings, responsible sourcing of materials, sustainability and prompt payment.

Section 172 (1) statement (continued)

Employees

Engagement with employees is largely in line with those practices outlined in the parent Group's annual report, in relation to employee briefings, consultations, Covid-related communications and training. FUNKIN Limited has specific company values under the "EPIC" tagline – Entrepreneurial, People, Innovator, and Collaborator.

Government

No direct engagement with Government takes place by FUNKIN Limited. All engagement occurs at A.G. BARR p.l.c. level.

Trade Associations

In addition to the engagement with trade associations described in the parent Group's annual report, FUNKIN Limited are members of UKH – UK Hospitality.

Key Performance Indicators

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

	2022/23 (52 weeks)	2021/22 (53 weeks)	Movement
Revenue	£42,583,000	£36,712,000	16%
Operating profit	£5,769,000	£6,154,000	(6%)

Revenue grew strongly in the period, following a strong on-trade recovery. Operating profit was impacted by increases in input costs, fruit in particular and continued industry-wide supply chain challenges.

Principal risks and uncertainties

Details of the principal risks and uncertainties of the Group are disclosed in the Strategic Report on pages 62 to 69 of the annual report and accounts of the ultimate parent company, A.G. BARR p.l.c. for the 52 weeks ended 29 January 2023.

Market risk

Foreign exchange risk

The Company operates predominantly in the UK with some international sales. The Company primarily buys and sells in sterling, but does make purchases and sales denominated in US dollars and euros.

At a Group level, the parent company periodically enters into forward option contracts to purchase foreign currencies for known purchases where the value and volume of trading purchases is known.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities 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.

Principal risks and uncertainties (continued)

Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash inflows are not significantly affected by market interest rates.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to major customers, including oustanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. If major customers are independently rated these ratings are used. Otherwise, if there is no independent rating, risk control processes assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by senior management based on internal or external ratings. The utilisation of credit limits is regularly monitored. Credit risk is spread across a large number of the Company's customer base.

Future outlook

FUNKIN delivered another year of significant growth, benefiting from a strong on-trade recovery from the previous year. There was good momentum carrying into the new financial year however against a more challenging economic backdrop, with increased input costs and cost of living pressures impacting consumer and shopper behaviours, most notably with the younger consumer cohorts. The impact of these more challenging conditions is anticipated to play out in the on-trade hospitality sector in particular.

This report was approved by the Board of directors on 25 October 2023 and signed on its behalf by:

R. A. White
Director
Crossley Drive
Magna Park
Milton Keynes
United Kingdom
MK17 8FL

FUNKIN LIMITED

DIRECTORS' REPORT

For the period ended 29 January 2023

The directors present their annual report and the unaudited financial statements for the 52 week period ended 29 January 2023. The annual 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 period and business review
The results for the Company show a profit before tax of £5,741k (2022: £6,149k) for the period and revenue of £42,583k (2022: £36,712k). Revenue increased by 16%, benefitting from strong on-trade recovery, especially in the first half of the financial year and continued distribution gains in the growing off-trade RTD cocktail market. Gross margin was impacted by increases in input costs and a more challenging macroeconomic environment for our on-trade customers in the second half of the year.

The Company has no external debt at the period end.

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 pages 2 and 3 and is incorporated by reference into this Directors' Report. The Company's activities expose it to market risk (including foreign exchange risk; liquidity risk; and credit risk).

Risk management is carried out by the parent company finance department under policies approved by the Group's 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.

Future outlook
Comments on the future outlook of the Company's future outlook are included in the Strategic Report on page 3 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 period on research and development amounted to £114k (2022: £245k).

Political and charitable contributions
The Company made charitable donations of £8.2k in the period (2022: £1.8k).

Going concern
In line with the FRC guidance and directors' responsibilities 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.

The Company has considered the principal risks and uncertainties of the business and has set out its policy (as detailed in the Strategic report on page 2) for limiting those risks.

Going concern (continued)

The Company pools all cash generated into, and also has access to a central cash pooling arrangement with its intermediate parent company. In addition, the directors have been supplied with a letter of support from A.G. BARR p.l.c. which will ensure any necessary financial support is provided within twelve months from the date of these financial statements. The directors have satisfied themselves that A.G. BARR p.l.c. has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the Company has adequate resources internally and through its association with A.G. BARR p.l.c., to continue in operational existence for the foreseeable future and as such, the going concern basis has been adopted in preparing the annual report and financial statements.

Stakeholder statements

The section 172(1) statement describing how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006 is set out in the Strategic Report on pages 1 and 2 and is incorporated by reference into this Directors' Report.

Directors

The directors of the Company during the period and up to the date of signing were as follows:

A. S. King
R. A. White
B. Anderson
M. G. Steele (resigned 11 October 2023)
I. Taylor
L. M. C. Hipperson (appointed 1 September 2022)
C. S. Graham (appointed 11 October 2023)

J. A. Barr resigned as Company Secretary on 26 June 2023 and will not be replaced.

Dividend

An interim dividend of £54.86 per share, being £8m (2022: nil) was approved at a board meeting on 28 November 2022 and paid to the ultimate parent company, A.G. BARR p.l.c., who is the 100% equity holder of the company, on the same date.

The directors do not recommend a final dividend (2022: nil).

Financial Instruments

The Company does not use any complex financial instruments.

The Director's report is approved by the Board on 25 October 2023, and signed on behalf of the Board,

R. A. White
Director

FUNKIN LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the period ended 29 January 2023

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

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

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

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

FUNKIN LIMITED

INCOME STATEMENT

For the period ended 29 January 2023

	Note	**Period ended 29 January 2023**	Period ended 30 January 2022
		£000	£000
Revenue	2	**42,583**	36,712
Cost of sales		**(26,680)**	(22,214)
Gross profit		**15,903**	14,498
Net operating expenses	5	**(10,201)**	(8,396)
Other income		**67**	52
Operating profit	3	**5,769**	6,154
Finance costs		**(28)**	(5)
Profit before tax		**5,741**	6,149
Tax on profit	6	**(805)**	(1,201)
Profit for the period attributable to equity holders and total comprehensive income		**4,936**	4,948

There are no other gains/losses other than the profits above.

The notes on pages 10-23 form part of these financial statements.

FUNKIN LIMITED

STATEMENT OF FINANCIAL POSITION

As at 29 January 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	7	**157**	300
Right-of-use assets	8	**1,033**	145
Investment in subsidiary undertakings	9	**-**	-
Deferred tax asset	6	**5**	-
		1,195	445
Current assets			
Inventories	10	**4,046**	2,493
Trade and other receivables	11	**9,845**	6,009
Cash and cash equivalents		**1,424**	8,825
		15,315	17,327
Total assets		**16,510**	17,772
Current liabilities			
Trade and other payables	12	**6,554**	5,192
Lease creditor	8	**156**	149
Provisions	13	**-**	200
Current tax		**957**	1,201
		7,667	6,742
Non-current liabilities			
Lease creditor	8	**687**	-
Provisions	13	**200**	-
Deferred tax liability	6	**-**	10
		887	10
Total liabilities		**8,554**	6,752
Equity			
Called up share capital	14	**146**	146
Share Premium	14	**1,234**	1,234
Other Reserves	14	**43**	43
Retained earnings	14	**6,533**	9,567
Total equity		**7,956**	11,020
Total equity and liabilities		**16,510**	17,772

Company number: 03765967

The notes on pages 10-23 form part of these financial statements.

Audit exemption statement
For the period ended 29 January 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities

- The members have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476.
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements and accompanying notes on pages 7 to 23 were authorised for issue and approved by the board of directors on 25 October 2023.

R. A. White
Director

FUNKIN LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period ended 29 January 2023

	Called up Share capital £000	Share premium £000	Other Reserves £000	Retained earnings £000	Total £000
As at 24 January 2021	146	1,234	43	4,692	6,115
Profit for the period and other comprehensive income	-	-	-	4,948	4,948
Capital contribution	-	-	-	(43)	(43)
As at 30 January 2022	146	1,234	43	9,597	11,020
Profit for the period and other comprehensive income	-	-	-	4,936	4,936
Dividends paid	-	-	-	(8,000)	(8,000)
As at 29 January 2023	**146**	**1,234**	**43**	**6,533**	**7,956**

The notes on pages 10-23 form part of these financial statements.

1. Accounting policies

General information

FUNKIN Limited is a private 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. The period ended 29 January 2023 was a 52 week period compared to a 53 week period in the period ended 30 January 2022.

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 periods presented, unless otherwise stated.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The disclosure exemptions from IFRS 7 'Financial Instruments: Disclosures'
- The disclosure exemptions from IFRS 13 'Fair Value Measurement' to the extent that they apply to financial instruments
- The disclosure exemptions from paragraphs 30 and 31 of IAS 8 'Accounting Policies, changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective)
- The requirements of IAS 7 'Statement of Cash Flows'
- The disclosure exemption of paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    - Paragraph 79(a)(iv) of IAS 1, reconciliation of number of shares outstanding at start and end of the prior period;
    - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
    - Paragraph 118(e) of IAS 38, 'Intangible assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d) (Statement of Cash Flows);
    - 16 (statement of compliance with all IFRS);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B – D (additional comparative information);
    - 111 (statement of cash flows information); and
    - 134 – 136 (capital management disclosures).
- The disclosure exemptions from IAS 36 'Impairment of Assets'
- The requirements of paragraphs 17 and 18A of IAS 24 'Related party disclosures'

1. Accounting policies (continued)

The company is a wholly owned subsidiary of A.G. BARR p.l.c. and it is included in the consolidated financial statements of A.G. BARR p.l.c., which are publicly available. Therefore, the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The registered office of A.G. BARR p.l.c. is Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

Where relevant, equivalent disclosures have been made in the Group accounts of A.G. BARR p.l.c. available at www.agbarr.co.uk.

The directors have adopted the going concern basis in preparing these financial statements for the reasons set out in the directors' report on pages 5 and 6.

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

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

- *Property, Plant and Equipment Proceeds before Intended Use – Amendments to IAS 16;*
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018 – 2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above do not have a material impact on the results for the current and prior reporting periods.

Revenue recognition
Revenue is recognised when control of the goods has passed to the buyer and the amount can be measured reliably. All revenue is recognised on a point in time basis. None of the Company's contractual arrangements lead to revenue being recognised over time. Sales related discounts and rebates are calculated based on the expected amounts necessary to meet the claims of the Company's customers in respect of these discounts and rebates. Brand support accruals are included in the statement of financial position in respect of these.

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

Excise duties
Excise duties are effectively a production tax which becomes payable when the product is moved from bonded premises and is not directly related to the value of sales. It is not generally included as a separate item on external invoices; increases in excise duty are not always passed to the customer and where a customer fails to pay for products received the Company cannot reclaim the excise duty. The Company therefore recognises excise duty as a cost to the Company within cost of sales.

Foreign currency translation
(a) Functional and presentation currency
Functional and presentation currency items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are prepared in £ Sterling which is the Company's functional and presentation currency.

1. Accounting policies (continued)

Foreign currency translation (continued)
(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the same line in which the transaction is recorded.

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.

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:

Plant, equipment and vehicles	10% and 33%

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

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

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

1. Accounting policies (continued)

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

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

Investments
Investments in subsidiaries are carried at cost less impairment.

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.

Taxation
Tax on the profit or loss for the period 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 period, using tax rates enacted or substantially enacted at the statement of financial position date and any adjustment to tax payable in respect of previous periods.

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

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

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.

Provisions

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

Share-based payments

The Company's ultimate parent issues equity-settled share based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will vest.

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The Company has recognised a total expense of £nil (2022: £nil) relating to equity settled share-based payment transactions.

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.

1. Accounting policies (continued)

Key sources of estimation uncertainty
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenue and expenses during the period. Due to the nature of estimation, the actual outcomes may well differ from these estimates. No significant judgements have been made.

The principal estimates that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Sales related rebates and discounts
The Company agrees to pay customers various amounts in the form of sales related rebates and discounts. Accruals are made for each individual promotion or rebate based on the specific terms and conditions for the customer agreement. Management make estimates on an ongoing basis to assess customer performance and sales volume to calculate the total amounts earned to be deducted from revenue.

2. Segment reporting

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

Revenue	**Period ended 29 January 2023 £000**	Period ended 30 January 2022 £000
UK	**39,722**	34,823
Rest of the world	**2,861**	1,889
	42,583	36,712

3. Operating profit

Operating profit is stated after charging the following items:

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Depreciation of property, plant and equipment	**123**	52
Depreciation of right-of-use assets	**181**	194
Cost of inventories recognised as a cost of sales	**22,141**	17,772
Excise duties recognised as cost of sales	**4,539**	4,223
Research and development costs	**114**	245
Loss on sale of assets	**21**	-
Trade receivables impairment movement	**33**	(16)
Staff costs	**3,174**	3,078

There are no audit fees in the period ended 29 January 2023 as an audit exemption was taken. In the period ended 30 January 2022 audit fees of £15,000 were borne by the ultimate parent.

4. Employees and directors

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

	Period ended 29 January 2023	Period ended 30 January 2022
Administration	**43**	38
	43	38

The aggregate payroll costs of these employees were as follows:

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Wages and salaries	**2,696**	2,657
Social security costs	**350**	306
Pension costs - defined contribution plans	**128**	115
	3,174	3,078

Director' remuneration	**Period ended 29 January 2023 £000**	Period ended 30 January 2022 £000
Aggregate emoluments and benefit	**770**	244
Company pension contributions to money purchase scheme	**102**	33

Highest paid director	**Period ended 29 January 2023 £000**	Period ended 30 January 2022 £000
Aggregate emoluments and benefit	**283**	244
Company pension contributions to money purchase scheme	**33**	33

Key management is defined as being the directors of the company as well as S. Lorimer (who is a director of A.G. BARR p.l.c.). R. A. White, S. Lorimer and M. G. Steele did not receive any remuneration from the company for their services in either period. 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 89-127 of the A.G. BARR p.l.c. annual report and accounts for the 52 weeks ended 29 January 2023. The company pension contributions are in relation to four directors (period ended 30 January 2022: one).

5. Net operating expenses

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Distribution costs	**1,610**	1,240
Administration costs	**8,591**	7,156
	10,201	8,396

6. Taxation

The tax charge comprises:

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Current tax	**957**	1,200
Adjustments in respect of prior periods	**(137)**	(95)
Total current corporation tax	**820**	1,105
Deferred tax:		
Origination and reversal of timing differences	**(27)**	46
Adjustments in respect of prior periods	**12**	77
Adjustment in respect of rate change	**-**	(27)
Total tax on profit	**805**	1,201

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:

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Profit before tax	**5,741**	6,149
Tax at 19% (2022: 19%)	**1,091**	1,169
Corporation tax – prior period adjustment	**(137)**	(95)
Deferred tax – prior period adjustment	**12**	77
Deferred tax – change in rate	**-**	(27)
Transfer price adjustment	**(147)**	-
Items not deductible in determining taxable profit	**19**	54
Other differences	**(33)**	23
Tax charge	**805**	1,201

6. Taxation (continued)

Deferred tax assets and liabilities

	Accelerated capital allowances
The movement in the balance is as follows:	**£000**
Deferred tax asset at 24 January 2021	86
Debit to income statement	(96)
Deferred tax liability at 30 January 2022	(10)
Credit to income statement	15
Deferred tax asset at 29 January 2023	**5**

In March 2021 the UK Government announced that the corporation tax rate would increase from 19% to 25% effective from 1 April 2023, which was substantively enacted on 24 May 2021. The impact of this was a one-off decrease in the deferred tax charge of £27,000. The Finance Act 2022, which received Royal Assent on 24 February 2022, will not have any impact on the corporation tax figures.

7. Property, plant and equipment

	Plant, equipment and vehicles	Total
	£000	£000
Cost		
At 30 January 2022	904	904
Disposals	(90)	(90)
At 29 January 2023	**814**	**814**
Depreciation		
At 30 January 2022	604	604
Charge for the period	123	123
Disposals	(70)	(70)
At 29 January 2023	**657**	**657**
Net Book Value		
At 29 January 2023	**157**	**157**
At 30 January 2022	300	300

8. Leases

The Company has lease contracts for offices used in operations. The amounts recognised in the financial statements in relation to this lease is as follows:

(i) Amounts recognised in the statement of financial position

	Period ended 29 January 2023	Period ended 30 January 2022
	£000	£000
Right-of-use assets		
Buildings	**1,033**	145
Lease liabilities		
Current	**156**	149
Non-current	**687**	-

FUNKIN Limited's office lease expired on 30 November 2022 and a new 5 year lease was entered into effective from 1 December 2022.

(ii) Amounts recognised in the income statement

	Period ended 29 January 2023	Period ended 30 January 2022
Depreciation – right-of-use assets buildings	**181**	194
Interest expense (included in finance cost)	**8**	5

(iii) Total cash outflow for leases

Total cash outflow for leases	**167**	200

(iv) The Company's leasing activities and how these are accounted for
The Company leases its premises with rental contracts of between 4 and 5 years.

Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used for security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

8. Leases (continued)

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

To determine the incremental borrowing rate, the Company:

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability
- any initial direct costs, and
- restoration costs

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

(v) Extension and termination options

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

9. Investments in subsidiary undertakings

The Company has a £100 (2022: £100) investment in the following subsidiary:

	Country of incorporation	**Registered Address**	**Ownership**	**No of ordinary share capital**
FUNKIN USA Limited	England	Crossley Drive, Magna Park, Milton Keynes, England, M17 8FL	100%	100

10. Inventories

	Period ended 29 January 2023	Period ended 30 January 2022
	£000	£000
Raw materials	**192**	236
Finished goods	**3,854**	2,257
	4,046	2,493

11. Trade and other receivables

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Trade Receivables	**7,528**	5,772
Less: Loss allowance	**(53)**	(20)
	7,475	5,752
Prepayments and other debtors	**100**	257
Intercompany receivable	**2,270**	-
	9,845	6,009

The intercompany receivable of £2.3m (2022: nil) is due from the ultimate parent company and is repayable on demand.

All outstanding prepayments are expected to be paid within 12 months of the respective period-end dates. These balances are unsecured and are non-interest bearing.

12. Trade and other payables

	Period ended 29 January 2023 £000	Period ended 30 January 2022 £000
Trade payables	**2,155**	1,319
Accruals	**3,490**	2,556
Pension contributions payable	**9**	40
Intercompany payable	**235**	546
Other taxes and social security costs	**665**	731
	6,554	5,192

All outstanding accruals are expected to be paid within 12 months of the respective period-end dates. Intercompany balances comprise amounts due to subsidiary undertakings related to intercompany sales. The liability has therefore been treated as a current liability.

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 12 months of the financial position dates.

13. Provisions

	Period ended 29 January 2023		Period ended 30 January 2022
	CURRENT	NON-CURRENT	CURRENT
	£000	£000	£000
Opening provision	-	200	200
Released during the period	-	(200)	-
Created during the period	200	-	-
Closing provision	200	-	200

The above provision is in relation to dilapidations of the property leased by the Company and is expected to be utilised in the period ending 30 January 2028.

14. Equity

	At 29 January 2023 Number of shares	At 29 January 2023 £000	At 30 January 2022 Number of shares	At 30 January 2022 £000
Authorised, issued and fully paid				
Ordinary shares of £1 each – Class A	30,000	30	30,000	30
Ordinary shares of £1 each – Class B	115,820	116	115,820	116
Total	145,820	146	145,820	146

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 statement of financial position relate to a capital redemption reserve, created on the cancellation of previously issued shares.

The retained earnings reserve represents cumulative profits or losses net of dividends and other adjustments.

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

15. Ultimate parent undertaking

The Company's immediate and 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.

16. Related party transactions

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

The sales between the Company and its subsidiaries totaled £293k (2022: £219k). Consistent with prior period, there were no purchases made from subsidiary companies.

The closing balance due to the ultimate parent company was £nil (2022: £454K) and to FUNKIN USA Limited £235k (2022: £92K). The closing balance due from the ultimate parent company was £2.3m (2022: £nil) and from FUNKIN USA Limited was £nil (2022: £nil).