AG Barr

BUILDING GREAT BRANDS

ICONIC BRANDS REFRESHING PERFORMANCE

A.G. BARR p.l.c.
Interim Report 2019

INTERIM REPORT

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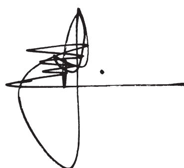
Our focus remains on delivering long-term growth. We have plans to address our specific brand related challenges and are ensuring that the business is appropriately scaled to perform in the current market. Despite continuing economic uncertainty we expect to meet the revised profit expectations communicated in July.



Roger White
Chief Executive

Last year was an unprecedented year for the soft drinks industry due to a combination of unusual factors including complex changes to pricing and promotional dynamics in the market following the introduction of the Soft Drinks Industry Levy (SDIL), the significant impact on demand and supply, related to CO_2 shortages, and a long, hot summer.

Our strategy in 2018 of placing volume performance ahead of value allowed us to take full advantage of these circumstances and delivered strong growth across our portfolio. With hindsight, we did however underestimate the volume benefit we received in 2018 from both one-off trading factors and favourable weather. This, combined with some specific brand challenges, saw a deterioration in financial performance as per the revised market guidance issued in the pre-close trading update on 16 July 2019. In line with that guidance, for the six months ended 27 July 2019 the Group recorded revenue of £122.5m (2018: £136.9m) and profit before tax and exceptional items* of £13.9m (2018: £18.2m). Statutory profit before tax was £13.5m (2018: £18.2m) taking into account £0.4m of exceptional costs associated with an internal restructuring programme which commenced in the period.

Soft drinks market

Across the 26 week reporting period the total UK soft drinks market value was down 0.6% while volume declined 4.1% year on year. However taking the last 13 weeks of the reporting period, covering May, June and July, market performance was notably weaker, with value down 6.3% and volume down 8.7%. This reflects the particularly strong comparative market performance across the corresponding 13 weeks in 2018, when value and volume increased 12.2% and 7.1% respectively.

This notable market swing was particularly felt by A.G. Barr as our prior year performance was substantially ahead of the market as we successfully navigated the unique factors across the summer of 2018.

(Source: IRI Marketplace 26 and 13 weeks to 28 July 2019; 13 weeks to 29 July 2018)

Strategy execution

Our intentional short-term trading focus, placing volume performance ahead of value across 2018, proved successful in boosting growth and increasing market share. However, as planned, across the first half of 2019 we have returned our Barr Soft Drinks business, particularly IRN-BRU, to its long-term value driven approach, improving our price positioning and reducing our promotional intensity within the market. This transition, combined with the disappointing spring and summer weather, most notably in our key markets of Scotland and the north of England, has had a short-term volume impact across the portfolio, exacerbated by specific brand challenges in Rockstar energy and Rubicon juice drinks.

We are now seeing positive indications of consumer acceptance of this new price and promotional positioning. Early indications are that increased average realised prices are compensating for the reduction in volumes experienced while shoppers readjust to new promotional price points.

Our innovation performance and pipeline remain strong with encouraging initial trade and consumer response to the recently launched IRN-BRU Energy range, which following the initial launch in Scotland, is now planned to roll out across the wider UK market later in the year.

We are taking action to address the brand issues related to Rockstar and Rubicon, including the planned launch of three new Rockstar products in the autumn and recipe improvement activity for Rubicon juice drinks, however the benefit of these actions will not be felt until later in the second half of the financial year.

These brand activities, combined with an easing of prior year trading comparatives across the second half of the year, give us confidence in meeting our revised full year performance expectations.

Funkin continues to perform strongly and the recent launch of ready to serve nitro-infused premium cocktails in cans is exceeding initial expectations, with strong rates of sale and a number of significant listings secured across a broad range of channels, including travel operators and large multiple grocers.

We have initiated a number of management actions associated with portfolio simplification, brand development prioritisation and right-sizing our structures, operating activities and overheads, to ensure we are aligned with our balance of year trading plans.

Balance sheet and cash flow

Our balance sheet remains strong supported by tight management of cash resources, with a closing net cash position of £4.6m (2018: £4.2m), permitting ongoing investment in our business infrastructure and the continuation of our progressive dividend policy.

The Group has adopted the new accounting standard IFRS 16 Leases in the preparation of this interim statement and will adopt the standard going forward for subsequent reporting periods. Prior periods have not been restated. In 2019 the net impact increases non-current assets by £9.1m and liabilities by (£9.4m) with the cumulative effect of adoption being recognised as an adjustment to the opening balance of retained earnings (£0.3m).

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 23 and 24.

Cash flow from operating activities in the period was an £11.7m inflow (£12.1m inflow in 2018) with lower seasonal working capital outflows partially offsetting lower year on year revenues. Operating cash flows have increased by £1.6m in the current period following the adoption of IFRS 16, as lease payments previously included within operating activities are now disclosed as financing activities. Operating cash flow funded the increase in dividend, the ongoing share repurchase programme and the significant investment in our ingredients handling and processing assets at our Cumbernauld site. This £14m investment will complete in early 2020 and was the major driver in capital expenditure across the first six months of £8.4m (2018: £2.8m). In June of this year we successfully completed a £1m investment in Elegantly Spirited Ltd., owners of the STRYYK brand, taking a minority equity share in this new venture that seeks to capitalise on the growth in the emerging non alcoholic beverage market.

Dividend

The Board has declared an interim dividend of 4.00 pence per share, payable on 25 October 2019 to shareholders on the register on 4 October 2019. This represents an increase on the prior year of 2.5% and reflects the Board's confidence in the Group's long-term growth prospects.

Board update

Having joined the board in 2010, Martin Griffiths, current Chair of the Audit and Risk Committee and Senior Non-Executive Independent Director, will stand down at the board meeting on 19 March 2020, following the completion of the 2019 audit cycle. Martin has provided a huge level of support and guidance during his tenure for which the board is extremely grateful.

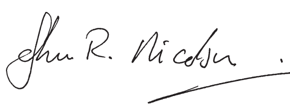
We are pleased to confirm that Nick Wharton, who will have been on the board for just over a year at that point, will succeed Martin in the role of Audit and Risk Committee Chair and Susan Barratt will become Senior Non-Executive Independent Director.

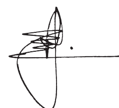
In addition, following a board structure review aimed at improving long-term corporate governance compliance, the Supply Chain Director, currently an executive director role will move to a divisional director role and will continue to be held by Andrew Memmott. Andrew has stepped down from the board with immediate effect.

Outlook

The first half of 2019 has been disappointing. However, it was always expected to be a year of pricing transition for the business which would lead to elevated levels of risk. We now have plans in place to address our specific brand related challenges and to ensure that the business is appropriately scaled to perform in the current market.

We are entering a period of less demanding trading comparisons and, as our new pricing establishes and our strong second half brand plans take effect, our focus is now on returning to long-term growth. Despite continuing economic uncertainty we expect to meet the revised profit expectations communicated in July.





John Nicolson
Chairman

Roger White
Chief Executive

Consolidated Condensed Income Statement

	Note	Unaudited 6 months ended 27 July 2019			Unaudited 6 months ended 28 July 2018			Audited Year ended 26 January 2019		
		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	**122.5**	**–**	**122.5**	136.9	–	136.9	279.0	–	279.0
Cost of sales		**(71.8)**	**–**	**(71.8)**	(78.3)	–	(78.3)	(156.5)	–	(156.5)
Gross profit	6	**50.7**	**–**	**50.7**	58.6	–	58.6	122.5	–	122.5
Operating expenses		**(36.4)**	**(0.4)**	**(36.8)**	(40.2)	–	(40.2)	(76.7)	(0.7)	(77.4)
Share of results of associate		**(0.1)**	**–**	**(0.1)**	–	–	–	–	–	–
Operating profit	8	**14.2**	**(0.4)**	**13.8**	18.4	–	18.4	45.8	(0.7)	45.1
Finance costs		**(0.3)**	**–**	**(0.3)**	(0.2)	–	(0.2)	(0.6)	–	(0.6)
Profit before tax		**13.9**	**(0.4)**	**13.5**	18.2	–	18.2	45.2	(0.7)	44.5
Income tax expense	9	**(2.8)**	**0.1**	**(2.7)**	(3.7)	–	(3.7)	(8.8)	0.1	(8.7)
Profit attributable to equity holders		**11.1**	**(0.3)**	**10.8**	14.5	–	14.5	36.4	(0.6)	35.8
Earnings per share (p)										
Basic earnings per share	10			**9.57**			12.74			31.51
Diluted earnings per share	10			**9.55**			12.74			31.47
Earnings per share before exceptional items	10			**9.83**			12.74			32.03

Consolidated Condensed Statement of Comprehensive Income

	Unaudited 6 months ended 27 July 2019 £m	Unaudited 6 months ended 28 July 2018 £m	Audited Year ended 26 January 2019 £m
Profit for the period	**10.8**	14.5	35.8
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit pension plans (Note 16)	**1.3**	5.8	0.6
Deferred tax movements on items above	**(0.2)**	(1.0)	(0.1)
Current tax movements on items above	**–**	–	(0.1)
Items that will be or have been reclassified to profit or loss			
Cash flow hedges:			
Gains/(losses) arising during the period	**0.5**	0.4	(0.4)
Less: reclassification adjustments for gains included in profit or loss	**–**	–	0.3
Deferred tax movements on items above	**(0.1)**	(0.1)	–
Other comprehensive income for the period, net of tax	**1.5**	5.1	0.3
Total comprehensive income attributable to equity holders of the parent	**12.3**	19.6	36.1

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 27 January 2019	**4.7**	**0.9**	**2.4**	**(0.2)**	**202.0**	**209.8**
Impact of IFRS 16	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
At 27 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 17)	**–**	**–**	**–**	**–**	**(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 (Unaudited)

	Share capital £m	Share premium account £m	Share options reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 27 January 2018 as previously reported	4.8	0.9	1.6	(0.2)	194.0	201.1
Profit for the period	–	–	–	–	14.5	14.5
Other comprehensive income	–	–	–	0.3	4.8	5.1
Total comprehensive income for the period	–	–	–	0.3	19.3	19.6
Company shares purchased for use by employee benefit trusts (Note 17)	–	–	–	–	(0.4)	(0.4)
Proceeds on disposal of shares by employee benefit trusts (Note 17)	–	–	–	–	0.1	0.1
Recognition of share-based payment costs	–	–	0.5	–	–	0.5
Transfer of reserve on share award	–	–	(0.4)	–	0.4	–
Repurchase and cancellation of shares	–	–	–	–	(6.2)	(6.2)
Dividends paid	–	–	–	–	(13.5)	(13.5)
At 28 July 2018	4.8	0.9	1.7	0.1	193.7	201.2

* Refer to Note 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 27 January 2018	4.8	0.9	1.6	(0.2)	194.0	201.1
Profit for the year	–	–	–	–	35.8	35.8
Other comprehensive (expenditure)/income	–	–	–	(0.1)	0.4	0.3
Total comprehensive (expenditure)/income for the year	–	–	–	(0.1)	36.2	36.1
Company shares purchased for use by employee benefit trusts (Note 17)	–	–	–	–	(0.5)	(0.5)
Proceeds on disposal of shares by employee benefit trusts (Note 17)	–	–	–	–	0.1	0.1
Recognition of share-based payment costs	–	–	1.1	–	–	1.1
Transfer of reserve on share award	–	–	(0.4)	–	0.4	–
Deferred tax on items taken direct to reserves	–	–	0.1	–	–	0.1
Repurchase and cancellation of shares	(0.1)	–	–	0.1	(10.3)	(10.3)
Dividends paid	–	–	–	–	(17.9)	(17.9)
At 26 January 2019	**4.7**	**0.9**	**2.4**	**(0.2)**	**202.0**	**209.8**

Consolidated Condensed Statement of Financial Position

	Note	Unaudited As at 27 July 2019 £m	Unaudited As at 28 July 2018 £m	Audited As at 26 January 2019 £m
Non-current assets				
Intangible assets		**102.4**	103.8	103.1
Property, plant and equipment		**106.4**	93.4	95.3
Investment in associates	12	**0.9**	–	–
		209.7	197.2	198.4
Current assets				
Inventories		**23.6**	21.2	20.4
Trade and other receivables		**56.4**	69.9	57.7
Derivative financial instruments	13	**0.1**	0.1	–
Cash and cash equivalents		**9.0**	16.9	21.8
		89.1	108.1	99.9
Total assets		**298.8**	305.3	298.3
Current liabilities				
Loans and other borrowings	14	**4.4**	0.2	–
Trade and other payables		**54.8**	65.4	56.9
Derivative financial instruments	13	**–**	0.1	0.4
Lease liabilities	15	**3.0**	–	–
Provisions		**0.4**	0.2	0.4
Current tax liabilities		**2.0**	3.4	4.0
		64.6	69.3	61.7
Non-current liabilities				
Loans and other borrowings	14	**–**	12.5	–
Deferred tax liabilities		**14.1**	14.3	13.3
Lease liabilities	15	**5.1**	–	–
Retirement benefit obligations	16	**10.7**	8.0	13.5
		29.9	34.8	26.8
Capital and reserves attributable to equity holders				
Share capital		**4.7**	4.8	4.7
Share premium account		**0.9**	0.9	0.9
Share options reserve		**2.2**	1.7	2.4
Other reserves		**0.2**	0.1	(0.2)
Retained earnings		**196.3**	193.7	202.0
		204.3	201.2	209.8
Total equity and liabilities		**298.8**	305.3	298.3

Consolidated Condensed Cash Flow Statement

	Unaudited 6 months ended 27 July 2019 £m	Unaudited 6 months ended 28 July 2018 £m	Audited Year ended 26 January 2019 £m
Operating activities			
Profit for the period before tax	**13.5**	18.2	44.5
Adjustments for:			
Interest payable	**0.3**	0.2	0.6
Depreciation of property, plant and equipment	**5.4**	3.7	7.4
Amortisation of intangible assets	**0.7**	0.7	1.4
Share-based payment costs	**0.5**	0.5	1.1
Share of results of associates	**0.1**	–	–
Gain on sale of property, plant and equipment	**–**	–	0.1
Operating cash flows before movements in working capital	**20.5**	23.3	55.1
Increase in inventories	**(3.2)**	(3.2)	(2.4)
Decrease/(Increase) in receivables	**1.3**	(13.7)	(1.5)
(Decrease)/Increase in payables	**(1.0)**	11.1	3.1
Difference between employer pension contributions and amounts recognised in the income statement	**(1.6)**	(1.6)	(1.5)
Cash generated by operations	**16.0**	15.9	52.8
Tax on profit paid	**(4.3)**	(3.8)	(8.2)
Net cash from operating activities	**11.7**	12.1	44.6
Investing activities			
Acquisition of associate	**(1.0)**	–	–
Purchase of property, plant and equipment	**(8.4)**	(2.8)	(8.9)
Net cash used in investing activities	**(9.4)**	(2.8)	(8.9)
Financing activities			
New loans received	**12.0**	17.0	21.0
Loans repaid	**(12.0)**	(4.5)	(21.0)
Lease payments	**(1.6)**	–	(0.1)
Purchase of Company shares by employee benefit trusts	**(1.0)**	(0.4)	(0.5)
Proceeds from disposal of Company shares by employee benefit trusts	**–**	0.1	0.1
Repurchase of own shares	**(2.5)**	(6.2)	(10.3)
Dividends paid	**(14.4)**	(13.5)	(17.9)
Interest paid	**–**	(0.1)	(0.2)
Net cash used in financing activities	**(19.5)**	(7.6)	(28.9)
Net (decrease)/increase in cash and cash equivalents	**(17.2)**	1.7	6.8
Cash and cash equivalents at beginning of period	**21.8**	15.0	15.0
Cash and cash equivalents at end of period	**4.6**	16.7	21.8

1. General information

A.G. BARR p.l.c. ('the Company') and its subsidiaries (together 'the Group') manufacture, market, distribute and sell soft drinks 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 26 January 2019 were approved by the Board of directors on 26 March 2019 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 26 January 2019 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 27 July 2019 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 26 January 2019, 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, shows 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 26 January 2019 and corresponding interim reporting period, except for the adoption of new amended standards and a new investment in associate policy as set out below.

(a) New and amended standards adopted by the Group

In the current year, the Group for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 27 January 2019.

IFRS 16 Leases replaces IAS 17 Leases along with three Interpretations (IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 5 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease). The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings. Prior periods have not been restated.

For contracts in place at the date of transition, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4. The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of transition. At this date, the Group has also elected to measure the right-of-use assets as if the Standard applied at lease commencement date, but discounted using the borrowing rate at the date of initial application. Instead of performing an impairment review on the right-of-use assets for operating leases in existence at the date of transition, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise the right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

3. Accounting policies continued

(a) New and amended standards adopted by the Group continued

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.48%.

The following is a reconciliation of total operating lease commitments at 26 January 2019 to the lease liabilities recognised at 27 January 2019:

	£m
Total operating lease commitments disclosed at 26 January 2019	6.6
Discounted using the lessee's incremental borrowing rate at the date of initial application	(0.1)
Less: short term leases recognised on a straight line basis as expense	(0.1)
Add: adjustments as a result of a different treatment of extension and termination options	3.0
Total lease liability recognised under IFRS 16 at 27 January 2019	9.4

Leases – Accounting policy applicable from 27 January 2019

The Group as lessee

For any new contracts entered into on or after 27 January 2019, the Group considered whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use of an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

Measurement and recognition of leases as a lessee

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

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

On the balance sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in loans and borrowings.

3. Accounting policies continued

(a) New and amended standards adopted by the Group continued

Leases Accounting policy applicable before 27 January 2019

The Group as lessee

Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments are shown as obligations under finance leases. Assets acquired under finance leases are initially recognised at the present value of the minimum lease payments. The rentals payable are apportioned between interest, which is charged to the income statement, and liability, which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations. Costs in respect of operating leases are charged on a straight line basis over the term of the lease in arriving at operating profit.

(b) Other amendments

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.

New amendments and interpretations not yet adopted

Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2020, The application of these amendments will not have any material impact on the disclosures, net asset or results of the Group.

(c) Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The investment is recognised initially in the condensed consolidated statement of financial position at cost and is adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. On acquisition any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in which the investment is acquired.

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 39 to 43 of the Group's annual financial statements as at 26 January 2019, 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 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

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 26 January 2019 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.

6 months ended 27 July 2019

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	**90.9**	**21.7**	**9.9**	**122.5**
Gross profit	**40.6**	**5.3**	**4.8**	**50.7**

6 months ended 28 July 2018

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	102.3	25.7	8.9	136.9
Gross profit	47.0	7.4	4.2	58.6

Year ended 26 January 2019

	Carbonates £m	Still drinks and water £m	Other £m	Total £m
Total revenue	213.6	49.0	16.4	279.0
Gross profit	100.1	14.7	7.7	122.5

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.

"Other" segments represent the sale of Funkin cocktail solutions and other soft drink related items.

The gross profit 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 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 Other are revenues of approximately £20m which arose from sales to the Group's largest customer. In the year ended 26 January 2019, revenue of approximately £47m 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 2018 or January 2019.

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 than the operating profits for the second half of the year to 25 January 2020 will be higher than those for the six months ended 27 July 2019.

8. Operating profit

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

	6 months ended 27 July 2019 £m	6 months ended 28 July 2018 £m	Year ended 26 January 2019 £m
Inventory write down	**0.2**	0.3	1.0
Foreign exchange (gains)/losses recognised	**(0.1)**	0.1	(0.1)

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 27 July 2019 £m	6 months ended 28 July 2018 £m	Year ended 26 January 2019 £m
GMP pension equalisation	**–**	–	0.7
Redundancy costs for business reorganisation	**0.4**	–	–
Net exceptional charge	**0.4**	–	0.7

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. Due to their nature management believes that these are required to be separately presented in trading performance so as not mislead the users of the financial statements.

In the year to 26 January 2019 a charge of £0.7m has been included for the past service cost in respect of the equalisation of guaranteed minimum pensions ("GMP") benefits. On 26 October 2018, the High Court handed down a judgement involving Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to GMP benefits. The judgement has implications for many pension schemes, including the AG Barr defined benefit schemes. The £0.7m expense reflects the best estimate of the effect on our reported pension liabilities. Management believe that the nature of this expense, a non-routine pension cost relating to a significant legal ruling, makes it appropriate to be classified as exceptional.

9. Tax on profit

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 20.0% (six months ended 28 July 2018: 20.32%; year ended 26 January 2019: 19.5%).

As announced in the Autumn Budget on 23 November 2016, the main rate of corporation tax was reduced to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020, therefore future charges will reduce accordingly. Finance No.2 Bill 2017 was enacted on 16 November 2017. The deferred tax liability at 27 July 2019 has therefore been calculated having regard to the rate of 17% enacted at the balance sheet date.

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 27 July 2019	6 months ended 28 July 2018	Year ended 26 January 2019
Profit attributable to equity holders of the Company (£m)	**10.8**	14.5	35.8
Weighted average number of ordinary shares in issue	**112,895,598**	113,793,127	113,626,941
Basic earnings per share (pence)	**9.57**	12.74	31.51

10. Earnings per share continued

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 27 July 2019	6 months ended 28 July 2018	Year ended 26 January 2019
Profit attributable to equity holders of the Company (£m)	**10.8**	14.5	35.8
Weighted average number of ordinary shares in issue	**112,895,598**	113,793,127	113,626,941
Adjustment for dilutive effect of share options	**141,506**	–	138,729
Diluted weighted average number of ordinary shares in issue	**113,037,104**	113,793,127	113,765,670
Diluted earnings per share (pence)	**9.55**	12.74	31.47

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

	6 months ended 27 July 2019	6 months ended 28 July 2018	Year ended 26 January 2019
Profit attributable to equity holders of the Company before exceptional items (£m)	**11.1**	14.5	36.4
Weighted average number of ordinary shares in issue	**112,895,598**	113,793,127	113,626,941
Earnings per share before exceptional items (pence)	**9.83**	12.74	32.03

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 27 July 2019 per share (p)	6 months ended 28 July 2018 per share (p)	Year ended 26 January 2019 per share (p)	6 months ended 27 July 2019 £m	6 months ended 28 July 2018 £m	Year ended 26 January 2019 £m
Paid final dividend	**12.74**	11.84	11.84	**14.4**	13.5	13.5
Paid interim dividend	**–**	–	3.90	**–**	–	4.4
	12.74	11.84	15.74	**14.4**	13.5	17.9

An interim dividend of 4.00p (an increase of 2.5% on last year) per share was approved by the Board on 24 September 2019 and will be paid on 25 October 2019 to shareholders on record as at 4 October 2019.

12. Investment in associate

In June 2019 the Group made a 20% investment in Elegantly Spirited Limited at a cost of £1m.

The following entities have been included in the consolidated condensed financial statements using the equity method:

		Proportion of ownership interest held as at		
Name	Country of incorporation and principal place of business	27 July 2019	28 July 2018	26 January 2019
Elegantly Spirited Limited	United Kingdom	**20%**	–	–

12. Investment in associate continued

The primary business of Elegantly Spirited Limited is as a brand builder, marketing and selling a range of zero proof distilled spirits. This investment is consistent with our strategy of building a branded portfolio of products across both alcohol and non-alcohol beverages. The investment is not considered a material associate and therefore disclosures are limited to the section below.

Aggregate information of associates that are not individually material

	27 July 2019 £m	28 July 2018 £m	26 January 2019 £m
Profit from continuing operations	**(0.1)**	–	–
Total comprehensive income	**(0.1)**	–	–

13. Financial instruments

Current assets of £0.1m (at 28 July 2018: £0.1m; 26 January 2019: £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 £nil (at 28 July 2018: £0.1m; 26 January 2019: £0.4m) relate to forward foreign currency contracts with a maturity of less than 12 months and are recognised as fair value through the cash flow hedge reserves, 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 27 July 2019	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets not measured at fair value				
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 not measured at fair value				
Foreign exchange contracts used for hedging	**–**	**–**	**–**	**–**
Lease liabilities	**–**	**–**	**8.1**	**8.1**
Unsecured bank borrowings	**–**	**–**	**4.4**	**4.4**
Trade payables	**–**	**23.9**	**–**	**23.9**
	–	**23.9**	**12.5**	**36.4**

13. Financial instruments continued

Fair values of financial assets and financial liabilities continued

As at 28 July 2018	Carrying amount			
	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets not measured at fair value				
Foreign exchange contracts used for hedging	0.1	–	–	0.1
Trade receivables	–	66.9	–	66.9
Cash and cash equivalents	–	16.9	–	16.9
	0.1	83.8	–	83.9
Financial liabilities not measured at fair value				
Foreign exchange contracts used for hedging	0.1	–	–	0.1
Unsecured bank borrowings	–	–	12.7	12.7
Trade payables	–	–	26.0	26.0
	0.1	–	38.7	38.8

As at 26 January 2019	Carrying amount			
	Fair value – hedging instruments £m	Loans and receivables at amortised cost £m	Other financial liabilities at amortised cost £m	Total £m
Financial assets not measured at fair value				
Trade receivables	–	54.5	–	54.5
Cash and cash equivalents	–	21.8	–	21.8
	–	76.3	–	76.3
Financial liabilities not measured at fair value				
Foreign exchange contracts used for hedging	0.4	–	–	0.4
Trade payables	–	–	20.2	20.2
	0.4	–	20.2	20.6

14. Borrowings and loans

Movements in borrowings are analysed as follows:

	6 months ended 27 July 2019 £m	6 months ended 28 July 2018 £m	Year ended 26 January 2019 £m
Opening borrowings balance	**–**	–	–
Adjustment on transition to IFRS 16	**9.4**	–	–
Net lease payments	**(1.3)**	–	–
Borrowings made	**12.0**	17.0	21.0
Repayments of borrowings	**(12.0)**	(4.5)	(21.0)
Bank overdrafts drawn	**4.4**	0.2	–
Closing borrowings balance	**12.5**	12.7	–

14. Borrowings and loans continued

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 27 July 2019 £m	As at 28 July 2018 £m	As at 26 January 2019 £m
Overdraft	**4.4**	0.2	–
Closing loan balance	**–**	12.5	–
Lease liabilities	**8.1**	–	–
Total borrowings and loans	**12.5**	12.7	–
Disclosed as			
Current liabilities	**7.4**	0.2	–
Non-current liabilities	**5.1**	12.5	–

The reconciliation to net debt is as follows:

	As at 27 July 2019 £m	As at 28 July 2018 £m	As at 26 January 2019 £m
Closing borrowings balance	**(12.5)**	(12.7)	–
Cash and cash equivalents	**9.0**	16.9	21.8
Net (deficit)/funds	**(3.5)**	4.2	21.8

The undrawn facilities at 27 July 2019 are as follows:

	Total facility £m	Drawn £m	Undrawn £m
Revolving credit facilities	**60.0**	**–**	**60.0**
Overdraft	**5.0**	**4.4**	**0.6**
	65.0	**4.4**	**60.6**

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. On 18 March 2019 the Group extended its facilities due to expire in 2020 and 2022, to 2022 and 2024.

A total arrangement fee of £0.2m was incurred and is being amortised over the life of the loan facilities.

15. Leases

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about the leases for which the Group is a lessee is presented below.

Right-of-use assets

	Carrying amount		
	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Balance at 26 January 2019	**–**	**–**	**–**
Adjustment on transition to IFRS 16	**0.8**	**8.3**	**9.1**
Balance at 27 January 2019 after adoption of IFRS 16	**0.8**	**8.3**	**9.1**
Additions	**–**	**0.3**	**0.3**
Depreciation charge	**(0.1)**	**(1.4)**	**(1.5)**
Balance at 27 July 2019	**0.7**	**7.2**	**7.9**

The right-of-use assets are disclosed as a non-current asset and are part of the property, plant and equipment balance of £106.4m at 27 July 2019.

15. Leases continued

Lease liabilities

Lease liabilities are presented in the balance sheet within borrowings as follows:

	27 July 2019 £m	28 July 2018 £m	26 January 2019 £m
Lease liabilities (current)	**3.0**	–	–
Lease liabilities (non–current)	**5.1**	–	–
	8.1	–	–

Maturity analysis – contractual undiscounted cash flows:

	27 July 2019 £m	28 July 2018 £m	26 January 2019 £m
Less than one year	**3.2**	–	–
One to two years	**5.1**	–	–
Total undiscounted lease liabilities	**8.3**	–	–

Amounts recognised in profit and loss

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. During the six months to 27 July 2019, in relation to leases under IFRS 16 the Group recognised the following amounts in the consolidated income statement:

	27 July 2019 £m
Depreciation charge	**1.5**
Interest expense	**0.1**
Short term lease expense	**0.2**
	1.8

Amounts recognised in the statement of cash flows:

	27 July 2019 £m
Short term lease expense	**0.2**
Repayment of lease liabilities	**1.6**
Total cash outflow for leases	**1.8**

16. 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 £10.7m as at 27 July 2019 (as at 28 July 2018: £8.0m, 26 January 2019: £13.5m). The reconciliation of the closing deficit is as follows:

	6 months ended 27 July 2019 £m	6 months ended 28 July 2018 £m	Year ended 26 January 2019 £m
Opening present value of obligation	**(115.1)**	(120.5)	(120.5)
Current service cost	**–**	–	(0.1)
Past service cost	**–**	–	(0.7)
Interest cost	**(1.5)**	(1.6)	(3.1)
Remeasurement – changes in financial assumptions	**(12.5)**	3.8	3.0
Benefits paid	**2.3**	4.2	6.3
Closing position	**(126.8)**	(114.1)	(115.1)
Opening fair value of plan assets	**101.6**	105.3	105.3
Interest income	**1.4**	1.4	2.7
Remeasurement – actuarial return on assets	**13.8**	2.0	(2.4)
Employer contributions	**1.6**	1.6	2.3
Benefits paid	**(2.3)**	(4.2)	(6.3)
Closing fair value of plan assets	**116.1**	106.1	101.6

	As at 27 July 2019 £m	As at 28 July 2018 £m	As at 26 January 2019 £m
Closing present value of obligation	**(126.8)**	(114.1)	(115.1)
Closing fair value of plan assets	**116.1**	106.1	101.6
Closing net deficit	**(10.7)**	(8.0)	(13.5)

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

	As at 27 July 2019 %	As at 28 July 2018 %	As at 26 January 2019 %
Discount rate	**2.1**	2.8	2.7
Inflation assumption	**3.4**	3.4	3.4

17. Movements in own shares held by employee benefit trusts

During the six months to 27 July 2019 the employee benefit trusts of the Group acquired 132,659 (six months to 28 July 2018: 61,051; year to 26 January 2019: 81,774) 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 27 July 2019 the shares held by the Company's employee benefit trusts represented 799,725 (28 July 2018: 804,843; 26 January 2019: 798,476) shares at a purchased cost of £4.9m (28 July 2018: £4.8m; 26 January 2019: £4.8m).

131,410 (six months to 28 July 2018: 75,239; year to 26 January 2019: 102,329) shares were 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 to 27 July 2019 was £8.13 (six months to 28 July 2018: £6.49; year to 26 January 2019: £7.13) per share.

18. Contingencies and commitments

	As at 27 July 2019 £m	As at 28 July 2018 £m	As at 26 January 2019 £m
Commitments for the acquisition of property, plant and equipment	**5.0**	3.8	8.6

19. Repurchase of own shares

During the year ended 27 January 2018 the Group commenced a share repurchase programme of up to £30m, which is expected to complete within 24 months of initiation.

A total of 3,194,135 shares have been repurchased and cancelled to date (six months to 28 July 2018: 2,270,635; year to 26 January 2019: 2,824,135), at a cost of £21m (six months to 28 July 2018: £14.4m; year to 26 January 2019: £18.5m). The permanent capital has been placed through the creation of a Capital Redemption Reserve, which is included in other reserves. The nominal value of the share repurchased at 27 July 2019 is £133,089 (28 July 2018: £96,410; 26 January 2019: £117,672).

20. Events occurring after the reporting period

Repurchase of shares

Subsequent to the period end a total of 690,000 shares have been repurchased and cancelled at a cost of £4.3m.

Interim dividend

As disclosed in Note 11, an interim dividend of 4.00p per share will be paid to shareholders on 25 October 2019.

21. 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.

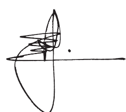
Statement of Directors' Responsibilities

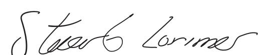
The directors confirm that these consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union. The interim management report includes a fair review of the information required 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 26 January 2019.

For and on behalf of the Board of directors





Roger White
Chief Executive
24 September 2019

Stuart Lorimer
Finance Director
24 September 2019

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.

EPS 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.

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.

Reconciliation of non-GAAP measures

Profit before tax and exceptional items	6 months to 27 July 2019	6 months to 28 July 2018
Profit before tax	**13.5**	18.2
Exceptional items	**0.4**	–
Profit before tax and exceptional items	**13.9**	18.2

Operating profit before exceptional items	6 months to 27 July 2019	6 months to 28 July 2018
Operating profit	**13.8**	18.4
Exceptional items	**0.4**	–
Operating profit before exceptional items	**14.2**	18.4

Operating margin before exceptional items	6 months to 27 July 2019	6 months to 28 July 2018
Revenue	**122.5**	136.9
Operating margin before exceptional items	**14.2**	18.4
Operating margin before exceptional items	**11.6%**	13.4%

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 27 July 2019 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 21. 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 27 July 2019 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
Statutory Auditor
Glasgow, United Kingdom
24 September 2019

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