STRONG FROM THE INSIDE OUT

A.G. BARR P.L.C.
INTERIM REPORT 2016

INTERIM STATEMENT
JOHN NICOLSON & ROGER WHITE

A.G. BARR has delivered a solid performance in the first half of the financial year, maintaining market share and improving operating margins in what was a volatile and deflationary market.

Internally we are now seeing the benefits of an improved operating platform, following the challenges experienced in the prior year. We have delivered excellent customer service across the summer and have driven numerous efficiency improvements across our business.

TRADING

The soft drinks market in the period was down 0.7% in value and 0.4% in volume reflecting a deflationary market with increased promotional activity. The stills sector, although flat in revenue, was bolstered in volume terms by a 7% growth in water and consequently overall stills volume was up 1.5%, despite declines elsewhere in the stills sub sector. Carbonates were down 2.4% in volume and almost 1% in value. Deflation, although still a feature, has levelled out from its previous position and it is generally anticipated that the current period of food and drink price deflation could turn into a period of modest price inflation in 2017.

Total revenue for the period was £125.6m, with like for like revenue* declining 2.8%.

While maintaining overall market share we have seen the impact of changing consumer preferences across our portfolio. In line with general market trends, lower and no sugar products have performed better as consumers respond to the significant weight of negative media coverage pointed towards added sugar products particularly in the last 6 months.

We continue to make good progress across our longer term reformulation and innovation programme. Our most recent innovations to come to market, IRN-BRU XTRA and Rubicon Spring, both of which contain no added sugar, are both performing well at this early stage. We expect these new introductions to our portfolio to make a material contribution to the business across the balance of the year.

The Funkin business continues to perform strongly with 28% revenue growth in the period driven by distribution gains in the UK and the US, a successful innovation pipeline and investment in new digital platforms.

Our International business has also delivered a creditable performance with revenue up 16%. We expect this growth momentum to continue, supported by a further territory extension agreement with our partner Rockstar, signed on 1 September 2016, covering the Russian Federation, a number of central eastern European countries.

Margins in the period have been supported by ongoing cost control actions as well as the positive impact of our longer term structural cost reduction and capital investment programme, and we expect these factors to have a positive impact on margin over the full year.

EXCEPTIONAL ITEMS

In the period we have reported a net £4.1m exceptional credit (before tax). This comprises recognition of a net £5.6m benefit arising from the closure, on 1 May 2016, of our defined benefit pension scheme to future accrual, partially offset by £1.5m of costs relating mainly to organisational change activities and some uncompleted corporate development activity (2015: Nil).

FIT FOR THE FUTURE BUSINESS REORGANISATION

We are now moving into the final phase of our Fit for the Future business improvement programme which has seen us invest significantly in assets, infrastructure, processes and systems over the last 3 years. We will now optimise these improvements through the implementation of a business-wide reorganisation, creating an improved organisational design better aligned to our strategy and better structured to improve our service, efficiency and speed to market. Our organisational restructure is likely to impact around 10% of our total employee base, and as such around 90 job losses are possible across our Commercial, Supply Chain and Central functions. Subject to consultation, we expect that the majority of the changes will be implemented before the end of the current financial year. The likely one-off cash cost associated with this reorganisation is c.£4m but with an ongoing annual benefit of c.£3m. All of these costs will be recognised as exceptional in the current year financial statements (see note 21 to the financial statements).

We believe that the actions we have taken, and continue to take, to develop and improve the business put us in a strong position to grow and develop shareholder value in the short, medium and longer term.

BALANCE SHEET

Our balance sheet remains robust with net debt of £(6.6)m and a net debt/EBITDA ratio of 0.3. Both measures show substantial reductions from the prior year as we have utilised our strong cash flow to pay down the debt associated with the purchase of Funkin Limited in February 2015. Free cash flow conversion was 90%, driven by a combination of tight capital management and payment cycle timing.

Our recent major capital initiatives including the continued development of our Milton Keynes site, the implementation of a business-wide systems and process redesign, and the installation of a new glass line at our Cumbernauld facility, have all been successfully completed. Ongoing capital expenditure will focus primarily on ensuring we maintain our well invested and flexible asset base and appropriately supporting our innovation agenda. Cash capital expenditure during the period amounted to £5.3m, in line with our long term capital plans and a significant reduction on the prior year spend of £7.9m.

Working capital continues to be tightly managed with net working capital in line with the prior year. Lower payables offset slightly higher inventories and lower receivables. Our aged inventory profile is strong, our adherence to payment terms is high and aged debt is low.

The closure of our defined benefit pension scheme to future accruals is part of our ongoing strategy to manage our pension scheme liabilities. Despite several de-risking activities being executed in the period, the pension deficit, on an IFRS 19 basis, has risen from £13.7m (July 2015) to £25m (July 2016), driven by the reduction in discount rates. The next full triennial valuation will be conducted as at April 2017.

Free cash flow** of £19.6m was generated in the 6 month period. This was £12.3m greater than in the comparable period in the prior year due to tight capital management and payment cycle timing.

The strong balance sheet and consistent cash generation provide the ability to maintain our asset base, continue our progressive dividend policy and secure bank funding at very competitive rates while providing the flexibility to seek acquisitions should value creating opportunities present themselves.

DIVIDEND

The Board has declared an interim dividend of 3.53 pence per share, payable on 21 October 2016 to shareholders on the register on 7 October 2016. This represents an increase on the prior year of 5% and reflects the Board's confidence in the current financial position and the future prospects of the Group.

REGULATORY UPDATE

Recently published official National Dietary and Nutritional Survey data shows that soft drinks are continuing to reduce their contribution of sugar to the UK diet, in stark contrast to many other food and drinks categories where sugar contribution is increasing. We have continued to reformulate and reduce sugar across our portfolio, as well as bringing new lower and no sugar products to the market. We continue to play our part in delivering the soft drinks industry-wide 5-year voluntary target of 20% calorie reduction by 2020, as well as being on track to have two thirds of our own portfolio lower or no sugar by 2018.

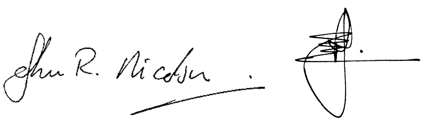
The Government's proposed soft drinks sugar tax is now in the consultation phase and we will participate fully in the process. We believe this proposed tax is a punitive and unnecessary distortion to competition in the UK market which will be very complex, expensive and difficult to implement. Our aggressive reformulation and sugar reduction actions, along with our innovation and marketing, will drive sustained and significant improvements in the balance and choice offered across our portfolio. We believe our positive actions and sugar reduction progress, along with those of many of our competitors within the soft drinks industry, make the implementation of a soft drinks only sugar tax an unnecessary measure in the context of Government health policy objectives.

BREXIT

We anticipate the recent reduction in the value of Sterling, if sustained, will lead to higher input costs across a number of our key commodities. We currently forecast this to have a year on year impact of circa £3m-£4m in 2017 however we are taking action to offset this cost where possible.

OUTLOOK

We are beginning to see the benefits of our product development and innovation initiatives with both consumers and customers. Market conditions remain volatile and somewhat unpredictable however, assuming a strong trading performance in the key festive period, we remain on track to deliver profit (before tax and exceptionals) slightly ahead of last year.



JOHN NICOLSON
CHAIRMAN

ROGER WHITE
CHIEF EXECUTIVE

* Note: Like for like revenue from ongoing business, for the 6 months ended 25 July 2015 is calculated as the reported turnover of £130.3m, including Funkin Limited, but excludes the £1.1m sales revenue derived from the discontinued Orangina franchise.

** Note: Free cash flow is defined as net cash flow excluding movements in borrowings, expansionary capex, shares, dividend payments and non cash exceptional items.

CONSOLIDATED CONDENSED INCOME STATEMENT

	Note	6 months ended 30 July 2016 Before exceptional items £m	Exceptional items (Note 8) £m	Total £m	6 months ended 25 July 2015 Total £m	Year ended 30 January 2016 Total £m
Revenue	6	**125.6**	**–**	**125.6**	130.3	258.6
Cost of sales		**(66.7)**	**–**	**(66.7)**	(69.1)	(137.5)
Gross profit	6	**58.9**	**–**	**58.9**	61.2	121.1
Operating (expenses)/income		**(41.5)**	**4.1**	**(37.4)**	(43.9)	(79.0)
Operating profit	8	**17.4**	**4.1**	**21.5**	17.3	42.1
Finance income		**–**	**–**	**–**	–	0.1
Finance costs		**(0.4)**	**–**	**(0.4)**	(0.4)	(0.9)
Profit before tax		**17.0**	**4.1**	**21.1**	16.9	41.3
Income tax expense	9	**(3.8)**	**(0.7)**	**(4.5)**	(3.6)	(7.0)
Profit attributable to equity holders		**13.2**	**3.4**	**16.6**	13.3	34.3
Earnings per share (p)						
Basic earnings per share	10			**14.33**	11.57	29.63
Diluted earnings per share	10			**14.31**	11.50	29.51

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Profit for the period	**16.6**	13.3	34.3
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit pension plans (note 18)	**(19.2)**	4.6	5.4
Deferred tax movements on items taken direct to equity	**3.0**	(1.4)	(2.5)
Current tax movements on items taken direct to equity	**0.5**	0.5	1.3
Items that will be or have been reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	**(0.8)**	–	1.7
Deferred tax movements on items above	**–**	–	(0.3)
Other comprehensive expenditure/income for the period, net of tax	**(16.5)**	3.7	5.6
Total comprehensive income attributable to equity holders of the parent	**0.1**	17.0	39.9

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium account £m	Share options reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total £m
At 30 January 2016	**4.9**	**0.9**	**1.4**	**1.0**	**171.9**	**180.1**
Profit for the period	–	–	–	–	**16.6**	**16.6**
Other comprehensive expenditure	–	–	–	**(0.8)**	**(15.7)**	**(16.5)**
Total comprehensive (expenditure)/income for the period	–	–	–	**(0.8)**	**0.9**	**0.1**
Company shares purchased for use by employee benefit trusts (note 19)	–	–	–	–	**(0.8)**	**(0.8)**
Proceeds on disposal of shares by employee benefit trusts (note 19)	–	–	–	–	**1.2**	**1.2**
Recognition of share-based payment costs	–	–	**0.5**	–	–	**0.5**
Transfer of reserve on share award	–	–	**(0.3)**	–	**0.3**	–
Deferred tax on items taken direct to reserves	–	–	–	–	–	–
Dividends paid	–	–	–	–	**(11.5)**	**(11.5)**
At 30 July 2016	**4.9**	**0.9**	**1.6**	**0.2**	**162.0**	**169.6**
At 25 January 2015	4.9	0.9	2.3	(0.4)	148.8	156.5
Profit for the period	–	–	–	–	13.3	13.3
Other comprehensive income	–	–	–	–	3.7	3.7
Total comprehensive income for the period	–	–	–	–	17.0	17.0
Company shares purchased for use by employee benefit trusts (note 19)	–	–	–	–	(1.9)	(1.9)
Proceeds on disposal of shares by employee benefit trusts (note 19)	–	–	–	–	1.3	1.3
Recognition of share-based payment costs	–	–	0.4	–	–	0.4
Transfer of reserve on share award	–	–	(0.3)	–	0.3	–
Deferred tax on items taken direct to reserves	–	–	(0.1)	–	–	(0.1)
Dividends paid	–	–	–	–	(10.4)	(10.4)
At 25 July 2015	4.9	0.9	2.3	(0.4)	155.1	162.8
At 25 January 2015	4.9	0.9	2.3	(0.4)	148.8	156.5
Profit for the year	–	–	–	–	34.3	34.3
Other comprehensive income	–	–	–	1.4	4.2	5.6
Total comprehensive income for the year	–	–	–	1.4	38.5	39.9
Company shares purchased for use by employee benefit trusts (note 19)	–	–	–	–	(5.1)	(5.1)
Proceeds on disposal of shares by employee benefit trusts (note 19)	–	–	–	–	3.1	3.1
Recognition of share-based payment costs	–	–	0.5	–	–	0.5
Transfer of reserve on share award	–	–	(0.9)	–	0.9	–
Deferred tax on items taken direct to reserves	–	–	(0.5)	–	–	(0.5)
Dividends paid	–	–	–	–	(14.3)	(14.3)
At 30 January 2016	4.9	0.9	1.4	1.0	171.9	180.1

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 July 2016 £m	As at 25 July 2015 £m	As at 30 January 2016 £m
Non-current assets				
Intangible assets	13	**106.8**	108.3	107.5
Property, plant and equipment	14	**87.4**	82.0	85.3
		194.2	190.3	192.8
Current assets				
Inventories		**18.6**	18.0	15.6
Trade and other receivables		**59.1**	65.0	52.7
Derivative financial instruments	15	**0.4**	–	1.1
Cash and cash equivalents		**7.4**	10.6	6.8
Assets held for sale	12	**–**	0.9	–
		85.5	94.5	76.2
Total assets		**279.7**	284.8	269.0
Current liabilities				
Loans and other borrowings		**–**	–	0.7
Trade and other payables		**57.8**	58.4	37.4
Derivative financial instruments	15	**–**	0.5	–
Provisions	16	**–**	0.1	0.1
Current tax		**3.2**	2.6	3.6
		61.0	61.6	41.8
Non-current liabilities				
Loans and other borrowings		**14.2**	30.4	17.5
Trade and other payables		**–**	4.5	4.5
Deferred tax liabilities		**9.9**	11.8	12.2
Retirement benefit obligations	18	**25.0**	13.7	12.9
		49.1	60.4	47.1
Capital and reserves attributable to equity holders				
Share capital		**4.9**	4.9	4.9
Share premium account		**0.9**	0.9	0.9
Share options reserve		**1.6**	2.3	1.4
Cash flow hedge reserve		**0.2**	(0.4)	1.0
Retained earnings		**162.0**	155.1	171.9
		169.6	162.8	180.1
Total equity and liabilities		**279.7**	284.8	269.0

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Operating activities			
Profit for the period	**21.1**	16.9	41.3
Adjustments for:			
Interest receivable	**–**	–	(0.1)
Interest payable	**0.4**	0.4	0.9
Depreciation of property, plant and equipment	**3.5**	3.6	7.3
Amortisation of intangible assets	**0.7**	0.3	1.1
Share-based payment costs	**0.5**	0.4	0.5
Loss on sale of property, plant and equipment	**–**	0.1	0.2
Operating cash flows before movements in working capital	**26.2**	21.7	51.2
(Increase)/decrease in inventories	**(3.0)**	(0.6)	1.8
(Increase)/decrease in receivables	**(6.4)**	(11.6)	0.6
Increase/(decrease) in payables	**15.4**	3.9	(16.8)
Difference between employer pension contributions and amounts recognised in the income statement	**(7.3)**	(0.4)	(0.7)
Cash generated by operations	**24.9**	13.0	36.1
Tax on profit paid	**(3.7)**	(3.7)	(6.8)
Net cash from operating activities	**21.2**	9.3	29.3
Investing activities			
Acquisition of subsidiary (net of cash acquired)	**–**	(15.7)	(15.7)
Acquisition of intangible assets	**–**	(4.7)	(4.8)
Purchase of property, plant and equipment	**(5.3)**	(7.9)	(14.7)
Proceeds on sale of property, plant and equipment	**–**	0.1	0.9
Interest received	**–**	–	0.1
Net cash used in investing activities	**(5.3)**	(28.2)	(34.2)
Financing activities			
New loans received	**16.0**	47.0	34.0
Loans repaid	**(19.5)**	(31.5)	(31.5)
Bank arrangement fees paid	**–**	(0.1)	(0.1)
Purchase of Company shares by employee benefit trusts	**(0.8)**	(1.9)	(5.1)
Proceeds from disposal of Company shares by employee benefit trusts	**1.2**	1.3	3.1
Dividends paid	**(11.5)**	(10.4)	(14.3)
Interest paid	**(0.1)**	(0.2)	(0.3)
Net cash generated (used in)/generated by financing activities	**(14.7)**	4.2	(14.2)
Net increase/(decrease) in cash and cash equivalents	**1.2**	(14.7)	(19.1)
Cash and cash equivalents at beginning of period	**6.2**	25.3	25.3
Cash and cash equivalents at end of period	**7.4**	10.6	6.2

NOTES TO THE 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. 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 the UK. 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 30 January 2016 were approved by the Board of directors on 29 March 2016 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 30 January 2016 are an extract of the Company's statutory accounts for 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 30 July 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services 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 30 January 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

GOING CONCERN BASIS

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, taking account of reasonable sensitivities, show that the Group should be able to operate within available facilities. The Group therefore continues to adopt the going concern basis in preparing its consolidated condensed interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 January 2016.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption).

No new accounting standards have been adopted by the Group that have a material impact on the half year results or balances.

The following standards which have been issued have not yet been adopted by the Group:

i) IFRS 15 'Revenue from contracts with customers' is effective on 1 January 2018, subject to European Union (EU) endorsement;
ii) IFRS 9 'Financial instruments' which will be effective on 1 January 2018, subject to EU endorsement; and
iii) IFRS 16 'Leases' is effective on 1 January 2019, subject to EU endorsement.

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 remaining 26 weeks of the financial year remain substantially the same as those stated on pages 42-44 of the Group's annual financial statements for the year ended 30 January 2016, which are available on our website, www.agbarr.co.uk.

We do note that the result of the recent referendum in favour of the UK leaving the European Union may have an impact on the Group. Like many other businesses, we are closely following developments in this area, but we believe that it is still too early to quantify or determine with certainty the impact on the Group of the UK leaving the European Union. The Group is a UK based group whose sales are predominantly made in the UK but it has some non-UK income and an exposure to US Dollars and Euros through the purchase of commodities. We will continue to monitor developments and adapt our strategy as the impact of the UK exit from the European Union becomes clear.

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 for the year ended 30 January 2016 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 management committee has been identified as the chief operating decision-maker. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management 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 before exceptional items. Exceptional items are reported separately in note 8.

6 months ended 30 July 2016

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	**92.0**	**26.9**	**6.7**	**125.6**
Gross profit before exceptional items	**47.9**	**7.5**	**3.5**	**58.9**

6 months ended 25 July 2015

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	96.3	27.6	6.4	130.3
Gross profit before exceptional items	50.2	8.2	2.8	61.2

Year ended 30 January 2016

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	189.7	57.1	11.8	258.6
Gross profit before exceptional items	98.6	16.9	5.6	121.1

There are no intersegment sales. All revenue is from external customers.

Other segments represent the sale of Funkin cocktail solutions, rental income for vending machines, and the sale of ice-cream and other soft drink related items.

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

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 operating profits are affected by weather conditions, the timing of marketing investment and execution of promotional activity. As a result it is anticipated that the operating profits for the second half of the year ending 28 January 2017 will be higher than those for the six months ended 30 July 2016.

8. OPERATING PROFIT

The following items have been charged to operating profit during the period:

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Acquisition costs	**–**	0.7	0.7
Inventory write down	**0.2**	–	0.4
Foreign exchange (gains)/losses recognised	**(0.8)**	0.6	1.0

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.

During the period several items have been classified as exceptional due to their nature and scale. All items have been included within operating expenditure, and have been analysed in the table below:

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Abortive acquisition costs	**0.4**	–	–
Investigation of online sales capabilities	**0.5**	–	–
Redundancy costs	**0.6**	–	–
Curtailment gain	**(7.0)**	–	–
Other costs relating to pension scheme closure	**1.4**	–	–
Net exceptional credit	**(4.1)**	–	–

During the period, £0.4m of acquisition fees were incurred in relation to an unsuccessful acquisition. These costs included advisory and legal fees.

£0.5m of advisory costs have been incurred as part of a strategic review of the market threats posed by new and emerging digital trading models.

£0.6m of redundancy costs have been incurred, arising from a reorganisation of direct sales routes that was completed in the period.

The Group's defined benefit pension scheme closed to future accrual in May 2016. This resulted in a £7.0m curtailment gain. Offsetting the curtailment gain is a further £1.4m of costs incurred in relation to the closure of the defined benefit pension scheme. This includes the cost of £1.3m past service cost for one year's additional service negotiated with the active members of the scheme and £0.1m of further costs relating to the closure of the scheme.

9. TAX ON PROFIT

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 21.3% (six months ended 25 July 2015: 21.3%; year ended 30 January 2016: 17.1%).

The Chancellor announced in his Summer Budget on 8 July 2015 that the main rate of corporation tax will be reduced to 19% from 1 April 2017 and 18% from 1 April 2020 and the future current tax charges will reduce accordingly. Finance No.2 Bill 2015 became substantively enacted on 26 October 2015. The deferred tax liability at 30 July 2016 has therefore been calculated using the rate of 18% substantively enacted at the balance sheet date.

10. EARNINGS PER SHARE

Basic earnings per share have 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 30 July 2016	6 months ended 25 July 2015	Year ended 30 January 2016
Profit attributable to equity holders of the Company (£m)	**16.6**	13.3	34.3
Weighted average number of ordinary shares in issue	**115,805,375**	115,280,958	115,714,487
Basic earnings per share (pence)	**14.33**	11.57	29.63

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 30 July 2016	6 months ended 25 July 2015	Year ended 30 January 2016
Profit attributable to equity holders of the Company (£m)	**16.6**	13.3	34.3
Weighted average number of ordinary shares in issue	**115,805,375**	115,280,958	115,714,487
Adjustment for dilutive effect of share options	**159,822**	676,859	505,871
Diluted weighted average number of ordinary shares in issue	**115,965,197**	115,957,817	116,220,358
Diluted earnings per share (pence)	**14.31**	11.50	29.51

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

	6 months ended 30 July 2016	6 months ended 25 July 2015	Year ended 30 January 2016
Profit attributable to equity holders of the Company before exceptional items (£m)	**13.2**	13.3	34.3
Weighted average number of ordinary shares in issue	**115,805,375**	115,280,958	115,714,487
Underlying earnings per share (pence)	**11.40**	11.57	29.63

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

	6 months ended 30 July 2016 per share (p)	6 months ended 25 July 2015 per share (p)	Year ended 30 January 2016 per share (p)	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Paid final dividend	**9.97**	9.01	9.01	**11.5**	10.4	10.4
Paid first interim dividend	**–**	–	3.36	**–**	–	3.9
	9.97	9.01	12.37	**11.5**	10.4	14.3

An interim dividend of 3.53p (an increase of 5% on last year) per share was approved by the Board on 27 September 2016 and will be paid on 21 October 2016 to shareholders on record as at 7 October 2016.

12. HELD FOR SALE ASSETS

In the comparative period the property, plant and equipment related to the manufacturing site at Tredegar have been presented as held for sale as at 25 July 2015 following the decision to close the site. The property, plant and equipment was subsequently sold during September 2015.

13. INTANGIBLE ASSETS

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Opening net book value	**107.5**	80.9	80.9
Additions	**–**	27.7	27.7
Amortisation	**(0.7)**	(0.3)	(1.1)
Closing net book value	**106.8**	108.3	107.5

The additions for periods presented represent goodwill and other intangible assets acquired as part of the acquisition of Funkin Limited, internally generated software development costs and third party consultancy costs incurred in relation to the Business Process Redesign project that completed in the year ended 30 January 2016.

The amortisation charge for the six months ended 30 July 2016 represents £0.6m (six months ended 25 July 2015: £0.2m; year ended 30 January 2016: £0.8m) of charges in relation to the Business Process Redesign project and £0.1m (six months ended 25 July 2015: £0.1m; year ended 30 January 2016: £0.3m) of charges for the Rubicon and Funkin customer lists.

14. PROPERTY, PLANT AND EQUIPMENT

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Opening net book value	**85.3**	79.6	79.6
Additions	**5.6**	7.1	14.1
Disposals	**–**	(0.2)	(1.1)
Property, plant and equipment classified as held for sale (note 12)	**–**	(0.9)	–
Depreciation	**(3.5)**	(3.6)	(7.3)
Closing net book value	**87.4**	82.0	85.3

The closing balance includes £4.8m (as at 25 July 2015: £0.6m; as at 30 January 2016: £5.5m) of assets under construction.

15. FINANCIAL INSTRUMENTS

Current assets of £0.4m (at 25 July 2015: £nil; 30 January 2016: £1.1m) relate to forward foreign currency contracts with a maturity of less than 12 months and are classified as fair value through the cash flow hedge reserve.

Current liabilities of £nil (at 25 July 2015: £0.5m; 30 January 2016: £nil) represents forward foreign currency contracts with a maturity of less than 12 months and are classified as fair value through the cash flow hedge reserve.

FAIR VALUE HIERARCHY

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

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

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 statement of financial position, with the resulting value discounted accordingly as relevant.

All financial instruments carried at fair value are Level 2.

15. FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the comparison between the carrying amount and fair value of all of the Group's financial instruments, with the exception of trade and other receivables and trade and other payables.

	Carrying amount				Fair value
	Fair value – hedging instruments £m	Loans and receivables £m	Other financial liabilities at amortised cost £m	Total £m	Level 2 £m
As at 30 July 2016					
Financial assets not measured at fair value					
Cash and cash equivalents	**–**	**7.4**	**–**	**7.4**	**7.4**
Trade receivables	**–**	**55.0**	**–**	**55.0**	**55.0**
	–	**62.4**	**–**	**62.4**	**62.4**
Financial assets measured at fair value					
Foreign exchange contracts used for hedging	**0.4**	**–**	**–**	**0.4**	**0.4**
	0.4	**–**	**–**	**0.4**	**0.4**
Financial liabilities measured at fair value					
Contingent consideration	**–**	**–**	**4.5**	**4.5**	**4.5**
	–	**–**	**4.5**	**4.5**	**4.5**
Financial liabilities not measured at fair value					
Finance lease liabilities	**–**	**–**	**0.2**	**0.2**	**0.2**
Unsecured bank borrowings	**–**	**–**	**14.0**	**14.0**	**14.0**
Trade payables	**–**	**–**	**26.0**	**26.0**	**26.0**
	–	**–**	**40.2**	**40.2**	**40.2**

	Carrying amount				Fair value
	Fair value – hedging instruments £m	Loans and receivables £m	Other financial liabilities at amortised cost £m	Total £m	Level 2 £m
As at 25 July 2015					
Financial assets not measured at fair value					
Trade receivables	–	28.6	–	28.6	28.6
Cash and cash equivalents	–	10.6	–	10.6	10.6
	–	39.2	–	39.2	39.2
Financial assets measured at fair value					
Foreign exchange contracts used for hedging	–	–	–	–	–
	–	–	–	–	–
Financial liabilities measured at fair value					
Foreign exchange contracts used for hedging	0.5	–	–	0.5	0.5
Contingent consideration	–	–	4.5	4.5	4.5
	0.5	–	4.5	5.0	5.0
Financial liabilities not measured at fair value					
Unsecured bank borrowings	–	–	30.5	30.5	30.5
Trade payables	–	–	20.6	20.6	20.6
	–	–	51.1	51.1	51.1

15. FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

	Carrying amount				Fair value
	Fair value – hedging instruments £m	Loans and receivables £m	Other financial liabilities at amortised cost £m	Total £m	Level 2 £m
As at 30 January 2016					
Financial assets not measured at fair value					
Foreign exchange contracts used for hedging	1.1	–	–	1.1	1.1
Trade receivables	–	50.0	–	50.0	50.0
Cash and cash equivalents	–	6.8	–	6.8	6.8
	1.1	56.8	–	57.9	57.9
Financial liabilities measured at fair value					
Contingent consideration	–	–	4.5	4.5	4.5
	–	–	4.5	4.5	4.5
Financial liabilities not measured at fair value					
Finance lease liabilities	–	–	0.2	0.2	0.2
Unsecured bank borrowings	–	–	18.0	18.0	18.0
Trade payables	–	–	8.4	8.4	8.4
	–	–	26.6	26.6	26.6

The carrying value of non-current borrowings is disclosed before the deduction of the unamortised arrangement fee of £nil (at 25 July 2015: £0.1m; 30 January 2016: £0.1m).The fair values of the non-current borrowings are based on cash flows discounted using the current variable interest rate charged on the borrowings of 1.50% and a discount rate of 1.50%.

16. PROVISIONS

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Opening provision	**0.1**	1.0	1.0
Provision utilised during the period	**(0.1)**	(0.9)	(0.9)
Closing provision	**–**	0.1	0.1

17. BORROWINGS AND LOANS

Movements in borrowings are analysed as follows:

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Opening loan balance	**18.1**	15.1	15.1
Borrowings made	**16.0**	47.0	34.0
Bank overdrafts	**–**	–	0.5
Repayments of borrowings and overdrafts	**(20.1)**	(31.6)	(31.5)
Closing loan balance before arrangement fees	**14.0**	30.5	18.1
Unamortised arrangement fee	**–**	(0.1)	(0.1)
Closing loan balance	**14.0**	30.4	18.0

17. BORROWINGS AND LOANS CONTINUED

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

	As at 30 July 2016 £m	As at 25 July 2015 £m	As at 30 January 2016 £m
Overdraft	**–**	–	0.6
Closing loan balance	**14.0**	30.5	17.5
Unamortised arrangement fee	**–**	(0.1)	(0.1)
Finance lease liabilities	**0.2**	–	0.2
Total borrowings and loans	**14.2**	30.4	18.2
Disclosed as			
Current liabilities	**–**	–	0.7
Non-current liabilities	**14.2**	30.4	17.5

The reconciliation to net debt is as follows:

	As at 30 July 2016 £m	As at 25 July 2015 £m	As at 30 January 2016 £m
Closing borrowings balance	**14.0**	30.5	18.1
Cash and cash equivalents	**(7.4)**	(10.6)	(6.8)
Net debt	**6.6**	19.9	11.3

The undrawn facilities at 30 July 2016 are as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facilities	45.0	14.0	31.0
Overdraft	5.0	–	5.0
	50.0	14.0	36.0

During the six months ended 25 July 2015, the Group renegotiated a £35m revolving credit facility. A total arrangement fee of £0.1m was incurred and is being amortised over the life of the loan facility. The revolving credit facility will expire in January 2018. A further £10m revolving credit facility was arranged in the year ended 26 January 2014 and will expire in March 2017.

The directors confirm that the Group has sufficient headroom to enable it to meet the covenants on its existing borrowings. There are sufficient working capital and undrawn funding facilities available to meet the Group's ongoing requirements.

18. RETIREMENT BENEFIT OBLIGATIONS

On 20 January 2016 the Company announced its intention to close the defined benefit section of the A.G. BARR p.l.c (2008) Pension and Life Assurance Scheme to future accrual. Following consultation with the pension scheme Trustee and active members, the scheme closed to future accrual from 1 May 2016 giving rise to a curtailment gain of £7.0m.

As part of the consultation with the pension scheme Trustee and active members an additional year of service was accrued for active member employees prior to the closure, resulting in a past service cost of £1.3m.

These two items have been treated as exceptional items in the six months ended 30 July 2016.

18. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The defined retirement benefit scheme had a deficit of £25.0m as at 30 July 2016 (as at 25 July 2015: £13.7m; 30 January 2016: £12.9m). The reconciliation of the closing deficit is as follows:

	6 months ended 30 July 2016 £m	6 months ended 25 July 2015 £m	Year ended 30 January 2016 £m
Opening present value of obligation	**(120.2)**	(131.0)	(131.0)
Current service cost	**(0.4)**	(0.8)	(1.9)
Curtailment gain	**7.0**	–	0.2
Interest cost	**(2.2)**	(2.1)	(4.3)
Past service cost	**(1.3)**	–	–
Remeasurement – changes in financial assumptions	**(27.9)**	10.2	12.7
Benefits paid	**1.6**	1.6	4.0
Premiums paid	**–**	–	0.1
Closing position	**(143.4)**	(122.1)	(120.2)
Opening fair value of plan assets	**107.3**	112.7	112.7
Interest income	**2.0**	1.7	3.6
Remeasurement – actuarial return on assets	**8.7**	(5.6)	(7.3)
Employer contributions	**2.0**	1.2	2.4
Benefits paid	**(1.6)**	(1.6)	(4.0)
Premiums paid	**–**	–	(0.1)
Closing fair value of plan assets	**118.4**	108.4	107.3

	As at 30 July 2016 £m	As at 25 July 2015 £m	As at 30 January 2016 £m
Closing present value of obligation	**(143.4)**	(122.1)	(120.2)
Closing fair value of plan assets	**118.4**	108.4	107.3
Closing net deficit	**(25.0)**	(13.7)	(12.9)

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

	As at 30 July 2016 %	As at 25 July 2015 %	As at 30 January 2016 %
Discount rate	**2.40**	3.70	3.70
Future salary increases	**3.90**	4.40	4.20
Inflation assumption	**2.90**	3.40	3.20

19. MOVEMENTS IN OWN SHARES HELD BY EMPLOYEE BENEFIT TRUSTS

During the six months ended 30 July 2016 the employee benefit trusts of the Group acquired 151,042 (six months ended 25 July 2015: 321,789; year ended 30 January 2016: 913,724) 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 30 July 2016 the shares held by the Company's employee benefit trusts represented 1,099,331 (25 July 2015: 1,366,277; 30 January 2016: 1,254,095) shares at a purchased cost of £6.2m (25 July 2015: £8.6m; 30 January 2016: £8.9m).

There were 300,114 (six months ended 25 July 2015: 305,696; year ended 30 January 2016: 1,009,813) shares utilised in satisfying share options from the Company's employee share schemes during the same period.

The related weighted average share price at the time of exercise for the six months ended 30 July 2016 was £5.15 (six months ended 25 July 2015: £6.18; year ended 30 January 2016: £5.28) per share.

20. CONTINGENCIES AND COMMITMENTS

	As at 30 July 2016 £m	As at 25 July 2015 £m	As at 30 January 2016 £m
Commitments for the acquisition of property, plant and equipment	**2.5**	6.4	6.1

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

INTERIM DIVIDEND

As disclosed in note 11, an interim dividend of 3.53p per share will be paid to shareholders on 21 October 2016.

EXTERNAL AUDIT TENDER

Noting the requirements on audit tendering set out in the Combined Code, the Competition and Markets Authority Order and the Department for Business, Innovation and Skills proposals to implement the EU's June 2014 Audit Directive and Regulation, the Audit Committee has agreed that a competitive tender process be commenced during the second half of this year in readiness for the external audit for the year ending 27 January 2018.

ORGANISATIONAL RESTRUCTURE

Today, 27 September 2016, the Company announces a proposed organisation restructure that is likely to impact around 10% of the total employee base. This is expected to result in around 90 job losses across the Company.

The consultation process with the impacted employees will commence immediately and it is anticipated that the majority of the changes resulting from the process will have been implemented by the end of the financial year, 28 January 2017.

The expected cost of the reorganisation has been estimated at c.£4m and will be recognised as an exceptional cost in the financial statements for the year ending 28 January 2017.

22. 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 53 weeks ended 30 January 2016.

For and on behalf of the Board of directors

ROGER WHITE
CHIEF EXECUTIVE
27 SEPTEMBER 2016

STUART LORIMER
FINANCE DIRECTOR
27 SEPTEMBER 2016

INDEPENDENT REVIEW REPORT TO A.G. BARR PLC

INTRODUCTION

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 30 July 2016 which comprises Consolidated 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 the related explanatory notes. 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 the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

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 DTR of the UK FCA.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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 Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, 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 Ireland) 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 30 July 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

ALEX SANDERSON
FOR AND ON BEHALF OF KPMG LLP
CHARTERED ACCOUNTANTS
319 ST VINCENT STREET,
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27 SEPTEMBER 2016

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