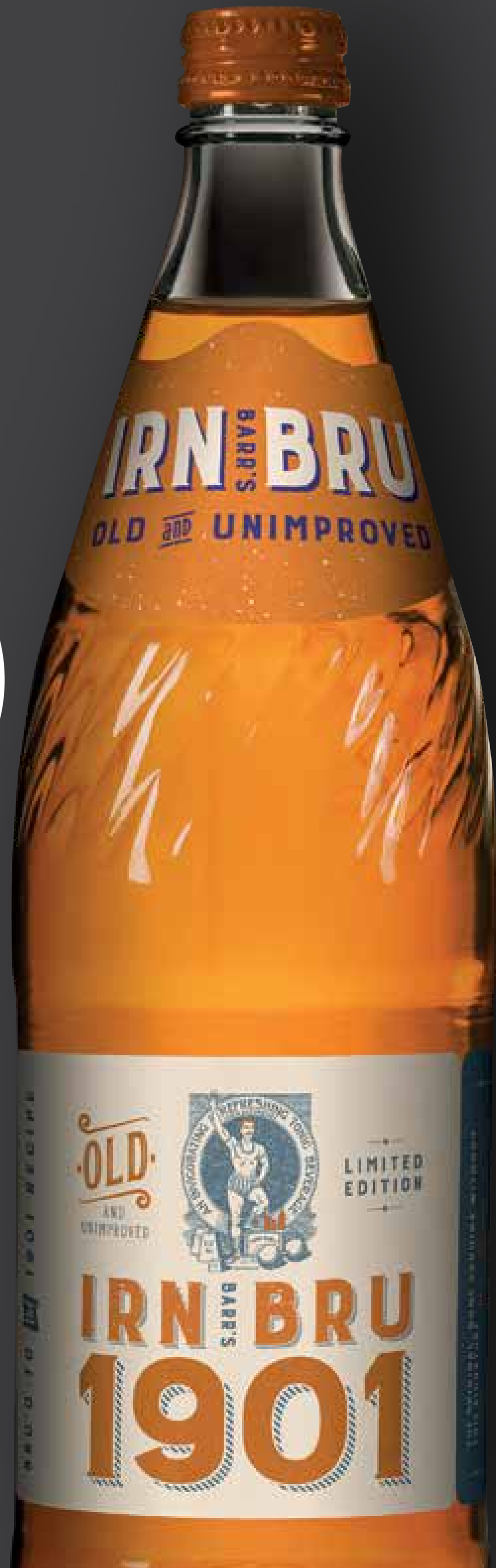
AG Barr

BUILDING GREAT BRANDS

2020



A.G. BARR P.L.C.

INTERIM REPORT 2020

INTERIM REPORT

We remain on course to deliver a full year performance in line with the revised expectations we communicated in the July 2020 trading update. We have continued to invest in our core brand equity for the long term, maintained our quality and service standards and remain a profitable and cash generative business in a robust drinks sector. We are confident that our business will continue to prove its resilience for the balance of this year and beyond.

Roger White
Chief Executive

The first 8 weeks of the new financial year continued the strong momentum with which we exited the 2019/20 financial year. However, the circumstances which have arisen as a result of the COVID-19 pandemic have significantly impacted life and business in the UK and beyond.

As previously communicated, the UK lockdown measures introduced on 23 March 2020, and the resultant changes in consumer purchasing and consumption patterns, have unsurprisingly had an adverse impact on the Group's trading.

For the six months ended 25 July 2020 the Group delivered revenue of £113.2m (2019/20: £122.5m).

In March 2020, as the crisis began to unfold, we took swift action to conserve cash and underpin our financial stability. Despite the difficult prevailing circumstances and subsequent impact on our revenue and product mix, the business generated positive cashflow for the 26 weeks ended 25 July 2020 and, as a result of our cost control measures, delivered profit before tax and exceptional items* of £16.6m, a 19.4% increase on the same period in the prior year (H1 2019/20: £13.9m). Taking into account exceptional items, detailed below, statutory profit before tax was £5.1m, a 62.2% decrease on the prior year. (H1 2019/20: £13.5m).

Soft drinks market

IRI Marketplace data for the 26 weeks to 26 July 2020 records the total UK soft drinks market increasing in value by 0.2% and in volume by 0.6%. While the overall market has proven resilient in the circumstances, there is a notable difference between the value growth in carbonates (up 7.3%) and the value decline in stills (down 7.8%).

Despite our revenue decline across the past 26 weeks, we have grown our market value share of soft drinks, both in Scotland and in England and Wales, reflecting the unusual market dynamics being experienced. The closure of the hospitality sector, where availability of market data is more limited, has contributed significantly to our fall in revenue. Our strong performance in the more widely measured channels, such as take-home, has driven our improved market share position. Against this backdrop our broad and balanced coverage across the full spectrum of shopping channels and formats has proven effective.

Safety, wellbeing and operational resilience

As the COVID-19 pandemic has evolved, safety and wellbeing have been our number one priority. Having successfully introduced a range of enhanced safety and hygiene measures across all our operations, we have maintained continuity of production and continued to deliver a high level of customer service and quality.

We would like to thank our colleagues and teams across the business who have worked tirelessly to support our customers and consumers in these challenging times.

Business performance

As detailed in our July 2020 trading update, during lockdown we saw significant changes in consumption and purchasing patterns across our customer channels as well as notable shifts in sales mix, related to brand and product formats. As lockdown measures eased we began to see a gradual return to pre-COVID-19 shopping and consumer dynamics.

We are pleased to report that the IRN-BRU brand has grown revenue by 1% in the first half of the financial year versus the corresponding period in 2019/20, continuing the positive momentum which the brand delivered across the second half of the prior year. We have continued to invest in a range of IRN-BRU focused consumer marketing activities both prior to and during lockdown, including digital and social activity and a Scottish TV advertising campaign.

Following a difficult 2019 for the fruit drinks sub category, to which our Rubicon brand was not immune, we have continued our Rubicon brand recovery plan including introducing reformulated products, new packaging design, and delivering a national marketing campaign focused on our Rubicon carbonated products. Despite our actions, Rubicon sales declined by 9% over the first 6 months of the financial year, reflecting the COVID-19 market disruption and in particular the impact on the key Ramadan trading period. We will continue to pursue our recovery strategy and remain confident in our long term approach.

The Barr Flavours carbonated range has continued to build on the strong growth it delivered last year, with sales up 13% benefiting from further increased levels of distribution.

Our contract with Rockstar terminated on 23 August 2020 and, while we will continue to manufacture, sell and distribute Rockstar energy drinks up to 1 November 2020, thereafter the brand will cease to be part of the Barr Soft Drinks portfolio. We have now agreed that we will continue to manufacture Rockstar products on a contract packing basis until the end of January 2021. In accordance with the terms of the contract, a one-off compensation payment, currently being finalised, will be received by the Group in the second half of the current financial year.

Our business re-engineering programme, which commenced in 2019/20, identified a number of actions to simplify our operations and reshape our internal supply chain by rationalising and reducing the complexity of our portfolio and routes to market. As part of this programme, we will cease to produce and sell the franchise brand Snapple during the first half of 2021/22. Snapple accounted for less than 1% of revenue in 2019/2020.

Clearly, the hospitality sector has been significantly challenged by the lockdown measures over recent months. Across the first six months of the financial year, Group sales to our hospitality customers fell by c.65%, peaking at c.95% during the full lockdown period.

The Strathmore brand in particular has been impacted given the significance of its sales in this sector. Whilst we are seeing some recovery across hospitality, it will take time for the sector to regain momentum and as such we do not anticipate Strathmore returning to pre-COVID-19 sales levels in the foreseeable future. Regrettably, as a consequence we have reduced our manufacturing workforce at our Forfar site and the brand and asset valuations have been impaired, as outlined below.

For the Funkin business, sales declined by 34% reflecting the hospitality sector challenges, however within this retail and on-line sales grew by over 170%, with the nitro infused ready-to-drink cocktails in particular delivering a strong performance. The Funkin brand remains a significant long term growth opportunity in both the recovering on-trade and in the retail channel, where the brand is gaining momentum. In support of our drive to build Funkin into a relevant consumer brand we will deliver, during the second half of the financial year, our first Funkin TV advertising campaign in partnership with Sky alongside the launch of a number of new and exciting products across the Funkin portfolio.

Exceptional items

In the period, we have reported a pre-tax exceptional charge of £11.5m (£10m non-cash and £1.5m cash). This covers:

- our ongoing business re-engineering programme, which commenced in 2019 and has been extended in 2020 in light of the impact of COVID-19. In the first 6 months of the current financial year £1.5m costs are primarily associated with redundancy payments related to this programme which will complete in January 2021; and
- following a review of our intangible asset brand valuations, a £10m impairment of our Strathmore brand and assets which has been significantly affected by the challenges in the hospitality sector.

The 2019/20 comparator was a £0.4m net cash charge.

Cash Flow

Cash flow generated from operations* of £30.1m was £14.1m higher than the corresponding period in the prior year. This was driven by higher operating profit, before non-cash exceptional items, and inflows driven from working capital.

Capital expenditure in the half year was £2.8m (£8.4m in the first half of the prior year), reflecting our decision to put all discretionary capital programmes on hold. Full year capital expenditure is estimated to be in the region of £6-8m (2019/20: £14.8m) as we recommence our capital investment programme in the second half of the financial year.

The combination of operational cash conservation, the temporary suspension of dividends, the lower capital expenditure and the drawdown of credit facilities has resulted in a closing cash position of £90.4m.

Balance sheet

We closed the 2019/20 financial year with a strong balance sheet and with £10.9m of net cash at bank. We recognised quickly the uncertainty and disruption that could result from COVID-19 and took prudent steps to protect our business including the full draw down of our £60m revolving credit facilities, the implementation of cash conservation measures, such as pausing all discretionary capital programmes, suspending our dividends and further strengthening our working capital controls.

Our total working capital* has reduced from £25.2m as at 27 July 2019 to £13.2m as at 25 July 2020. This reflects the impact of lower trading and improved inventory management following the first phases of our business re-engineering programme in the prior year, as well as the benefit of deferred VAT payments as part of the Government's COVID response measures. To date our bad debt and overdue balances remain minimal, despite having extended credit to some of our smaller customers and having agreed repayment plans with others who have been particularly impacted by the on-trade lockdown.

Dividend

We continue to keep our dividend position under review and, on the basis of our current underlying assumptions related to the UK's COVID-19 recovery, it is expected that we will resume dividend payments in 2021.

Outlook

Given the difficult prevailing circumstances the business has responded well to the challenges we have faced and has delivered a creditable performance in the first six months of trading, notwithstanding the relatively weaker comparatives of the prior year.

While UK-wide lockdown measures have been gradually lifted, there remains a continued high degree of uncertainty associated with further potential COVID-19 outbreaks, such as significant localised lockdowns, and the resulting impacts.

Our current scenario planning, based on an underlying assumption that the UK will not enter into a further significant period of lockdown, continues to indicate that our full year revenue performance for the year ending January 2021 will be in the region of 12-15% below the prior year, with a modest reduction in operating profit margin reflecting the impact of adverse sales mix and operational de-leverage, mitigated by our strong delivery of ongoing overhead cost savings.

Despite the challenging environment, we have continued to invest in our core brand equity for the long term, maintained our quality and service standards and remain a profitable and cash generative business in a robust drinks sector. We are confident that our business will continue to prove its resilience for the balance of this year and beyond.

John Nicolson
Chairman

Roger White
Chief Executive

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 22 and 23.

CONSOLIDATED CONDENSED INCOME STATEMENT

		Unaudited 6 months ended 25 July 2020			Unaudited 6 months ended 27 July 2019			Audited Year ended 25 January 2020		
	Note	Before exceptional items £m	Exceptional items* £m	Total £m	Before exceptional items £m	Exceptional items* £m	Total £m	Before exceptional items £m	Exceptional items* £m	Total £m
Revenue	6	**113.2**	**–**	**113.2**	122.5	–	122.5	255.7	–	255.7
Cost of sales		**(64.9)**	**(0.3)**	**(65.2)**	(71.8)	–	(71.8)	(149.6)	(1.1)	(150.7)
Gross profit	6	**48.3**	**(0.3)**	**48.0**	50.7	–	50.7	106.1	(1.1)	105.0
Other income		**–**	**–**	**–**	–	–	–	–	1.8	1.8
Operating expenses		**(31.2)**	**(11.2)**	**(42.4)**	(36.4)	(0.4)	(36.8)	(68.0)	(0.7)	(68.7)
Operating profit	8	**17.1**	**(11.5)**	**5.6**	14.3	(0.4)	13.9	38.1	–	38.1
Finance costs		**(0.4)**	**–**	**(0.4)**	(0.3)	–	(0.3)	(0.6)	–	(0.6)
Share of results of associate		**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Profit before tax		**16.6**	**(11.5)**	**5.1**	13.9	(0.4)	13.5	37.4	–	37.4
Income tax expense	9	**(4.9)**	**1.7**	**(3.2)**	(2.8)	0.1	(2.7)	(7.6)	–	(7.6)
Profit attributable to equity holders		**11.7**	**(9.8)**	**1.9**	11.1	(0.3)	10.8	29.8	–	29.8
Earnings per share (p)										
Basic earnings per share	10			1.71			9.57			26.50
Diluted earnings per share	10			1.71			9.55			26.49
Earnings per share before exceptional items	10			10.52			9.83			26.50

* Refer to Note 8

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 25 July 2020 £m	Unaudited 6 months ended 27 July 2019 £m	Audited Year ended 25 January 2020 £m
Profit for the period	**1.9**	10.8	29.8
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit pension plans (Note 17)	**(0.8)**	1.3	1.2
Deferred tax movements on items above	**0.2**	(0.2)	(0.2)
Remeasurement to deferred tax for change in deferred tax rate	**0.5**	–	–
Items that will be or have been reclassified to profit or loss			
Cash flow hedges:			
Gains arising during the period	**–**	0.5	0.3
Deferred tax movements on items above	**–**	(0.1)	(0.1)
Other comprehensive (expense)/income for the period, net of tax	**(0.1)**	1.5	1.2
Total comprehensive income attributable to equity holders of the parent	**1.8**	12.3	31.0

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 25 January 2020	**4.7**	**0.9**	**1.4**	**–**	**201.3**	**208.3**
Profit for the period	**–**	**–**	**–**	**–**	**1.9**	**1.9**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Company shares purchased for use by employee benefit trusts (Note 18)	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Recognition of share-based payment costs	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
At 25 July 2020	**4.7**	**0.9**	**1.3**	**–**	**203.0**	**209.9**

Consolidated Condensed Statement of Changes in Equity (Unaudited)

	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 26 January 2019 as previously reported	4.7	0.9	2.4	(0.2)	202.0	209.8
Impact of IFRS 16	–	–	–	–	(0.3)	(0.3)
At 26 January 2019 restated	4.7	0.9	2.4	(0.2)	201.7	209.5
Profit for the period	–	–	–	–	10.8	10.8
Other comprehensive income	–	–	–	0.4	1.1	1.5
Total comprehensive income for the period	–	–	–	0.4	11.9	12.3
Company shares purchased for use by employee benefit trusts (Note 18)	–	–	–	–	(1.0)	(1.0)
Recognition of share-based payment costs	–	–	0.5	–	–	0.5
Transfer of reserve on share award	–	–	(0.6)	–	0.6	–
Deferred tax on items taken directly to reserves	–	–	(0.1)	–	–	(0.1)
Repurchase and cancellation of shares	–	–	–	–	(2.5)	(2.5)
Dividends paid	–	–	–	–	(14.4)	(14.4)
At 27 July 2019	4.7	0.9	2.2	0.2	196.3	204.3

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (AUDITED)

	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 26 January 2019 previously reported	4.7	0.9	2.4	(0.2)	202.0	209.8
Impact of IFRS 16	–	–	–	–	(0.3)	(0.3)
At 26 January 2019 restated	4.7	0.9	2.4	(0.2)	201.7	209.5
Profit for the year	–	–	–	–	29.8	29.8
Other comprehensive income	–	–	–	0.2	1.0	1.2
Total comprehensive income for the year	–	–	–	0.2	30.8	31.0
Company shares purchased for use by employee benefit trusts (Note 18)	–	–	–	–	(1.4)	(1.4)
Proceeds on disposal of shares by employee benefit trusts (Note 18)	–	–	–	–	0.1	0.1
Recognition of share-based payment costs	–	–	(0.2)	–	–	(0.2)
Transfer of reserve on share award	–	–	(0.6)	–	0.6	–
Deferred tax on items taken direct to reserves	–	–	(0.2)	–	–	(0.2)
Repurchase and cancellation of shares	–	–	–	–	(11.5)	(11.5)
Dividends paid	–	–	–	–	(19.0)	(19.0)
At 25 January 2020	4.7	0.9	1.4	–	201.3	208.3

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 25 July 2020 £m	Unaudited As at 27 July 2019 £m	Audited As at 25 January 2020 £m
Non-current assets				
Intangible assets	12	**92.3**	102.4	101.8
Property, plant and equipment	13	**97.0**	98.5	101.2
Right-of-use assets		**6.4**	7.9	7.6
Investment in associates		**0.8**	0.9	0.9
		196.5	209.7	211.5
Current assets				
Inventories		**18.4**	23.6	18.3
Trade and other receivables		**54.3**	56.4	57.2
Derivative financial instruments	15	**0.1**	0.1	–
Assets classified as held for sale	14	**0.4**	–	–
Current tax asset		**0.4**	–	–
Cash and cash equivalents		**90.4**	9.0	10.9
		164.0	89.1	86.4
Total assets		**360.5**	298.8	297.9
Current liabilities				
Loans and other borrowings	16	**59.9**	4.4	–
Trade and other payables		**59.5**	54.8	52.4
Derivative financial instruments	15	**0.1**	–	0.1
Lease liabilities	16	**3.0**	3.0	3.2
Provisions		**0.3**	0.4	1.2
Current tax liabilities		**–**	2.0	3.0
		122.8	64.6	59.9
Non-current liabilities				
Deferred tax liabilities		**14.5**	14.1	14.5
Lease liabilities	16	**3.6**	5.1	4.7
Retirement benefit obligations	17	**9.7**	10.7	10.5
		27.8	29.9	29.7
Capital and reserves attributable to equity holders				
Share capital		**4.7**	4.7	4.7
Share premium account		**0.9**	0.9	0.9
Share options reserve		**1.3**	2.2	1.4
Other reserves		**–**	0.2	–
Retained earnings		**203.0**	196.3	201.3
		209.9	204.3	208.3
Total equity and liabilities		**360.5**	298.8	297.9

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

	Unaudited 6 months ended 25 July 2020 £m	Unaudited 6 months ended 27 July 2019 £m	Audited Year ended 25 January 2020 £m
Operating activities			
Profit for the period before tax	**5.1**	13.5	37.4
Adjustments for:			
Interest payable	**0.4**	0.3	0.6
Depreciation of property, plant and equipment	**5.4**	5.4	11.7
Amortisation of intangible assets	**0.6**	0.7	1.3
Share-based payment costs	**(0.1)**	0.5	(0.2)
Share of results of associates	**0.1**	0.1	0.1
Impairment of intangible assets	**8.9**	–	–
Impairment of fixed assets	**1.1**	–	–
Exceptional income	**–**	–	(0.2)
Operating cash flows before movements in working capital	**21.5**	20.5	50.7
(Increase)/decrease in inventories	**(0.1)**	(3.2)	1.8
Decrease in receivables	**2.9**	1.3	2.1
Increase/(decrease) in payables	**7.5**	(1.0)	(4.5)
Difference between employer pension contributions and amounts recognised in the income statement	**(1.7)**	(1.6)	(2.1)
Cash generated by operations	**30.1**	16.0	48.0
Tax on profit paid	**(6.1)**	(4.3)	(7.9)
Net cash from operating activities	**24.0**	11.7	40.1
Investing activities			
Acquisition of investment in associate	**–**	(1.0)	(1.0)
Purchase of property, plant and equipment	**(2.8)**	(8.4)	(14.8)
Proceeds on sale of property, plant and equipment	**–**	–	0.1
Net cash used in investing activities	**(2.8)**	(9.4)	(15.7)
Financing activities			
New loans received	**60.0**	12.0	29.5
Loans repaid	**–**	(12.0)	(29.5)
Lease payments	**(1.6)**	(1.6)	(3.3)
Purchase of Company shares by employee benefit trusts	**(0.1)**	(1.0)	(1.4)
Proceeds from disposal of Company shares by employee benefit trusts	**–**	–	0.1
Repurchase of own shares	**–**	(2.5)	(11.5)
Dividends paid	**–**	(14.4)	(19.0)
Interest paid	**–**	–	(0.2)
Net cash used in financing activities	**58.3**	(19.5)	(35.3)
Net increase/(decrease) in cash and cash equivalents	**79.5**	(17.2)	(10.9)
Cash and cash equivalents at beginning of period	**10.9**	21.8	21.8
Cash and cash equivalents at end of period	**90.4**	4.6	10.9

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1 General information

A.G. BARR p.l.c. ('the Company') and its subsidiaries (together 'the Group') manufacture, market, distribute and sell soft drinks, ready to drink cocktails and cocktail solutions. The Group has manufacturing sites in the UK and sells mainly to customers in the UK with some international sales.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in Scotland. The address of its registered office is A.G. BARR p.l.c., Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

This consolidated condensed interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 25 January 2020 were approved by the Board of directors on 8 April 2020 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 25 January 2020 are an extract of the Company's statutory accounts that year. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

This consolidated condensed interim financial information is unaudited but has been reviewed by the Company's Auditor.

2 Basis of preparation

This consolidated condensed interim financial information for the six months ended 25 July 2020 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The consolidated condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 25 January 2020, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern basis

The directors have reviewed a number of future trading scenarios for the purposes of going concern in light of the current environment. The Group has continued trading throughout the COVID-19 period and the directors have used the experience gained through the last six months to inform the reasonable variability of trading in these scenarios. In addition, although we consider the likelihood of such a scenario arising remote, we have modelled a severe downturn in sales in order to stress test the Group's liquidity. This scenario assumed a 50% reduction in like for like sales compared to the base forecast, with no cost mitigation. This assessment concluded that the Group would operate within its existing overdraft facilities over the 12 months to September 2021, and would not require access to any loan funding or government support.

The Group has a £60m revolving credit facility ('RCF') which matures in February 2022 (£40m) and February 2025 (£20m) all of which was drawn down as a prudent contingency measure but which is currently unused. The Group is compliant with all covenants on this funding and, under all reasonable forecasts, this remains the case for the going concern period. The next testing of covenant compliance will be based on January 2021 results. The Group has cash funds of £30.4m as at 25 July 2020 excluding the £60m RCF. In addition, in June 2020 the Group qualified for, but have not accessed, £125m of Bank of England Covid Corporate Financing Facilities ('CCFF'). It was not necessary to take access to CCFF or RCF funding into account in forming the conclusion on going concern.

Based on this assessment, the directors have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future. Furthermore, the directors believe that the funding options available to the Group provide a level of liquidity and flexibility that will allow both management of the ongoing COVID situation and the continued investment in the business to support our long term growth prospects.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 25 January 2020 and corresponding interim reporting period. In addition to these, the Group has also applied a new accounting policy following the receipt of government grants during the six month period ended 25 July 2020 in the form of furlough income.

The Group recognises government grants in accordance with IAS 20. These grants are received by the Group in the UK in the form of furlough payments made by the government under the Coronavirus Job Retention Scheme ('JRS'). The grants received by the Group are recognised in the income statement and matched against the costs that the grants are intended to compensate and are therefore shown net. Furlough income included under this JRS and included within the income statement at 25 July 2020 amounted to £1.3m.

A number of amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

4 Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the balance of the financial year remain the same as those stated on pages 42-47 of the Group's annual financial statements as at 25 January 2020, which are available on our website, www.agbarr.co.uk. These are summarised below:

- Changes in consumer preferences, perception or purchasing behaviour
- Consumer rejection of reformulated products
- Loss of product integrity
- Loss of continuity of supply of major raw materials
- Adverse publicity in relation to the soft drinks industry, the Group or its brands
- Government intervention on climate change and environmental issues e.g. packaging waste
- Failure to maintain customer relationships or take account of changing market dynamics
- Inability to protect the Group's intellectual property rights
- Failure of the Group's operational infrastructure
- Failure of critical IT systems or a breach of cyber security
- Financial risks
- Third party relationships
- Impact of the current COVID-19 environment on the business

The volatile and uncertain economic environment created by the UK's decision to leave the European Union ('EU') has continued over the past six months. Like many other businesses, we have continued to monitor developments in this area. Overseen by the Risk Committee, the Company Brexit working group has continued to monitor the potential impact of Brexit on the Group and to take appropriate actions to ensure that the business is as well prepared as possible for Brexit. The Brexit working group has prepared for a range of Brexit outcomes, including "no deal". Given the continuing uncertainty regarding the outcome of Brexit, it is challenging to quantify or determine the impact of Brexit on the Group. However, given that the Group is a UK-based Group whose sales are predominantly made in the UK, our ongoing assessment is that Brexit will not have a significant impact on the Group.

5 Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements should be read in conjunction with the Group's annual financial statements as at 25 January 2020 as they do not include all financial risk management information and disclosures contained within the annual financial statements. There have been no changes in the risk management policies since the year end.

6 Segment reporting

The Group's Executive Committee has been identified as the chief operating decision-maker. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee has determined the operating segments based on these reports.

The Executive Committee considers the business from a product perspective. This led to the operating segments identified in the table below: there has been no change to the segments during the period (after aggregation).

The performance of the operating segments is assessed by reference to their gross profit.

6 months ended 25 July 2020

	Carbonates £m	Still drinks and water £m	Funkin £m	Total £m
Total revenue	93.6	13.1	6.5	**113.2**
Gross profit	42.7	2.9	2.7	**48.3**

6 months ended 27 July 2019

	Carbonates £m	Still drinks and water £m	Funkin £m	Total £m
Total revenue	91.2	21.7	9.6	122.5
Gross profit	40.8	5.3	4.6	50.7

Year ended 25 January 2020

	Carbonates £m	Still drinks and water £m	Funkin £m	Total £m
Total revenue	196.4	40.1	19.2	255.7
Gross profit	88.6	8.6	8.9	106.1

There are no material intersegment sales. All revenue is in relation to product sales, which is recognised at point in time, upon delivery to the customer.

"Carbonates" segment represent the sale of carbonates and other soft drink related items.

The gross profit from the segment reporting is stated before exceptional costs.

The gross profit before exceptional items from the segment reporting is reconciled to the total profit before income tax as shown in the consolidated condensed income statement.

All of the assets and liabilities of the Group are managed by the Executive Committee on a central basis rather than at a segment level. As a result no reconciliations of segment assets and liabilities to the consolidated condensed statement of financial position has been disclosed for any of the periods presented.

Included in revenues arising from Carbonates, Still drinks and water and Funkin are revenues of approximately £22m which arose from sales to the Group's largest customer. In the year ended 25 January 2020 and six months ended 27 July 2019, revenues of approximately £41m and £21m respectively arose from sales to the Group's largest customer. No other single customers contributed 10 per cent or more to the Group's revenue in the comparative period to July 2019 or January 2020.

All of the segments included within "Carbonates" and "Still drinks and water" meet the aggregation criteria set out in IFRS 8 Operating Segments.

7 Seasonality of operations

Revenues and reported profits are affected by weather conditions, the timing of marketing investment and execution of promotional activity. As a result it is anticipated that the reported profits for the second half of the year to January 2021 will be higher than those for the six months ended 25 July 2020.

8 Operating profit

The following items have been charged/(credited) to operating profit during the period:

	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Impairment of inventories	**0.1**	0.2	0.8
Impairment of brands	**7.0**	–	–
Impairment of goodwill	**1.9**	–	–
Impairment of property, plant and equipment	**1.1**	–	–
Foreign exchange gains recognised	**(0.2)**	(0.1)	(0.2)

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 business less the estimated costs of completing production and selling expenses.

The items discussed below have been classified as exceptional. The Group identifies items as exceptional where the nature or scale of the items requires to be separately presented in order to better understand trading performance.

The items that have been included in exceptional items have been analysed in the table below:

	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Wind turbine removal	**–**	–	(1.8)
Simplification and standardisation of operations	**–**	–	1.1
Impairment of Strathmore brand (Note 12)	**7.0**	–	–
Impairment of Strathmore goodwill (Note 12)	**1.9**	–	–
Impairment of Strathmore property, plant and equipment (Note 13)	**1.1**	–	–
Redundancy costs for business reorganisation and restructure	**1.5**	0.4	0.7
Net exceptional charge	**11.5**	0.4	–

During the six months ended 25 July 2020 costs of £1.5m were incurred relating to the ongoing change programme within the business which commenced in the year to 25 January 2020 noted below.

In addition, the hospitality sector has been significantly challenged by the lockdown measures over recent months. This has impacted on Strathmore performance given a significant proportion of Strathmore sales are made in this sector. As a result, an impairment review of the Strathmore Water business operations was undertaken which resulted in the impairment of the Strathmore brand of £7.0m, goodwill of £1.9m and property, plant and equipment of £1.1m. Due to their nature management believes that these are required to be separately presented in trading performance so as not to mislead the users of the financial statements. These costs are included in 'Operating expenses' in the income statement.

In the year to 25 January 2020 income of £1.8m was received for compensation for the removal of a wind turbine at our Cumbernauld site. Management believe that this should be treated as exceptional due to the non-recurring nature and size of the income received. Additionally, the Group embarked on a change programme with the aim of returning the soft drinks business to long-term sustainable growth. The programme had two main objectives:

- to simplify and standardise our operations by significantly rationalising our portfolio including simplifying our core brand ranges and routes to market. This involved discontinuing certain product lines and formats at a cost of £0.6m and the closure of our Sheffield sales depot in March 2020 at a cost of £0.5m (primarily redundancy costs).
- to strategically restructure and refocus the business so that resources and investment target those areas with the greatest profitable growth opportunities. This initiative will deliver a more contribution focussed Commercial team prioritised on our core brands and a Supply Chain organisation that optimises the balance between agility, resilience and capacity. As a result the Group has incurred exceptional costs related to employee severance of £0.7m.

During the six months ended 27 July 2019 costs of £0.4m were incurred relating to the initial costs of the ongoing reorganisation within the business.

9 Tax on profit

The total tax charge is £3.2m (six months ended 27 July 2019: £2.7m; year ended 25 January 2020: £7.6m) which equated to an effective tax rate of 62.7% (six months ended 27 July 2019: 20.0%; year ended 25 January 2020: 20.3%). The effective tax rate in the current year has increased as a result of the remeasurement of deferred tax balances. In March 2020, the UK government announced that the corporation tax rate would remain at 19% effective from 1 April 2020 (previously 17%) which was substantively enacted on 17 March 2020. The impact of this was a one-off increase in the deferred tax charge of £2.2m. Excluding this adjustment the effective tax rate for the six months ended 25 July 2020 was 20.1%.

Analysis of tax charge	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Current income tax charge	**2.6**	2.7	6.9
Deferred income tax charge	**0.6**	–	0.7
Total tax charge in the condensed income statement	**3.2**	2.7	7.6

10 Earnings per share

Basic earnings per share has been calculated by dividing the earnings attributable to equity holders of the parent by the weighted average number of shares in issue during the year, excluding shares held by the employee share scheme trusts.

	6 months ended 25 July 2020	6 months ended 27 July 2019	Year ended 25 January 2020
Profit attributable to equity holders of the Company (£m)	**1.9**	10.8	29.8
Weighted average number of ordinary shares in issue	**111,175,040**	112,895,598	112,452,517
Basic earnings per share (pence)	**1.71**	9.57	26.50

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	6 months ended 25 July 2020	6 months ended 27 July 2019	Year ended 25 January 2020
Profit attributable to equity holders of the Company (£m)	**1.9**	10.8	29.8
Weighted average number of ordinary shares in issue	**111,175,040**	112,895,598	112,452,517
Adjustment for dilutive effect of share options	**–**	141,506	57,931
Diluted weighted average number of ordinary shares in issue	**111,175,040**	113,037,104	112,510,448
Diluted earnings per share (pence)	**1.71**	9.55	26.49

The adjusted EPS figure is calculated by using profit attributable to equity holders before exceptional items:

	6 months ended 25 July 2020	6 months ended 27 July 2019	Year ended 25 January 2020
Profit attributable to equity holders of the Company before exceptional items (£m)	**11.7**	11.1	29.8
Weighted average number of ordinary shares in issue	**111,175,040**	112,895,598	112,452,517
Earnings per share before exceptional items (pence)	**10.52**	9.83	26.50

This measure has been included in the financial statements as it provides a closer guide to the underlying financial performance as the calculation excludes the effect of exceptional items.

11 Dividends paid and proposed

	6 months ended 25 July 2020 per share (p)	6 months ended 27 July 2019 per share (p)	Year ended 25 January 2020 per share (p)	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Paid final dividend	**–**	12.74	12.74	**–**	14.4	14.5
Paid interim dividend	**–**	–	4.00	**–**	–	4.5
	–	12.74	16.74	**–**	14.4	19.0

The Board reviews the Group's capital allocation policy annually. The Group's capital allocation framework defines its priorities for uses of cash, underpinned by its principle to maintain a strong balance sheet with solid investment grade credit metrics. The framework has four priorities for the use of cash generated from operations:

- re-investment in the business to drive organic growth;
- maintaining a progressive dividend policy;
- continuing to pursue selective strategic investment; and
- to the extent that there is surplus capital to these needs, provide additional returns to shareholders.

While the capital allocation policy will remain in place for the long term, as a result of the impact of COVID-19 the Board has reviewed actions to safeguard the business as a temporary modification of the policy. While funding organic growth remains the Board's first priority, pressure on profit and cash in the short term requires a reduction in operating and capital expenditure. With a focus on capital retention and sourcing of capital during the current period, the Board has decided to suspend capital returns to shareholders until there is greater visibility on market recovery.

12 Intangible assets

	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Opening net book value	**101.8**	103.1	103.1
Impairment	**(8.9)**	–	–
Amortisation	**(0.6)**	(0.7)	(1.3)
Closing net book value	**92.3**	102.4	101.8

The amortisation charge for the six months ended 25 July 2020 represents £0.6m (six months ended 27 July 2019: £0.7m; year ended 25 January 2020: £1.3m) of charges in relation to the Business Process Redesign project and £nil (six months ended 27 July 2019: £0.1m; year ended 25 January 2020: £0.1m) of charges for Funkin customer lists.

The Group tests whether there has been any impairment of intangibles assets on an annual basis or when there is an indication of impairment. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial forecasts approved by management which cover a three year period. Cash flows beyond the three years are extrapolated using the growth rates and other key assumptions.

In light of COVID-19 a full impairment exercise has been completed on all CGUs as at 25 July 2020. The hospitality sector has been significantly challenged by the lockdown measures over recent months. This has impacted on Strathmore performance given a significant proportion of Strathmore sales are made in this sector and as a result the assets of the Strathmore operating unit have been impaired by £7.0m of brand and £1.9m of goodwill being the total value of the intangible assets. The impairment reviews did not identify any other areas of impairment. The following growth rates and key assumptions were used for the Strathmore operating unit:

Key assumptions	6 months ended 25 July 2020	6 months ended 27 July 2019	Year ended 25 January 2020
Gross margin (%)	**19.8**	32.2	32.2
Growth rate (%)	**–**	2.5	2.5
Discount rate (%)	**11.1**	11.1	11.1

13 Property, plant and equipment

The closing balance includes £13.6m (as at 27 July 2019: £10.0m; as at 25 January 2020: £14.4m) of assets under construction.

The Strathmore Water business was tested for impairment resulting in the impairment of land and buildings of £0.4m and plant and equipment of £0.7m. Further details are included in Note 12.

14 Assets held for sale

The property related to the distribution depot at Sheffield has been presented as held for sale following the closure of the site in March 2020. The property is currently under offer.

15 Financial instruments

Current assets of £0.1m (at 27 July 2019: £0.1m; 25 January 2020: £nil) relate to forward foreign currency contracts with a maturity of less than 12 months and are recognised at fair value through the cash flow hedge reserve, included within other reserves.

Current liabilities of £0.1m (at 27 July 2019: £nil; 25 January 2020: £0.1m) relate to forward foreign currency contracts with a maturity of less than 12 months and are recognised at fair value through the cash flow hedge reserve, included within other reserves.

Fair value hierarchy

Fair value hierarchies 1 to 3 are based on the degree to which fair value is observable:

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of the forward foreign exchange contracts is determined using forward exchange rates at the date of the consolidated condensed statement of financial position, with the resulting value discounted accordingly as relevant.

All financial instruments carried at fair value are Level 2.

Fair values of financial assets and financial liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			
As at 25 July 2020	Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets				
Foreign exchange contracts used for hedging	**0.1**	**–**	**–**	**0.1**
Trade receivables	**–**	**51.7**	**–**	**51.7**
Cash and cash equivalents	**–**	**90.4**	**–**	**90.4**
	0.1	**142.1**	**–**	**142.2**
Financial liabilities				
Foreign exchange contracts used for hedging	**0.1**	**–**	**–**	**0.1**
Lease liabilities	**–**	**–**	**6.6**	**6.6**
Unsecured bank borrowings	**–**	**–**	**59.9**	**59.9**
Trade payables	**–**	**–**	**19.5**	**19.5**
	0.1	**–**	**86.0**	**86.1**

15 Financial instruments (continued)

As at 27 July 2019	Carrying amount Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets				
Foreign exchange contracts used for hedging	0.1	–	–	0.1
Trade receivables	–	52.9	–	52.9
Cash and cash equivalents	–	9.0	–	9.0
	0.1	61.9	–	62.0
Financial liabilities				
Lease liabilities	–	–	8.1	8.1
Unsecured bank borrowings	–	–	4.4	4.4
Trade payables	–	–	23.9	23.9
	–	–	36.4	36.4

As at 25 January 2020	Carrying amount Fair value – hedging instruments £m	Other financial assets at amortised cost £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets				
Trade receivables	–	55.1	–	55.1
Cash and cash equivalents	–	10.9	–	10.9
	–	66.0	–	66.0
Financial liabilities				
Foreign exchange contracts used for hedging	0.1	–	–	0.1
Lease liabilities	–	–	7.9	7.9
Trade payables	–	–	14.3	14.3
	0.1	–	22.2	22.3

16 Borrowings and loans

Movements in borrowings are analysed as follows:

	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Opening borrowings balance	**7.9**	–	–
Adjustment on transition to IFRS 16	**–**	9.4	9.4
Net lease payments	**(1.3)**	(1.3)	(1.5)
Borrowings made	**60.0**	12.0	29.5
Amortisation of loan arrangement fee	**(0.1)**	–	–
Repayments of borrowings	**–**	(12.0)	(29.5)
Bank overdrafts drawn	**–**	4.4	–
Closing borrowings balance	**66.5**	**12.5**	**7.9**

The reconciliation of the above closing borrowings balance to the figures on the face of the consolidated condensed statement of financial position is as follows:

	As at 25 July 2020 £m	As at 27 July 2019 £m	As at 25 January 2020 £m
Overdraft	**–**	4.4	–
Closing loan balance	**59.9**	–	–
Lease liabilities	**6.6**	8.1	7.9
Total borrowings and loans	**66.5**	12.5	7.9
Disclosed as			
Current liabilities	**62.9**	7.4	3.2
Non-current liabilities	**3.6**	5.1	4.7

The reconciliation to net debt is as follows:

	As at 25 July 2020 £m	As at 27 July 2019 £m	As at 25 January 2020 £m
Closing borrowings balance	**(66.5)**	(12.5)	(7.9)
Cash and cash equivalents	**90.4**	9.0	10.9
Net funds/(deficit)	**23.9**	(3.5)	3.0

The drawn/undrawn facilities at 25 July 2020 are as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facilities	**60.0**	**60.0**	**–**
Overdraft	**5.0**	**–**	**5.0**
	65.0	**60.0**	**5.0**

16 Borrowings and loans (continued)

During the year to 27 January 2018 the Group entered into three revolving credit facilities of periods of 3-5 years with Royal Bank of Scotland plc, Bank of Scotland plc and HSBC plc. These facilities provided £60m of sterling debt facilities to February 2020, reducing to £20m from February 2020 to February 2022. The Group reached agreement with its lenders, on 18 March 2019 to extend those facilities, due to expire in 2020 and 2022, to 2022 and 2024. Further, in March 2020 the Group reached agreement to extend the facility due to expire in 2024 to 2025. This is summarised in the table below:

	Date of agreement		
Maturity	January 2018 £m	March 2019 £m	March 2020 £m
February 2020	40.0	–	–
February 2022	20.0	40.0	40.0
February 2024	–	20.0	–
February 2025	–	–	20.0

In March 2020 the facilities were drawn down in full as a contingency measure as a result of COVID-19.

A total arrangement fee of £0.3m was incurred and is being amortised over the life of the loan facilities.

17 Retirement benefit obligations

On 1 May 2016 the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme was closed to future accrual following a negotiated agreement between the Company and the board of trustees.

The defined retirement benefit scheme had a deficit of £9.7m as at 25 July 2020 (as at 27 July 2019: £10.7m, 25 January 2020: £10.5m). The reconciliation of the closing deficit is as follows:

	6 months ended 25 July 2020 £m	6 months ended 27 July 2019 £m	Year ended 25 January 2020 £m
Opening present value of obligation	**(127.3)**	(115.1)	(115.1)
Current service cost	**–**	–	(0.2)
Interest cost	**(1.1)**	(1.5)	(3.0)
Remeasurement – changes in financial assumptions	**(5.2)**	(12.5)	(15.2)
Benefits paid	**2.8**	2.3	6.2
Closing position	**(130.8)**	(126.8)	(127.3)
Opening fair value of plan assets	**116.8**	101.6	101.6
Interest income	**1.0**	1.4	2.7
Remeasurement – actuarial return on assets	**4.4**	13.8	16.4
Employer contributions	**1.7**	1.6	2.3
Benefits paid	**(2.8)**	(2.3)	(6.2)
Closing fair value of plan assets	**121.1**	116.1	116.8

	As at 25 July 2020 £m	As at 27 July 2019 £m	As at 25 January 2020 £m
Closing present value of obligation	**(130.8)**	(126.8)	(127.3)
Closing fair value of plan assets	**121.1**	116.1	116.8
Closing net deficit	**(9.7)**	(10.7)	(10.5)

The key financial assumptions used to value the liabilities were as follows:

	As at 25 July 2020 %	As at 27 July 2019 %	As at 25 January 2020 %
Discount rate	**1.4**	2.1	1.7
Inflation assumption	**2.9**	3.4	3.0

18 Movements in own shares held by employee benefit trusts

During the six months to 25 July 2020 the employee benefit trusts of the Group acquired 22,763 (six months to 27 July 2019: 132,659; year to 25 January 2020: 191,794) of the Company's shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 25 July 2020 the shares held by the Company's employee benefit trusts represented 857,078 (27 July 2019: 799,725; 25 January 2020: 844,151) shares at a purchased cost of £5.2m (27 July 2019: £4.9m; 25 January 2020: £5.1m).

9,836 (six months to 27 July 2019: 131,410; year to 25 January 2020: 146,119) shares were utilised in satisfying share options from the Company's employee share schemes during the same period.

There have been no sales in the six months to 25 July 2020. The related weighted average share price at the time of exercise for the six months to 27 July 2019 was £8.13 per share and the year to 25 January 2020 £7.13 per share.

19 Contingencies and commitments

	As at 25 July 2020 £m	As at 27 July 2019 £m	As at 25 January 2020 £m
Commitments for the acquisition of property, plant and equipment	**1.4**	5.0	1.7

20 Related party transactions

There have been no related party transactions in the first 26 weeks of the current financial year which have materially affected the financial position or performance of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that these consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of A.G. BARR p.l.c. are listed in the Annual Report and Accounts for the 52 weeks ended 25 January 2020.

For and on behalf of the Board of directors

Roger White
Chief Executive
22 September 2020

Stuart Lorimer
Finance Director
22 September 2020

GLOSSARY

Non-GAAP measures are provided because they are tracked by management to assess the Group's operating performance and to inform financial, strategic and operating decisions.

Definition of non-GAAP measures used are provided below:

Capital expenditure is a non-GAAP measure and is defined as the cash purchases of property, plant and equipment and is disclosed in the consolidated condensed cash flow statement.

Cash flow generated from operations is a non-GAAP measure and is defined as cash generated from operations and appears on the consolidated condensed cash flow statement.

Earnings per share before exceptional items is a non-GAAP measure calculated by dividing profit attributable to equity holders before exceptional items by the weighted average number of shares in issue.

Net cash at bank is a non-GAAP measure deducting loan balances from cash and cash equivalents.

Operating margin before exceptional items is a non-GAAP measure calculated by dividing operating profit before exceptional items by revenue.

Profit attributable to equity holders after exceptional items is a non-GAAP measure calculated as profit attributable to equity holders less any exceptional items. This figure appears on the consolidated condensed income statement.

Profit before tax and exceptional items is a non-GAAP measure calculated as profit before tax less any exceptional items. This figure appears on the consolidated condensed income statement.

Working capital is a non-GAAP measure calculated as inventories plus trade and other receivables less trade and other payables.

RECONCILIATION OF NON-GAAP MEASURES

Profit before tax and exceptional items	6 months ended 25 July 2020	6 months ended 27 July 2019
Profit before tax	5.1	13.5
Exceptional items	11.5	0.4
Profit before tax and exceptional items	**16.6**	13.9

Operating profit before exceptional items	6 months ended 25 July 2020	6 months ended 27 July 2019
Operating profit	5.6	13.9
Exceptional items	11.5	0.4
Operating profit before exceptional items	**17.1**	14.3

Operating margin before exceptional items	6 months ended 25 July 2020	6 months ended 27 July 2019
Revenue	113.2	122.5
Operating profit before exceptional items	17.1	14.3
Operating margin before exceptional items	**15.1%**	11.7%

Working capital	6 months ended 25 July 2020	6 months ended 27 July 2019
Inventories	18.4	23.6
Trade and other receivables	54.3	56.4
Trade and other payables	(59.5)	(54.8)
Working capital	**13.2**	25.2

INDEPENDENT REVIEW REPORT TO A.G. BARR P.L.C.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 25 July 2020 which comprises the Consolidated Condensed Income Statement, the Consolidated Condensed Statement of Comprehensive Income, the Consolidated Condensed Statement of Changes in Equity, the Consolidated Condensed Statement of Financial Position, the Consolidated Condensed Cash Flow Statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 25 July 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
22 September 2020

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