Britvic plc Preliminary Results – 26 November 2020

"Disciplined management of the near-term challenges, confident in future growth prospects"

For the year ended 30 September 2020

Group Financial Headlines:

- Revenue decreased 6.8%* to £1,412.4m (reported -8.6%)
- Adjusted EBIT decreased 21.9%* to £165.8m (reported -22.6%),
- Adjusted EBIT margin -230bps* to 11.7% (reported -220bps)
- Profit after tax increased 16.9% to £94.6m
- Adjusted earnings per share decreased 27.8%* to 43.2p
- Disciplined cash management enabling a £45.8m reduction in adjusted net debt
- Full year dividend of 21.6p confirmed, maintaining a 50% pay-out ratio

Strategic Headlines:

- Extended carbonates relationship with PepsiCo in GB to 2040
- Increasing participation in the energy category, adding PepsiCo's Rockstar to the portfolio alongside Purdey's
- Announced intent to use 100% recycled PET (rPET) bottles across the GB brand portfolio by end of 2022
- Sale of juice factories and private label contracts in France completed

Operational Headlines:

- Successfully delivered on our priorities through the pandemic
- Revenue +7.4% in H2 for flavour concentrates portfolio as consumers turn to trusted brands
- Revenue growth and market share gain in GB At-Home channel, partly offsetting COVID-19 impact on Out-of-Home channel
- Double digit revenue growth and market share gain in Brazil driven by both core brands and innovation
- Robust balance sheet and confident of liquidity position

	Year ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m	% change Actual Exchange Rate	% change Constant Exchange Rate *
Revenue	**1,412.4**	1,545.0	(8.6%)	(6.8%)
Adjusted EBIT	**165.8**	214.1	(22.6%)	(21.9%)
Adjusted EBIT margin	**11.7%**	13.9%	(220) bps	(230) bps
Adjusting EBIT Items**	**35.5**	84.1	57.8%	-
Statutory EBIT	**130.3**	130.0	(0.2%)	-
Profit after tax	**94.6**	80.9	16.9%	-
Basic EPS	**35.6p**	30.6p	16.3%	-
Adjusted EPS	**43.2p**	59.8p	(27.8%)	-
Final dividend per share	**21.6p**	30.0p	(28.0%)	-
Adjusted net debt/EBITDA	**2.4x**	2.1x	0.3x	-

** Adjusted for constant currency. **Adjusting items are defined on page 33 and include strategic restructuring costs of £12.9m, acquisition related amortisation of £8.8m, acquisition and disposal costs of £5.0m and an impairment charge relating to the Counterpoint business of £8.4m (more detail provided on page 9). Total adjusting items includes £0.2m in finance costs*

Simon Litherland, Chief Executive Officer commented:

"While none of us would have wished for the challenging circumstances 2020 has brought, I am very proud of how we have responded as a business and delivered on the priorities we set ourselves at the start of the pandemic. Our determined and dedicated people, portfolio of trusted brands, strong commercial relationships and operational agility mean we have performed strongly where we have been able to compete. We also continue to navigate the changing landscape successfully. So, even though out-of-home trading has inevitably been impacted, we have continued to gain market share in our key growth markets of GB and Brazil, and we have successfully protected cash and our overall financial strength.

At the same time, we have also made considerable progress executing our strategy and we are well positioned to drive future growth and returns. We have extended our GB carbonates relationship with PepsiCo to 2040 and expanded our presence in the energy category through the addition of their Rockstar brand. We have accelerated our sustainable business commitments and completed the disposal of non-core assets in France, which will result in more focus on growing our higher margin brands there. While 2021 will bring continued uncertainty, it also presents real opportunity for Britvic to capitalise on the trends which have accelerated as a result of the pandemic. We are confident that we will continue to react with agility and pace as events unfold. Soft drinks has repeatedly proved itself to be a highly resilient category, and we fully intend to be at the forefront of its recovery."

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There will be a webcast of the presentation given today at 09:30am by Simon Litherland (Chief Executive Officer) and Joanne Wilson (Chief Financial Officer). The webcast will be available at www.britvic.com/investors with a transcript available in due course.

Notes to editors

About Britvic
Britvic is one of the leading branded soft drinks businesses in Europe. The company combines its own leading brand portfolio including Fruit Shoot, Robinsons, Tango, J2O, London Essence, Teisseire and MiWadi with PepsiCo brands such as Pepsi, 7UP and Lipton Ice Tea which Britvic produces and sells in GB and Ireland under exclusive PepsiCo agreements.

Britvic is the largest supplier of branded still soft drinks in Great Britain ("GB") and the number two supplier of branded carbonated soft drinks in GB. Britvic is an industry leader in the island of Ireland with brands such as MiWadi and Ballygowan, in France with brands such as Teisseire, Pressade and Moulin de Valdonne and in Brazil with Maguary, Bela Ischia and Dafruta. Britvic is growing its reach into other territories through franchising, export and licensing. Britvic's management team has successfully developed the business through a clear strategy of organic growth and international expansion based on creating and building scale brands. Britvic is listed on the London Stock Exchange under the code BVIC and is a constituent of the FTSE250 index.

Cautionary note regarding forward-looking statements
This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors including as a consequence of the COVID-19 pandemic, which may cause the actual results, performance or achievements of the group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules and applicable law, Britvic undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

Market data
GB take-home market data referred to in this announcement is supplied by Nielsen and runs to 3 October 2020. ROI take-home market data referred to is supplied by Nielsen and runs to 4 October 2020. French market data is supplied by Nielsen and runs to 4 October 2020.

Next scheduled announcement

Britvic will publish its quarter one trading statement on 28 January 2021.

Chief Executive Officer's Review

Response to COVID-19

Today we report our financial results for the full year, however, before turning to these results, I would like to share my reflections on how we have responded to the COVID-19 pandemic. The last eight months have been unparalleled in terms of challenge and change for us as individuals and for our families and friends, just as it has been for businesses and governments around the world. This period has without doubt been the most difficult I have experienced in my working life. As the pandemic unfolded, we moved quickly to establish our key priorities – safeguarding our people, maintaining operational agility, supporting our communities and retaining our financial strength. It has been our focus on these priorities that has enabled Britvic not just to deliver a solid performance against an exceptionally challenging backdrop, but more importantly to continue to make progress against our longer-term strategy, which is focused on creating value for all our stakeholders.

We have come together across Britvic as a team and successfully managed through this period. The courage, resilience, care and commitment demonstrated has been incredible, and the collective impact of us working together as a team has been both inspiring to see and humbling to be part of. This is a very special company, and I have no doubt that we will emerge from this crisis stronger than before.

Safeguarding our people

Where possible, all our employees are working from home, using enabling technology solutions and working flexibly around their domestic circumstances. For those employees who wish to be in the office and for our factory-based teams, we have implemented both social distancing and elevated health measures, including temperature checking and cleaning regimes, to ensure the safety of our people. All employees classified as vulnerable, or with a vulnerable family member, were identified early on and special measures put in place to support and safeguard them. As you would expect, we have adopted all government and public health authority guidelines in each of our markets. We have also put additional measures in place to support the health and wellbeing of all our employees in these uncertain times.

Maintaining operational agility

Changing buying behaviours, restrictions placed on the hospitality sector and reduced movement of people have impacted each of our business units. Our supply chain teams have responded with pace, optimising production schedules and operations to mitigate some of the adverse impacts on our business. All factories have remained operational across our markets, except for the water factory in Ireland closing for a short period as demand dropped early in the spring lockdown. The investment we made in the Business Capability Programme has allowed us to operate with increased flexibility and we have successfully collaborated with suppliers and customers to prioritise key SKUs and ensure continuity of supply and on-shelf availability, particularly during the height of the pandemic. We also reviewed and reduced discretionary spend across the entire business, including A&P and overheads, to mitigate some of the profit and cash impacts from COVID-19.

Supporting our customers, suppliers and communities

We were an early signatory to the C-19 business pledge, founded by former UK cabinet minister Justine Greening and UK entrepreneur David Harrison. It aims to harness the power of business as a force for good in tackling the COVID-19 pandemic, through a focus on employees, customers and the community.

We have been working highly collaboratively with both suppliers and customers across our markets to ensure the continuity of supply of raw materials, maintain high service levels, support simplification to maximise availability, and to offer financial support where needed. Across each of the markets in which we operate, we have supported our local communities, including supplying product to hospitals, food banks, schools and hospices. In France, we have supplied PPE to local hospitals and in the UK, chillers and product to the NHS Nightingale Hospitals, as well as providing warehousing facilities in Norwich for the storage of PPE and care packages.

Retaining our financial strength

We entered the pandemic in a robust position, with strong trading momentum and a solid Balance Sheet, benefitting from the refinancing earlier in the year of our Revolving Credit Facility (RCF) and approximately £150m of private placement notes. We took decisive action early in the pandemic to protect our cash position. Capital spend was scaled back as we focused on business-critical projects, marketing spend was reduced by £20m and we cancelled non-essential discretionary spend. As a result of this disciplined cash management, we have been able to reduce debt by £46m. We did not seek to access furlough support or the COVID-19 Corporate Financing Facility (CCFF) offered by the UK government.

Performance impact summary

We started the year with strong momentum, reporting Q1 revenue 2.6% ahead of last year. During the second quarter, the COVID-19 pandemic began to have an impact across our business units, most significantly in the GB and Ireland markets, where we have a strong presence in the Out-of-Home sector. Consequently, at the half-year, the increase in revenue was 1.4%, while in Q3, which bore the full impact of lockdown restrictions, revenue declined 16.3%. As restrictions were lifted in the summer, we saw an improvement in trading, with revenue in Q4 11.3% down on last year on a constant currency basis. The performance in the At-Home channels has been robust, with increased demand for our trusted portfolio of brands in larger pack formats, and we have taken market share. The Out-of-Home channels continue to be impacted by trading restrictions and social distancing measures reducing capacity, and people continuing to work from home for the foreseeable future. We will continue to support affected customers through the current challenges, to ensure both we and they are well-placed for the recovery as it unfolds.

Progress towards our strategic priorities

Last year we took the opportunity to evolve our strategy, ensuring we are best positioned to access growth opportunities in the changing consumer and retail landscape across our markets. With a portfolio of market-leading brands, multi-channel route to market and collaborative customer relationships in all our geographies, we believe we are well-placed to continue to deliver excellent returns to shareholders and our other stakeholders. In the future, we will focus on four key strategic priorities:

- Build local favourites and global premium brands
- Flavour billions of water occasions
- Healthier People, Healthier Planet
- Innovate to access new spaces

Each of our markets has a defined role to play delivering the strategy:

- GB – to lead market growth
- Rest of World – to globalise premium brands & improve profitability in Western Europe
- Brazil – to accelerate growth and expand our presence

Underpinning this strategy are three critical enablers:

- Generate fuel for growth through efficiency
- Transform organisational capability & culture
- Selective M&A to accelerate growth

We are confident that our strategy will stand the test of time and deliver excellent returns to shareholders and our other stakeholders. Despite the pandemic, we have made significant strategic progress this year, using our agility to adapt to ever evolving market circumstances.

Build local favourites and global premium brands

We have a broad portfolio across our markets of trusted, leading brands, which are predominantly low or no sugar. We are focused on stretching and growing our core brands to capture future growth opportunities. In October, we announced we had signed a new agreement in Great Britain with PepsiCo for a new and exclusive 20-year franchise bottling agreement for the production, distribution, marketing and sales of its carbonated soft drink brands, including Pepsi, 7UP and Mountain Dew. The new agreement extends the relationship, which commenced in 1987, to 2040. Importantly it also allows Britvic to broaden our portfolio further by taking on the Rockstar energy brand, increasing our participation in the large and growing energy category, from natural energy with Purdey's to the mainstream energy segment – leaving us even better positioned to achieve our aim of leading market growth.

Performance this year on our core brands was strong in the At-Home channel, where our already powerful plans benefited further from people spending more time at and near home and turning to known and trusted brands. In the GB At-Home channel, we gained market share, with value growth of 11.3% compared to market growth of 1.5%, led by our core brands of Pepsi, Robinsons, 7UP and Tango. In Ireland, a weaker water category performance impacted Ballygowan, whereas we delivered a strong performance in MiWadi and Pepsi. In GB and Ireland this At Home outperformance was however, more than offset by the impact COVID-19 had on the Out-of-Home channel and on-the-go consumption. In Brazil, we achieved a record performance across both concentrates and ready-to-drink juice, becoming the number one supplier in this category. Pleasingly, following a couple of years of performance pressure, France returned to growth in Q4, led by Teisseire. This year we launched new pack formats and variants into the market

to optimise on-shelf pricing and broaden appeal to more consumers. As with our other markets, France also benefited from an increase in demand for flavour concentrates as consumers spent more time at home.

The pandemic inevitably restricted our ability to drive the levels of growth we were seeking in our predominately out-of-home oriented global premium portfolio, though we successfully responded by pivoting our portfolio more towards socialising At-Home, for example, by increasing distribution of London Essence Company in the grocery channel.

Flavour billions of water occasions

In response to consumers' desire for a healthier lifestyle and greater protection for the planet, we know that tap water consumption is in significant growth. As the world leader in liquid concentrates, we are leaning into our unrivalled ability to provide flavour for consumers wherever they may be, which we can offer at great value and a very low average calories per serve, without compromising on taste. Building on our investment and prioritisation of this part of our strategy, and with people spending more time at home, sales of our portfolio of flavour concentrate brands, including Robinsons, MiWadi, Teisseire and Maguary, accelerated in the second half of the year to +7.4%.

In GB, Robinsons continued to perform well, with Robinsons retail market value, as measured by Nielsen, increasing 9.4% to £204m. Robinsons achieved this growth despite the cancellation of the Wimbledon tennis championships, which has traditionally been an important marketing activation programme. During the peak of the pandemic lockdown in the spring an additional 1.3m new shoppers bought the brand. In Ireland, MiWadi built upon a very successful first half, growing revenue and gaining market share. Growth was driven by the Zero sugar and Minis ranges that were introduced to broaden appeal and usage occasions and supported by marketing campaigns such as the "Create Your Own" which will see the launch of Fruit Explosion, created by 11-year old Ollie Smith.

In both France and Brazil our flavour concentrate brands also benefited from consumers spending more time at home and seeking healthy hydration. In both markets we continued to rejuvenate our core brands with new liquids and new pack formats to broaden appeal and increase affordability.

Healthier People, Healthier Planet

Healthier People and Healthier Planet sit at the core of our strategy. Consumers' focus on their own health has increased during the pandemic. Britvic continues to lead the soft drinks industry by keeping our average calories per serve low across our entire portfolio, achieving an average of 25.5 calories this year across the world and with 93% of our GB portfolio outside of the sugar levy. As well as our consumers, we also prioritise health, wellbeing and belonging for our employees and local communities. In a challenging year, on top of our significant response to the COVID-19 crisis, we have delivered against our key non-financial Healthier People performance targets, with a further reduction in calories per serve and achieving our target of at least 40% of women in leadership roles.

Under Healthier Planet, we were the first UK soft drinks company to commit to carbon reduction measures based on the very highest global standard of reducing climate change to less than 1.5 degrees. We also advocate for a well-designed, industry-run and not-for-profit deposit and return scheme (DRS), to contribute in a fair and meaningful way to a circular packaging economy. In October 2020, we announced our intent for all GB plastic bottles to be manufactured from 100% rPET by 2022, surpassing our previous target of 50% rPET by 2025. We now send zero product to landfill across the world.

We have made good progress against our carbon intensity ratio, following the conversion to bioenergy in Brazil and fewer line change-overs due to COVID-19 SKU prioritisation, however, absolute emissions increased due to the natural gas fuelled Combined Heat and Power plant in the UK, which we continue to optimise. By contrast, we have made good progress against our water intensity target of 1.98m3/tonne produced for the full year, achieving 1.91. In January, as a sign of our commitment to conducting business in the right way, we refinanced our credit facility with a coupon rate that varies according to the achievement of our Healthier People, Healthier Planet goals.

Innovate to access new spaces

We will continue to innovate from our core brands or with new ones to access new growth spaces, whether they be emerging consumer needs, blurring retail channels or different drinking occasions. Increasingly our focus is not merely on continuing our successful track record in product innovation, but also in equipment and technology.

Across our flavour concentrates portfolio, we have launched innovation to both broaden appeal and affordability. Robinsons extended the Cordials range with the launch of two superfruit variants: Orange and Acerola Cherry, and Raspberry and Goji Berry. In France, following the launch last year of the Teisseire Fraîcheur de Fruits range which contains 85% concentrated fruit juice, we launched new pack sizes to optimise on-shelf pricing and the "Arômes Naturels" range, with no preservatives and new recipes to appeal to consumers seeking healthy, more natural hydration.

In Brazil, our Puro Coco coconut water brand has now exceeded 15% market share and is the third biggest brand in the category. This year we launched Dafruta Tropical, which uses the liquid technology of Robinsons, and Maguary POP pouches – both new variants providing simpler and more affordable liquid concentrate options for consumers. Also, in Brazil, we introduced a new 150ml Fruit Shoot pack format and a plant-based chocolate variant, as well as launching Britvic Mixers and Mathieu Teisseire, as we seek to expand our portfolio further beyond the core flavour concentrates and juices categories.

In GB we brought to market at the start of the year a dispense solution called London Essence Fresh Serve, allowing consumers to choose a premium, freshly infused tonic on draught, using patented micro-dosing technology. While also providing an elevated consumer experience, it has significant sustainability benefits by reducing packaging usage by up to 96% and offering much lower carbon emissions. The rollout was temporarily interrupted by COVID-19, but installations had restarted prior to the recent increase in restrictions in GB.

This year we also accelerated our access to beyond the bottle solutions through the small but strategic acquisition of The Boiling Tap Company, which installs and services proprietary integrated tap solutions for still, sparkling and hot water to a wide range of primarily commercial customers in GB. Like Britvic, this small company has innovation at its heart, offering industry leading technology across a broad range of water solutions, including touchless. It opens up a broader customer base with equipment solutions beyond the bottle and we are excited by its potential alongside our existing dispense solutions and packaged portfolio.

The pandemic has triggered a step change in e-commerce growth. This was already an area of major focus for Britvic, and we have now reallocated even greater resources across our business units to further accelerate our progress. We have continued to build our presence online, both through the established home delivery routes of the major grocers, pureplay operators and through wholesaler platforms. We have outperformed online with retail value growth of 56% compared to category value growth of 48%, increasing our share to over 22% of online grocery sales. In GB we launched the Sensational Drinks portal last year to enable direct engagement with the on-trade. The portal was repurposed to great effect during the early stages of the pandemic to support the trade by pulling together news, advice and training during the lockdown, and over 15,000 new outlets signed up in the year.

Generate fuel for growth through efficiency

It is essential that we continually drive improvement in our operations to release funds for reinvestment behind our growth drivers. While in recent years we have transformed our GB supply chain capacity and flexibility, and we will continue to invest where it makes financial sense to do so, our focus is firmly on optimising our footprint in each of our markets. We are responding to customers' drive for simpler ranges and more recession-oriented value solutions through portfolio optimisation and continuing our revenue management journey.

We are also pursuing a comprehensive technology roadmap which will further enable our ability to execute all aspects of our strategy as efficiently and effectively as possible.

Transform organisational capability & culture

At the outset of this strategic evolution, we recognised that in order to achieve our future growth ambitions, we would need to build on the organisational capabilities which have delivered such a strong performance track record, with new ones which would ensure the company can continue to thrive in the years ahead. This year we have reallocated resources behind both the strategy and the marketplace which has been reshaped by COVID-19, ensuring the alignment of both people and investment to our growth drivers and releasing some cost to fund them. We have invested in key areas where we are seeking to shift capability, such as by creating a centre of expertise in digital consumer experience.

While we had already invested in remote working technology prior to the pandemic, like many organisations we have adopted home working to a new level over the course of the year. Our future working patterns will be quite different but equally effective, embracing the learnings from this year in more flexible working practices which still facilitate effective and agile collaboration across the business, while increasing employee engagement and effectiveness – a great example of a positive which has emerged from the challenges of the pandemic.

Selective M&A to accelerate growth

While we can achieve much of our ambition organically, we do see opportunities to accelerate the pursuit of our strategy through disciplined inorganic expansion. This year we acquired The Boiling Tap Company as outlined above, though much of our inorganic activity was focused on executing the disposal in France of the juice production facilities and associated private label business to Refresco, which completed on September 30. In Western Europe we are focused on improving our profitability, and this disposal works towards this objective by simplifying our operations and enabling the local management team to focus on the higher-margin branded portfolio.

Outlook

Looking ahead, 2021 brings both continued uncertainty and an opportunity to capitalise on the trends which have accelerated as a result of COVID-19. We have started the new financial year with some form of restrictions on either trading and/or the movement of people in all our markets, and this will undoubtedly continue to affect performance, especially in the first half of the financial year. We have carefully planned our approach to the year ahead, which gives us confidence that we can continue to respond positively and with agility as events unfold. Soft drinks have repeatedly proven to be a highly resilient category, and Britvic fully intends to be at the forefront of its recovery.

Chief Financial Officer's Review

Overview

We saw positive trading momentum in the first half of our financial year with revenue, adjusted EBIT and margin all increasing. From March, however, the impact of trading restrictions and social distancing measures in each of our markets adversely impacted our financial performance in the second half of the year. We took decisive and rapid action to reduce costs across our business which helped to mitigate some of the profit and cash impacts.

Full year revenue declined 6.8%, on a constant currency basis, while adjusted EPS decreased 27.8% year-on-year, on an actual basis. Adjusted EPS growth was also impacted by a higher effective tax rate, due to the one-off revaluation of deferred tax following the reversal of the planned 2% reduction in UK corporate tax as well as our geographic mix of profits. Interest costs were down year-on-year following our successful refinancing earlier in the year. Profit after tax increased 16.9% due to significantly lower adjusting items more than offsetting the decline in adjusted EBIT.

The Board has proposed a final dividend of 21.6p, which equates to a 50% pay-out ratio in line with our stated dividend policy. As a result of tight cash management, we have been able to reduce our net debt balance by £45.8m ending the year with an adjusted net debt to EBITDA ratio of 2.4 times.

Below is a summary of the segmental performance and explanatory notes related to items including taxation, interest and free cash flow generation.

GB	12 months ended 30 September 2020 £m	52 weeks ended 29 September* 2019 £m	% change actual like-for-like
Volume (million litres)	1,621.0	1,656.8	(2.2%)
ARP per litre	54.6p	57.1p	(4.4%)
Revenue	884.9	945.4	(6.4%)
Brand contribution	351.0	389.2	(9.8%)
Brand contribution margin	39.7%	41.2%	(150bps)

Volume and revenue declined, reflecting the significant impact of restrictions placed upon the Out-of-Home channels and On-the-Go consumption. At-Home channel revenue increased, as consumers stayed home, benefiting family favourite brands Robinsons, Pepsi, Tango and 7UP, resulting in market volume and value share gains. Margin was adversely impacted by the shift to larger At-Home pack formats but was partly offset by significant savings in A&P spend, as the business took early and decisive action to manage both its profitability and cashflow.

Brazil	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m	% change Actual like-for-like	% change like-for-like at constant exchange rate
Volume (million litres)	251.0	222.2	13.0%	13.0%
ARP per litre	45.1p	56.2p	(19.8%)	(0.4%)
Revenue	113.1	124.8	(9.4%)	12.4%
Brand contribution	24.6	28.3	(13.1%)	7.9%
Brand contribution margin	21.8%	22.7%	(90bps)	(90bps)

Revenue increased 12.4%, due to strong sales of ready-to-drink juices, Puro Coco and Fruit Shoot, which benefited from new pack formats broadening appeal and affordability. While flavour concentrates performance was weak in the first half of the year, due to increased competition from local brands, it grew strongly in the second half, as revenue increased 14.5% and our portfolio increased market share – reflecting our focus on rejuvenating the category, specific regional targeting, and the consumer switch to At-Home consumption. Revenue and brand contribution benefited from a PIS/COFINS tax rebate relating to historic balances. Excluding this tax benefit, brand contribution was 19.3%, with the year-on-year decline driven by the sales mix.

Rest of World	12 months ended 30 September 2020 £m	52 weeks ended 29 September* 2019 £m	% change Actual like-for-like	% change like-for-like at constant exchange rate
Volume (million litres)	469.8	501.9	(6.4%)	(6.4%)
ARP per litre	88.2p	94.6p	(6.8%)	(5.8%)
Revenue	414.4	474.8	(12.7%)	(11.8%)
Brand contribution	129.6	146.0	(11.2%)	(10.4%)
Brand contribution margin	31.3%	30.7%	60bps	50bps

Note: Rest of World consists of France, Ireland and other international markets. Volumes and ARP include own-brand soft drinks sales and include factored product sales included within total revenue and brand contribution. Concentrate sales are included in both revenue and ARP but do not have any associated volume

Revenue in France returned to growth in the final quarter due to increased sales of Teisseire. Performance in the Ireland At-Home channel was robust; however, it was more than offset by Out-of-Home declines and the extended closures in the licensed channel impacting Counterpoint sales. Revenue declined across all the main markets, reflecting the impact of restrictions on Out-of-Home consumption and the Travel and Export channels, as well as the exit from Fruit Shoot multi-pack in the United States in 2019. A&P savings partially offset the decline in revenue and contributed to margin improving by 50 basis points.

Fixed costs – pre-adjusting items	12 months ended 30 September 2020 £m	52 weeks ended 29 September* 2019 £m	% change Actual like-for-like	% change like-for-like constant exchange rate
Non-brand A&P	(10.2)	(10.5)	2.9%	2.9%
Fixed supply chain	(131.8)	(120.4)	(9.5%)	(10.4%)
Selling costs	(77.4)	(83.0)	6.7%	4.0%
Overheads and other	(120.0)	(135.5)	11.4%	10.2%
Total	(339.4)	(349.4)	2.9%	1.4%
Total A&P investment	*(46.0)*	*(65.9)*		
A&P as a % of own brand revenue	*3.3%*	*4.4%*		

A&P spend declined by £19.9m as marketing activity was scaled back in response to the impact of pandemic restrictions. Fixed supply chain costs increased by 10.4%, due to an increase in depreciation, sustainability-related costs, including the purchase of producer responsibility notes, and COVID-19 related spend, including stock write-offs. Overheads and other decreased by 10.2%, due to lower variable reward and discretionary spend.

** Reclassification of certain FY19 costs in GB (£9.7m) and Ireland (£2.7m) from variable to fixed costs to allow like-for-like comparison with FY20*

Interest

The net adjusted finance charge for the 12 months to 30 September for the Group was £18.9m, including interest on leases under IFRS16, compared with £19.2m in the prior year.

Adjusting items – pre-tax

In the period we incurred, and have separately disclosed, a net charge of £35.7m (2019: £84.6m) of pre-tax adjusting items. The most significant of these include:

- Charges of £12.9m relating to a restructure undertaken in the final quarter of the year and costs relating to the Norwich site closure;

- M&A-related costs of £5.0m which includes charges relating to the disposal of our French private label juice business and the acquisition of The Boiling Tap Company;
- An £8.4m impairment charge related to Counterpoint; and
- Acquisition-related amortisation of £8.8m

Taxation

The adjusted tax charge was £32.1m, which equates to an effective tax rate of 23.2% (2019: 19.9%). The increase primarily resulted from a one-off revaluation of deferred tax balances following the government decision to reverse the planned reduction in UK corporation tax rate from 19% to 17%. The reported net tax charge was £16.6m (2019: £29.4m), which equates to an effective tax rate of 14.9% (2019: 26.7%).

Earnings per share (EPS)

Adjusted EPS for the period was 43.2 pence, a decrease of 27.8% (at actual exchange rates) on the same period last year. Basic EPS for the period was 35.6 pence, an increase of 16.3% on last year.

Dividends

Since Britvic floated in 2005, we have consistently returned capital to shareholders through our progressive dividend policy, which is a core part of our capital allocation. Following the prudent position taken at interims to defer the decision on the dividend until later in the year, the Board is recommending a final dividend of 21.6 pence per share, with a total value of £57.7m, maintaining our 50% pay-out policy. The final dividend for 2020 will be paid on 3 February 2021 to shareholders on record as at 18 December 2020. The ex-dividend date is 17 December 2020.

Free cash flow

Free cash flow (defined as cash generated from operating activities, less capex, interest and repayment of lease liabilities) was an inflow of £90.0m, compared with £88.4m in the previous year.

There was a working capital outflow of £3.0m (2019: £25.6m outflow) driven by a reduction in Creditors of £45.3m (2019: increase of £4.5m) following the significant year-on-year drop in Q4 trading due to COVID-19, which resulted in lower raw materials and packaging purchases, and lower indirect tax. Furthermore, there was a reduction of overdue payables as we tightened our processes.

This reduction in creditors was offset by increased provisions of £8.0m (2019: decrease of £1.6m) along with reduced inventory of £11.9m (2019: increase of £7.8m) and reduced receivables of £22.4m (2019: increase of £20.7m), both also reflecting lower trading in Q4 and rigorous cash collection processes.

Free cash flow also benefited from reduced capital expenditure of £50.0m (2019: £74.8m), with non-essential investment delayed.

Treasury management

The financial risks faced by the Group are identified and managed by a central treasury department, whose activities are carried out in accordance with Board approved policies and subject to regular Audit and Treasury Committee reviews. The department does not operate as a profit centre and no transaction is entered into for trading or speculative purposes. Key financial risks managed by the treasury department include exposures to movements in interest rates and foreign exchange rates, while managing the Group's debt and liquidity, currency and commodity risk, interest rate risk, and cash position. The Group uses financial instruments to hedge against raw materials, interest rate and foreign currency exposures.

On 30 September 2020, the Group had £1,030m of committed debt facilities, consisting of a £400m undrawn bank facility which matures in 2025, and a series of private placement notes with maturities between December 2020 and May 2035.

At 30 September 2020, the Group's net debt of £555.5m (excluding derivative hedges) mainly comprised of £664.4m of private placement notes and £3.4m of accrued interest, offset by net cash and cash equivalents of £109.2m and unamortized loan issue costs of £3.2m. Including the element of the fair value of interest rate currency swaps hedging the balance sheet value of the private placement notes, the Group's adjusted net debt was £520.4m, which compares with £566.2m at 29 September 2019.

Pensions

At 30 September 2020, the Group had IAS 19 pension surpluses in Great Britain and Northern Ireland totaling £101.8m and IAS 19 pension deficits in Ireland and France totaling £10.7m, resulting in a net pension surplus of £91.1m (29 September 2019: net surplus of £127.5m).

The defined benefit section of the GB plan was closed to new members on 1 August 2002 and closed to future accrual for active members from 1 April 2011, with new employees being invited to join the defined contribution scheme. The Northern Ireland scheme was closed to new members on 28 February 2006 and future accrual from 31 December 2018, and new employees are eligible to join the defined contribution scheme. All new employees in Ireland join the defined contribution plan.

Contributions are paid into the defined benefit section of the GB plan as determined by the Trustee, agreed by the company and certified by an independent actuary in the Schedule of Contributions. In addition to expected partnership income of at least £5m per annum, the Group was expected to make a payment of £15m by 31 December 2019. However, the Group is seeking clarity through the courts as to the construction of the wording in the Plan rules on the employer's ability to unilaterally set an alternative rate of pension increase. The original judgment in January 2020 was not in the Group's favour and it has now been granted leave to appeal that judgment. This appeal is expected to be heard in 2021.

Pending the outcome of the appeal hearing, the Trustee agreed that the Schedule of Contributions be amended to the effect that £10m be paid into a blocked account by 30 September 2020 and £5m by 2 October 2020. Future deficit funding payments of £5m per annum will also be paid into the blocked account. Subject to the outcome of the legal appeal and actuarial certification on funding requirements, the monies in the blocked account will return to the Group and/or be paid to the pension plan as a contribution, taking into account any change in future pension increases.

The latest triennial valuation as of 31 March 2019 was completed in June 2020 and has resulted in future deficit funding payments reducing from £20m to £10m per annum. The Ireland and Northern Ireland defined benefit pension plans have an investment strategy focused on managing the risks as the funding position improves. The GB pension plan mainly has credit-type investments and the Trustees have developed proposals to manage the investment risks.

EU Withdrawal

Following the UK's referendum decision to leave the EU in 2016, Britvic established a steering committee, which includes representatives from each relevant business unit and function to ensure that we are prepared for the end of the transition period on 31 December. The Steering Committee is responsible for putting in place post withdrawal processes to ensure the continuation of uninterrupted trade and for assessing the potential impact of a no-deal withdrawal on our business. We are well prepared for the practical changes associated with a smooth exit, including movement of goods, regulatory and people impacts. Britvic manufactures most of its goods locally and there is relatively little Group cross-border trading between the UK and the EU, reducing our exposure.

We have taken steps to mitigate possible impacts of the transitional period ending without a negotiated free trade agreement. The key risks identified, and the actions taken are as follows:

- Imports to the UK. The UK government has indicated the potential tariffs on imports in the absence of a free trade agreement. We expect these to have a modest impact on the Group due to the level of raw material purchases from the EU.
- Disruption to EU-UK logistics. Where appropriate, we have plans to increase inventory levels to partially mitigate the risk.

COVID-19 update

With the impact of the global pandemic and resulting social and commercial restrictions continuing in 2021, we have developed a flexible plan based on the learnings of 2020, that will enable Britvic to respond to severe but plausible scenarios and their potential impact on revenue, profit and cash. During the year, government restrictions on trading activity in the Out-of-Home channel and on the movement of people in each of our markets had a significant impact on our business. As expected, the largest impacts have been seen in our markets with significant exposure to Out-of-Home, namely GB and Ireland. The actions planned to mitigate the adverse impact, which included reduced A&P spend, variable reward and discretionary spend as well as stopping all non-essential and non-committed capex, have been successfully implemented in 2020.

In March 2020, we shared sensitivity analysis that quantified the expected impact on our business of a full lockdown in all our markets of £12m-18m per month for the second half of 2020, reflecting peak seasonal trading. This estimate

has proved to be reasonable during the period of the most widespread restrictions in 2020, and in assessing the impact of any future restrictions we now have a greater level of clarity on the trends we would expect to see in each of our markets and the mitigating actions we can take. In 2021 the possibility of continued and potentially increased restrictions means there is a high degree of uncertainty in predicting the potential outlook for our business.

Taking into account the learnings from this year, we have continued to analyse a range of possible scenarios to model different levels of impact on revenue, profit and cash, and the offsetting effect of the controllable mitigating actions over the course of the next 12 months. We have tested the possibility of the debt covenants being breached in March 2021. This is the most sensitive test point, as the EBITDA modelling assumes a full 12 months of reduced trading due to the impact of restrictions, on top of our usual working capital peak ahead of summer trading. Under all the scenarios modelled, and after taking mitigating actions available in the first half of the year including the phasing of A&P and capital spend into the second half of the year, our forecasts do not indicate breach. This is also the case for the forecast covenant test at the end of September 2021.

These scenarios include a range of estimated impacts, primarily based on the length of time various levels of restrictions are in place, and the severity of the consequent impact of those restrictions on our At-Home and Out-of-Home channels. For each of our markets we have sensitised the revenue, profit and cash flow impact of reduced trading activity in our Out-of-Home channel and changes in product mix, including lower on-the-go volumes, for the key At-Home channels. The assumptions used reflect the trends we have seen in 2020. The scenarios are most sensitive to the assumptions made for GB and Ireland, where we have more significant exposure to Out-of-Home channels. France and Brazil are predominantly At-Home markets and therefore drive less sensitivity. The scenarios include an assumption that a level of restrictions on movement and social distancing will remain at current or increased levels during the first half of 2021, with Out-of-Home volumes gradually improving during the second half of 2021.

Under each scenario, mitigating actions are all within management control, can be initiated as they relate to discretionary spend, and do not impact our ability to meet demand. We continue to believe that the risk of enforced factory closure is low and during 2020 implemented additional health and safety measures in each of our factories to reduce the risk of a major supply disruption. We have also put contingency supply arrangements in place for key raw materials should they be required.

In all the scenarios we have modelled, there remains significant liquidity headroom under our existing debt facilities at each month end. On 30 September, the adjusted net debt position was £520.4m and our covenant net debt to EBITDA ratio was 2.4x, with a covenant EBITDA to Net Interest Expense ratio of 11.0x. The RCF of £400m was undrawn, with an additional £109.2m of cash holdings. In addition, we have access to private placement notes totalling approximately £625m, with maturities out to 2035. £65m of the USPP notes are due to be repaid before February 2021. No further USPP notes mature until December 2022. During 2020 we also re-financed our £400m RCF up to 2025, with the potential to extend maturity to 2027 with lender consent. The RCF also offers an accordion facility of £200m, again with lender consent. Covenants are set at a maximum of 3.5x Net Debt to EBITDA and a minimum of 3.0x EBITDA to Net Interest Expense in all our lending agreements.

Risk management process

As with any business, we face risks and uncertainties. We believe that effective risk management supports the successful delivery of our strategic objectives. The management of these risks is based on a balance of risk and reward, determined through assessment of the likelihood and impact, as well as the Group's risk appetite. The Executive team performs a formal robust assessment of the principal risks facing the Group bi-annually, which is reviewed by the Board. Similarly, all business units and functions perform formal risk assessments that consider the Group's principal risks and specific local risks relevant to the market in which they operate.

Risks are monitored throughout the year with consideration given to internal and external factors and the Group's risk appetite. Updates to risks and mitigation plans are made as required. In response to the COVID-19 pandemic, the risk team has supported each of our markets and functions to identify the actions required to ensure business continuity.

We have also reassessed our principal risks in light of the pandemic and have identified a specific risk that considers reduced demand in the Out-of-Home channel, volatility in the At-Home channel, cancellation of key marketing events and the potential impact on liquidity and debt covenants. It also considers the impact of new ways of working on employees, our ability to meet statutory deadlines and risks associated with supply of products across our various markets.

A number of controls and mitigations have been put in place at a Group level in response to this risk, including frequent monitoring of cash, financial scenario planning and cost mitigation actions, as well as additional health and safety procedures in each of our factories.

Our supply chain teams have responded with pace, optimising production schedules and operations to mitigate some of the adverse impacts on our business. All our plants are operational and operating with increased agility during these times. We have been successfully collaborating with suppliers and customers to prioritise key SKUs and ensure continuity of supply and protect on-shelf availability. This has enabled us to limit the impact on our customer service levels.

We have increased the likelihood of our Legal & Regulatory Principal Risk given the level of change in regulation, both new and modifications to existing laws. A new Principal Risk was added in reference to Brexit.

CONSOLIDATED INCOME STATEMENT

	Note	12 months ended 30 September 2020 £m	Restated* 52 weeks ended 29 September 2019 £m
Revenue	2,3	1,412.4	1,545.0
Cost of sales		(851.6)	(898.1)
Gross profit		**560.8**	**646.9**
Selling and distribution expenses		(229.0)	(229.6)
Administration expenses		(201.1)	(256.1)
Assets held for sale – impairment charge		(0.4)	(31.2)
Operating profit		**130.3**	**130.0**
Finance income		2.4	1.0
Finance costs		(21.5)	(20.7)
Profit before tax		**111.2**	**110.3**
Taxation	4	(16.6)	(29.4)
Profit for the period attributable to the equity shareholders		**94.6**	**80.9**
Earnings per share			
Basic earnings per share	5	35.6p	30.6p
Diluted earnings per share	5	35.4p	30.3p

All activities relate to continuing operations.

* Please refer to note 2 for details of reclassification restatement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(EXPENSE)

	12 months ended 30 September 2020 £m	Restated* 52 weeks ended 29 September 2019 £m
Profit for the period attributable to the equity shareholders	**94.6**	**80.9**
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurement (losses)/gains on defined benefit pension plans	(43.3)	22.1
Current tax on additional pension contributions	-	0.2
Deferred tax on defined benefit pension plans	6.4	(4.2)
Deferred tax on other temporary differences	(0.1)	0.2
	(37.0)	**18.3**
Items that may be subsequently reclassified to profit or loss		
(Losses)/gains in in respect of cash flow hedges	(4.9)	15.0
Amounts recycled to the income statement in respect of cash flow hedges	6.6	(7.5)
Current tax on cash flow hedges accounted for in the hedging reserve	-	(0.2)
Deferred tax in respect of cash flow hedges accounted for in the hedging reserve	(0.2)	(1.3)
Exchange differences reclassified to profit or loss on disposal of foreign operations	(2.3)	
Exchange differences on translation of foreign operations	(38.2)	0.7
Tax on exchange differences accounted for in the translation reserve	(0.6)	(0.2)
	(39.6)	**6.5**
Other comprehensive income for the period, net of tax	**(76.6)**	**24.8**
Total comprehensive income for the period attributable to the equity shareholders	**18.0**	**105.7**

* Please refer to note 2 for details of restatement.

CONSOLIDATED BALANCE SHEET

	Note	30 September 2020 £m	Restated* 29 September 2019 £m
Assets			
Non-current assets			
Property, plant and equipment		462.7	494.0
Right-of-use assets	8	78.1	-
Intangible assets		409.4	427.8
Other receivables		6.0	6.5
Derivative financial instruments	9	25.2	39.5
Deferred tax asset		4.8	5.6
Pension asset		101.8	142.4
		1,088.0	**1,115.8**
Current assets			
Inventories		118.5	141.0
Trade and other receivables		335.5	358.0
Current income tax receivables		13.1	5.6
Derivative financial instruments	9	12.1	29.9
Cash and cash equivalents		109.2	49.0
Other current assets		10.0	-
		598.4	**583.5**
Assets held for sale		20.3	42.1
		618.7	**625.6**
Total assets		**1,706.7**	**1,741.4**
Current liabilities			
Trade and other payables		(358.8)	(412.4)
Contract rebate liabilities		(107.3)	(98.7)
Lease liabilities	8	(9.6)	-
Interest bearing loans and borrowings	7	(78.7)	(166.3)
Derivative financial instruments	9	(2.2)	(0.7)
Current income tax payable		(2.4)	(4.6)
Provisions		(13.6)	(4.1)
Other current liabilities		(10.2)	(2.5)
		(582.8)	**(689.3)**
Liabilities held for sale		(0.1)	(28.4)
		(582.9)	**(717.7)**
Non-current liabilities			
Interest bearing loans and borrowings	7	(586.0)	(517.2)
Lease liabilities	8	(70.2)	-
Deferred tax liabilities		(69.4)	(69.8)
Pension liability		(10.7)	(14.9)

	Note		
Derivative financial instruments	9	(3.3)	(3.1)
Provisions		(1.1)	(3.2)
Other non-current liabilities		(7.6)	(0.1)
		(748.3)	**(608.3)**
Total liabilities		**(1,331.2)**	**(1,326.0)**
Net assets		**375.5**	**415.4**
Capital and reserves			
Issued share capital		53.4	53.1
Share premium account		154.1	145.5
Own shares reserve		(3.7)	(10.3)
Other reserves		59.8	99.4
Retained earnings		111.9	127.7
Total equity		**375.5**	**415.4**

* Please refer to note 2 for details of restatement.

The financial statements were approved by the board of directors and authorised for issue on 26 November 2020. They were signed on its behalf by:

Simon Litherland Joanne Wilson

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m
Cash flows from operating activities			
Profit before tax		111.2	110.3
Net finance costs		19.1	19.7
Other financial instruments		(0.2)	–
Net impairment/(reversal of impairment) of property, plant and equipment		(0.7)	(3.8)
Impairment of right-of-use assets		0.2	–
Impairment of assets held for sale		0.4	31.2
Impairment of intangible assets		8.1	–
Depreciation of property, plant and equipment		43.0	51.7
Depreciation of right of use assets	8	11.0	–
Loss on disposal of property, plant and equipment and intangible assets		4.3	11.9
Amortisation		15.9	18.5
Share-based payments charge net of cash settlements		0.1	11.3
Net pension charge less contributions		(6.9)	(16.4)
Foreign exchange gains		(2.9)	–
Non-cash loss on disposal of assets held for sale	10	0.9	–
Decrease/(increase) in inventory		11.9	(7.8)
Decrease/(increase) in trade and other receivables		22.4	(20.7)
Increase in other current assets		(10.0)	–
(Decrease)/increase in trade, other payables and contract liabilities		(45.3)	4.5
Increase/(decrease) in provisions		8.0	(1.6)
Income tax paid		(21.7)	(23.7)
Net cash flows from operating activities		**168.8**	**185.1**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	0.3
Purchases of property, plant and equipment		(43.7)	(67.4)
Purchases of intangible assets		(6.3)	(7.4)
Interest received		0.7	0.9
Divestment of subsidiary	10	13.2	–
Acquisition of subsidiaries, net of cash acquired	10	(2.2)	–
Net cash flows used in investing activities		**(38.3)**	**(73.6)**
Cash flows from financing activities			
Interest paid, net of derivative financial instruments		(16.5)	(21.0)
Net movement on revolving credit facility	7	(64.9)	8.7
Other loans repaid	7	(0.1)	(0.3)
Payment of principal portion of lease liabilities	8	(10.2)	–
Payment of interest element of lease liabilities	8	(2.1)	–
Repayment of finance leases	7	–	(0.9)
Partial repayment of 2007 private placement notes	7	–	(77.0)
Repayment of 2009 private placement notes	7	(68.4)	–
Draw down of 2020 private placement notes	7	152.2	-

Other derivative cash payments		(2.5)	–
Issue costs paid	7	(2.6)	–
Issue of shares relating to incentive schemes for employees		6.7	2.2
Purchase of own shares		(2.8)	(8.4)
Dividends paid to equity shareholders		(57.6)	(75.6)
Net cash flows used in financing activities		**(68.8)**	**(172.3)**
Net increase/(decrease) in cash and cash equivalents		61.7	(60.8)
Cash and cash equivalents at beginning of period		49.0	109.5
Exchange rate differences		(1.5)	0.3
Cash and cash equivalents at the end of the period		**109.2**	**49.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Own shares reserve £m	Other Reserves			Retained earnings £m	Total £m
				Hedging reserve £m	Translation reserve £m	Merger reserve £m		
At 1 October 2018 (as previously reported)	**52.9**	**139.1**	**(5.4)**	**(7.2)**	**12.8**	**87.3**	**97.8**	**377.3**
Adjustment on correction of error*	–	–	–	–	–	–	3.4	3.4
At 1 October 2018 (restated)	**52.9**	**139.1**	**(5.4)**	**(7.2)**	**12.8**	**87.3**	**101.2**	**380.7**
Profit for the period	–	–	–	–	–	–	80.9	80.9
Other comprehensive income	–	–	–	6.0	0.5	–	18.3	24.8
Total comprehensive income	**–**	**–**	**–**	**6.0**	**0.5**	**–**	**99.2**	**105.7**
Issue of shares	0.2	6.4	(4.3)	–	–	–	–	2.3
Own shares purchased for share schemes	–	–	(9.0)	–	–	–	–	(9.0)
Own shares utilised for share schemes	–	–	8.4	–	–	–	(7.5)	0.9
Movement in share-based schemes	–	–	–	–	–	–	9.4	9.4
Current tax on share options exercised	–	–	–	–	–	–	0.3	0.3
Deferred tax on share options granted to employees	–	–	–	–	–	–	0.7	0.7
Payment of dividend	–	–	–	–	–	–	(75.6)	(75.6)
At 29 September 2019 (restated)	**53.1**	**145.5**	**(10.3)**	**(1.2)**	**13.3**	**87.3**	**127.7**	**415.4**
Profit for the period	–	–	–	–	–	–	94.6	94.6
Other comprehensive income/(expense)	–	–	–	1.5	(41.1)	–	(37.0)	(76.6)
Total comprehensive income/(expense)	**–**	**–**	**–**	**1.5**	**(41.1)**	**–**	**57.6**	**18.0**
Issue of shares	0.3	8.6	(3.7)	–	–	–	–	5.2
Own shares purchased for share schemes	–	–	(2.8)	–	–	–	–	(2.8)
Own shares utilised for share schemes	–	–	13.1	–	–	–	(17.1)	(4.0)
Movement in share-based schemes	–	–	–	–	–	–	1.3	1.3
Current tax on share options exercised	–	–	–	–	–	–	1.4	1.4
Deferred tax on share options granted to employees	–	–	–	–	–	–	(1.4)	(1.4)
Payment of dividend	–	–	–	–	–	–	(57.6)	(57.6)
At 30 September 2020	**53.4**	**154.1**	**(3.7)**	**0.3**	**(27.8)**	**87.3**	**111.9**	**375.5**

* Please refer to note 2 for details of restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information
The preliminary consolidated financial information were authorised for issue by the Board of Directors on 26 November 2020.

The preliminary consolidated financial information for the 12 months ended 30 September 2020, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The preliminary consolidated financial information does not constitute statutory consolidated financial statements as defined by section 434 of the Companies Act 2006.

The Annual Report and Group financial statements for the 12 months ended 30 September 2020 were approved by the board on 26 November 2020. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The Annual Report and Group financial statements for 2020 will be filed with the Registrar of Companies in due course.

The Annual Report and Group financial statements for the 52 week period ended 29 September 2019 were approved by the board on 27 November 2019. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2. Accounting policies
The accounting policies are consistent with those described in the Annual Report and Group financial statements 2020.

Going concern
As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the Annual Report and financial statements, a range of scenarios including a view of severe but plausible levels of COVID-19 restrictions across our markets have been reviewed. The assumptions modelled are based on the estimated potential impact of further COVID-19 restrictions to March 2022, along with an assessment of the impact of key risks defined in the viability statement, including Brexit, that could reasonably arise in the period, and our proposed responses.

In particular, we have tested the possibility of the debt covenants being breached at the six monthly measurement dates, which are aligned to our reporting dates, to March 2022 with March 2021 being the most sensitive test point as the EBITDA modelling assumes a full 12 months of reduced trading due to the impact of restrictions and a working capital peak ahead of summer trading. Under all the severe but plausible scenarios modelled, and after taking mitigating actions available in H1 including the phasing of certain A&P and Capex into H2 our forecasts did not indicate a breach at any point. This is also the case for September 2021.

The estimated impacts of COVID-19 restrictions are primarily based on the length of time various levels of restrictions are in place, and the severity of the consequent impact of those restrictions on our At-Home and Out-of-Home channels in each market.

For each of our markets we have sensitised the revenue, profit and cash flow impact of reduced trading activity in our Out-of-Home channel and a negative impact of changes in product mix, including lower on-the-go volumes, for the At-Home channel. The scenarios are most sensitive to the assumptions made for GB and Ireland where exposure to the Out-of-Home channel is greater. France and Brazil are predominantly At-Home markets and therefore drive less sensitivity.

A key judgement applied is the likely time period of restrictions on trading activity in the Out-of-Home channel, and the possibility that restrictions will persist throughout 2021. The most severe scenario includes an assumption that a level of restrictions will remain in place until October 2021 with Out-of-Home outlets only gradually returning towards pre-COVID levels at the beginning of FY22.

Under each scenario, mitigating actions are all within management control and can be initiated as they relate to discretionary spend, and do not impact the ability to meet demand. These actions include some of the savings from strategic restructuring completed during FY20 and the rephasing of A&P and non-essential capex into the second half of FY21.

As part of the Going Concern assessment COVID-19 scenarios have been combined with the potential impact of key risks that could reasonably arise in the period, to assess the extent to which further mitigating actions would be required, and confirm that they are within management control.

As at 30 September 2020, the consolidated balance sheet reflects a net asset position of £375.5m. In 2020 we re-financed our £400m bank facility with a maturity date of November 2025 and approximately £625m of private placement notes, at contracted rates, with maturity dates between 2020 and 2035. £65m of the private placement notes have a maturity date before February 2021. Undrawn facilities as at 30 September were approximately £400m and the RCF also offers an accordion facility of £200m, with lender consent. In all scenarios modelled our liquidity requirements are within the £400m RCF facility.

Debt covenant limits are set at a ratio of 3.5x (rolling 12-month EBITDA/ Adjusted Net Debt) and 3.0x (rolling 12-month EBITDA/ Net Interest Expenses) in all of our lending agreements. At 30 September 2020, the net debt position was £520.4m, our covenant net debt EBITDA ratio was 2.4x and our covenant net interest EBITDA ratio was 11x.

On the basis of these reviews, the directors consider it is appropriate for the going concern basis to be adopted in preparing the Annual Report and financial statements.

Impact of COVID-19 on financial statements at 30 September 2020

Management has considered the impact on accounting policies, judgements and estimates in light of the impact of COVID-19 restrictions − in particular we have considered, expected credit loss for the Group's trade debtors where customers have been assessed for potential risk, and a provision made for potential future debt which is not considered material to the Group's receivables. The net realisable value of inventory for the Out-of-Home channel has also been assessed and a provision made which is not considered material to the inventory balance at 30 September 2020.

Impairment reviews of goodwill and intangible assets have been performed for each cash-generating unit using cash flow projections and sensitised based on the severe scenarios reviewed for the going concern review. Please refer to note 15 of the Annual Report for the outcome of these considerations.

New standards adopted in the current period

Initial adoption of IFRS 16 – 'Leases'

IFRS 16, the new financial reporting standard on accounting for leases replacing IAS 17, was adopted on 30 September 2019 using the 'modified retrospective' transition approach, meaning that comparative financial information at 29 September 2019, including disclosures, has not been restated. IFRS 16 eliminated the classification of leases as either operating leases or finance leases for the lessee and, instead, introduced a single lessee accounting model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

Impact on lessee accounting

Applying IFRS 16, the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, on transition at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement;

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (leases less than £3,600) the Group recognises lease expense on a straight-line basis as permitted by IFRS 16.

The Group has used the following practical expedients when applying the modified retrospective to leases previously classified as operating leases under IAS 17:

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities for certain leases for which the lease term ends within 12 months of the date of initial application.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17).

The most significant IFRS 16 judgements and estimations involve the selection of an appropriate incremental borrowing rate to calculate the lease liability. Where possible, lease payments are discounted using the interest rate implicit in the contract. Alternatively, the Group's incremental borrowing rate is used. Further judgement was needed in determining the commencement date and duration of leases, these have been based on the dates within the lease contract, or in the case of the Rugby Combined Heat and Power (CHP) plant asset, when management assessed that the leased asset was available for use for its intended purpose.

Impact on lessor accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Financial impact of initial application of IFRS 16
The effect of adopting IFRS 16 on the statement of financial position at 30 September 2019 was as follows:

	Total £m
Assets	
Property, plant and equipment	(0.8)
Right-of-use assets	43.1
Other receivables	(1.3)
Assets held for sale	6.5
	47.5
Liabilities	
Lease liabilities	(42.6)
Interest bearing loans and borrowings	1.0
Provisions	0.6
Liabilities held for sale	(6.5)
	(47.5)
Net assets	**–**

As at 29 September 2019, the Group had non-cancellable operating lease commitments of £51.9m. See below for a reconciliation between operating leases recognised as at 29 September 2019 and leases recognised under IFRS 16 as at 30 September 2019.

	Total £m
Operating lease commitments at 29 September 2019	
Within one year	7.9
After one year but not more than five years	15.8
After more than five years	28.2
Total	**51.9**
Additional lease commitments identified at 29 September 2019	8.1
Lease payments relating to renewal periods not included in operating lease commitments at 29 September 2019	5.8
Undiscounted operating lease commitments	**65.8**
Discounted operating lease commitments*	48.1
Less lease liabilities recognised within disposal Groups held for sale	(6.5)
Add finance leases reclassified from interest bearing loans and borrowings	1.0
Lease liability at 30 September 2019	**42.6**

* The weighted average incremental borrowing rate applied on transition was 2.4%.

IFRIC 23 Uncertainty over income tax treatments
The new interpretation is effective for the Group for the period commencing 30 September 2019. The Interpretation clarifies application of recognition and measurement requirements in IAS 12 'Income Taxes'. There was no material impact on the Group's financial statements.

Restatement of expenses in the income statement
The Group has reclassified certain marginal expenses between selling and distribution and cost of sales to provide a more accurate split of costs in line with income statement categories.

Costs identified were more aligned to cost of sales in nature, for example, marginal production costs, certain employee costs and utility costs.

	As reported 2019 £m	Reclassification £m	Restated 2019 £m
Revenue	1,545.0	–	1,545.0
Cost of sales	(734.0)	(164.1)	(898.1)
Gross profit	**811.0**	**(164.1)**	**646.9**
Selling and distribution expenses	(393.7)	164.1	(229.6)
Administration expenses	(256.1)	–	(256.1)
Assets held for sale – impairment charge	(31.2)	–	(31.2)
Operating profit	**130.0**	**–**	**130.0**

Restatement of tax balances
As part of continuous control improvements being undertaken, a detailed review of historical tax balance sheet positions was carried out. This highlighted that errors had arisen in calculating the tax charge predominantly due to incorrect recognition of historical prior year adjustments from 2015-2018. As a result, the current income tax receivable at 29 September 2019 was understated by a total £4.2m. The affected line items are Current Income tax receivables, deferred tax liabilities and retained earnings.

Given the errors date back to years prior to 2019 the opening 2019 balance sheet has been corrected by restating each of the affected financial statement lines items as follows:

	As reported 29 September 2019 £m	Correction £m	Restated 29 September 2019 £m
Current income tax receivables	1.4	4.2	5.6
Deferred tax liabilities	(69.0)	(0.8)	(69.8)
Capital and reserve			
Retained earnings	124.3	3.4	127.7

	As reported 1 October 2018 £m	Correction £m	Restated 1 October 2018 £m
Current income tax receivables	2.3	4.2	6.5
Deferred tax liabilities	(62.5)	(0.8)	(63.3)
Capital and reserve			
Retained earnings	97.8	3.4	101.2

New internal controls have subsequently been implemented to prevent or detect future errors occurring.

Restatement of 2019 consolidated statement of comprehensive income

The Group has restated the 2019 consolidated statement of comprehensive income to correct a disclosure error related to the 2007 cross currency interest rate swaps. There is no impact of the restatement on the total other comprehensive income reported for 2019. The previously reported amounts are reconciled to the restated amounts as follows:

Consolidated statement of comprehensive income	As previously reported £m	Correction £m	Restated £m
Amounts recycled to the income statement in respect of cash flow hedges			
Forward currency contracts	1.5	–	1.5
2007 cross currency interest rate swaps	32.7	(33.7)	(1.0)
2010 cross currency interest rate swaps	(2.7)	–	(2.7)
2014 cross currency interest rate swaps	(5.3)	–	(5.3)
	26.2	**(33.7)**	**(7.5)**
(Losses)/gains in the period in respect of cash flow hedges			
Forward currency contracts	(1.0)	–	(1.0)
2007 cross currency interest rate swaps	(32.6)	33.7	1.1
2010 cross currency interest rate swaps	4.5	–	4.5
2014 cross currency interest rate swaps	10.4	–	10.4
	(18.7)	**33.7**	**15.0**

3. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the plc Executive team and Board of Directors of the company.

For management purposes, the Group is organised into business units and has five reportable segments. GB Carbs and GB Stills segments have been aggregated and are presented as GB for 2020 following a review of operating segments as follows:

- GB – United Kingdom excluding Northern Ireland.
- Brazil
- Ireland – Republic of Ireland and Northern Ireland
- France
- International

These business units sell soft drinks into their respective markets. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on brand contribution. This is defined as revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Such costs include brand specific advertising and promotion costs, raw materials and marginal production and distribution costs. However, Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to reportable segments.

			Rest of world				
12 months ended 30 September 2020	**GB £m**	**Brazil £m**	**Ireland £m**	**France £m**	**International £m**	**RoW £m**	**Total £m**
Revenue from external customers	**884.9**	**113.1**	**146.6**	**228.3**	**39.5**	**414.4**	**1,412.4**
Brand contribution	**351.0**	**24.6**	**46.4**	**76.5**	**6.7**	**129.6**	**505.2**
Non-brand advertising & promotion*							**(10.2)**
Fixed supply chain**							**(131.8)**

Selling costs**	**(77.4)**
Overheads and other costs*	**(120.0)**
Adjusted operating profit* **	**165.8**
Net finance costs	**(18.9)**
Adjusting items***	**(35.7)**
Profit before tax	**111.2**

* Included within 'administration expenses' in the consolidated income statement. 'Overheads and other costs' relate to central expenses including salaries, IT maintenance, depreciation and amortisation.

** Included within 'selling and distribution costs' in the consolidated income statement.

*** See Non-GAAP reconciliations for further details on adjusting items.

The 'ROW' subtotal includes Ireland, France & International. The 2019 comparative table below has been updated to reflect this subtotal.

	GB			Brazil	Rest of world				
52 weeks ended 29 September 2019	**GB stills £m**	**GB carbs £m**	**Total GB £m**	**Brazil £m**	**Ireland £m**	**France £m**	**International £m**	**RoW £m**	**Total £m**
Revenue from external customers	**281.8**	**663.6**	**945.4**	**124.8**	**175.8**	**244.9**	**54.1**	**474.8**	**1,545.0**
Brand contribution	**120.5**	**259.0**	**379.5**	**28.3**	**52.0**	**80.0**	**11.3**	**143.3**	**551.1**
Non-brand advertising & promotion*									(10.5)
Fixed supply chain**									(108.0)
Selling costs**									(83.0)
Overheads and other costs*									(135.5)
Adjusted operating profit* **									**214.1**
Net finance costs									(19.2)
Adjusting items***									(84.6)
Profit before tax									**110.3**

* Included within 'administration expenses' in the consolidated income statement. 'Overheads and other costs' relate to central expenses including salaries, IT maintenance, depreciation and amortisation, and have been restated to exclude acquisition related amortisation.

** Included within 'selling and distribution costs' in the consolidated income statement.

*** See Non-GAAP reconciliations for further details on adjusting items.

4. Taxation

	2020 £m	**2019 £m**
Income statement		
Current income tax		
Current income tax charge	(17.7)	(28.4)
Amounts over provided in previous years	2.2	0.9
Total current income tax charge	**(15.5)**	**(27.5)**
Deferred income tax		
Origination and reversal of temporary differences	(2.6)	(3.2)
Amounts over provided in previous years	1.5	1.3
Total deferred tax charge	**(1.1)**	**(1.9)**
Total tax charge in the income statement	**(16.6)**	**(29.4)**

5. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to the equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

	2020 £m	2019 £m
Basic earnings per share		
Profit for the period attributable to equity shareholders	94.6	80.9
Weighted average number of ordinary shares in issue for basic earnings per share	**265.9**	**264.5**
Basic earnings per share	**35.6p**	**30.6p**

	2020 £m	2019 £m
Diluted earnings per share		
Profit for the period attributable to equity shareholders	94.6	80.9
Effect of dilutive potential ordinary shares – share schemes	1.3	2.4
Weighted average number of ordinary shares in issue for diluted earnings per share	**267.2**	**266.9**
Diluted earnings per share	**35.4p**	**30.3p**

The Group has granted share options to employees which have the potential to dilute basic EPS in the future which have not been included in the calculation of diluted EPS as they are antidilutive for the periods presented.

6. Dividends paid and proposed

	2020 £m	2019 £m
Declared and paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2019: 21.7p per share (2018: 20.3p per share)	57.6	53.6
Interim dividend for 2020: nil per share (2019: 8.3p per share)	-	22.0
Dividends paid	**57.6**	**75.6**
Proposed		
Final dividend for 2020: 21.6p per share (2019: 21.7p per share)	**57.7**	**57.6**

7. Interest bearing loans and borrowings

	2020 £m	2019 £m
Current		
Finance leases	-	(0.7)
Bank loans	(0.1)	(66.9)
Private placement notes	(79.2)	(99.2)
Less: unamortised issue costs	0.6	0.5
Total current	**(78.7)**	**(166.3)**

	2020 £m	2019 £m
Non-current		
Finance leases	-	(0.3)
Bank loans	-	(0.1)
Private placement notes	(588.6)	(518.0)

Less: unamortised issue costs	2.6	1.2
Total non-current	**(586.0)**	**(517.2)**
Total interest bearing loans and borrowings	**(664.7)**	**(683.5)**

Total interest bearing loans and borrowings comprise the following:

	2020 £m	2019 £m
Finance leases	-	(1.0)
2009 Notes	-	(96.5)
2010 Notes	(90.5)	(94.7)
2014 Notes	(123.3)	(127.7)
2017 Notes	(175.0)	(175.0)
2018 Notes	(121.3)	(120.6)
2020 Notes	(154.3)	-
Accrued interest	(3.4)	(2.7)
Bank loans	(0.1)	(67.0)
Capitalised issue costs	3.2	1.7
	(664.7)	**(683.5)**

Analysis of changes in interest-bearing loans and borrowings

	2020 £m	2019 £m
At the beginning of the period	**(683.5)**	**(769.1)**
Net movement on revolving credit facility	64.9	(8.7)
Other loans repaid	0.1	0.3
Partial repayment of private placement notes*	90.3	77.0
Drawdown of 2020 private placement notes	(152.2)	–
Issue costs	2.6	–
Reclass of finance leases on adoption of IFRS 16 (note 2)	1.0	–
Repayment of finance leases	–	0.9
Amortisation of issue costs and write-off of financing fees	(1.1)	(0.3)
Net translation gain and fair value adjustment	13.9	15.8
Accrued interest	(0.7)	0.6
At the end of the period	**(664.7)**	**(683.5)**
Derivatives hedging balance sheet debt**	35.1	68.3
Debt translated at contracted rate	**(629.6)**	**(615.2)**

* During the year ended 30 September 2020, the 2009 USPP Notes were repaid and the associated derivatives and firm commitment liability were settled, resulting in a net cash outflow of £68.4m. This comprised a payment of £92.7m in respect of the outstanding loans and borrowings of £90.3m and firm commitment of £2.4m and net cash proceeds received of £24.3m on maturity of the related cross currency interest rate swaps.

** Represents the element of the fair value of interest rate currency swaps hedging the balance sheet value of the private placement notes. This amount has been disclosed separately to demonstrate the impact of foreign exchange movements which are included in interest bearing loans and borrowings.

8. Leases

The Group has lease contracts for properties, plant and machinery and vehicles. Leases of property have lease terms between 5 and 75 years, plant and machinery generally have lease terms between 5 and 10 years, while motor vehicles generally have lease terms between 2 and 4 years. There are several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Where a lease contract contains an extension or termination option, management use judgement to determine the lease term when measuring lease liabilities. At 30 September 2020, the

undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are not material.

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leased property £m	Leasehold plant and machinery £m	Leased vehicles £m	Total £m
At 30 September 2019 net of accumulated depreciation*	**30.3**	**7.3**	**5.5**	**43.1**
Exchange differences	(0.1)	(0.1)	(0.1)	(0.3)
Acquisitions	0.2	–	0.2	0.4
Additions	43.7	1.7	0.7	46.1
Depreciation charge for the period	(5.3)	(3.1)	(2.6)	(11.0)
Impairment charge	(0.2)	–	–	(0.2)
At 30 September 2020 net of accumulated depreciation	**68.6**	**5.8**	**3.7**	**78.1**

* Right-of-use asset recognised on adoption of IFRS 16, see note 2

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Total £m
At 30 September 2019, on adoption of IFRS16 (note 2)	**42.6**
Exchange differences	(0.3)
Acquisitions (note 10)	0.3
Additions*	46.1
Accretion of interest	2.0
Payment of principal element of lease liabilities	(8.9)
Payment of interest element of lease liabilities	(2.0)
At 30 September 2020	**79.8**
Current	**9.6**
Non-current	**70.2**
At 30 September 2020	**79.8**

* Additions include £42.1m in relation to the combined heating and power plant at Rugby, which was made available and brought into use on 1 December 2019. The undiscounted cash flows for this asset were previously included within the capital commitments disclosed at 29 September 2019.

The maturity analysis of lease liabilities is disclosed in the liquidity risk section of note 25 in the Annual Report and Group financial statements for the 12 months ended 30 September 2020.

The following are the amounts recognised in the Income Statement:

	2020 £m
Depreciation of right-of-use assets	11.0
Impairment of right-of-use assets	0.2
Interest expense on lease liabilities	2.1
Total amount recognised in profit or loss	**13.3**

* Lease liabilities interest expense includes £0.1m in respect of lease liabilities classified within disposal Groups held for sale.

The Group had total cash outflows for leases of £12.3 million during the year ended 30 September 2020, including £1.4m related to leases classified within disposal Groups held for sale.

Comparative disclosures required by IAS 17

On 30 September 2019 the Group adopted IFRS 16 Leases using the modified retrospective approach. Accordingly, prior year financial statements and disclosures have not been restated. Lease disclosures required by IFRS 16 for the year ended 30 September 2020 are presented above and the lease disclosures required by the predecessor standard, IAS 17, are presented below.

Operating lease commitments

Future minimum lease payments under non-cancellable operating leases were as follows:

	2019		
	Land and buildings £m	Other £m	Total £m
Within one year	4.0	3.9	7.9
After one year but not more than five years	10.5	5.3	15.8
After more than five years	28.1	0.1	28.2
	42.6	**9.3**	**51.9**

Finance lease commitments

Future minimum lease payments under finance leases were as follows:

	2019 £m
Within one year	0.7
After one year but not more than five years	0.3
	1.0

Due to the timing of the expiry of the finance lease commitments, there was no material difference between the total future minimum lease payments and their fair value.

9. Derivatives and hedge relationships

As at 30 September 2020 the Group had entered into the following derivative contracts.

	2020 £m	**2019 £m**
Consolidated balance sheet		
Non-current assets: derivative financial instruments		
Fair value of the USD GBP cross currency fixed interest rate swaps*	22.3	30.1
Fair value of the USD GBP cross currency floating interest rate swaps***	2.9	9.3
Fair value of forward currency contracts	–	0.1
	25.2	**39.5**
Current assets: derivative financial instruments		
Fair value of the USD GBP cross currency fixed interest rate swaps*	5.1	0.6
Fair value of the USD GBP cross currency floating interest rate swaps***	5.2	26.9
Fair value of the GBP euro cross currency floating interest rate swaps**	–	0.3
Fair value of forward currency contracts*	1.6	2.1
Fair value of forward currency contracts	0.2	–
	12.1	**29.9**
Current liabilities: derivative financial instruments		
Fair value of forward currency contracts*	(0.2)	(0.4)
Fair value of forward currency contracts	(0.6)	(0.2)

Fair value of the GBP euro cross currency floating interest rate swaps**	(1.4)	(0.1)
	(2.2)	**(0.7)**
Non-current liabilities: derivative financial instruments		
Fair value of the GBP euro cross currency fixed interest rate swaps**	(1.7)	(3.1)
Fair value of forward currency contracts*	(0.1)	–
Fair value of euro interest rate swaps*	(0.1)	–
Fair value of GBP interest rate swaps*	(1.4)	–
	(3.3)	**(3.1)**

* Instruments designated as part of a cash flow hedge relationship.
** Instruments designated as part of a net investment hedge relationship.
*** Instruments designated as part of a fair value hedge relationship.

10. Acquisitions & Disposals

Acqusitions

On 6 June 2020, the Group acquired 100% of the issued share capital of The Boiling Tap Company Ltd (TBTC), an Integrated Tap System (ITS) business that supplies high quality taps to commercial customers across GB offering hot, cold and sparkling water. The acquisition provides Britvic access to the rapidly growing ITS filtered water dispense market, transforms Britvic's capabilities in ITS and enables Britvic to rapidly accelerate the development and roll out of flavoured tap station solutions. The acquisition is a key contributor towards Britvic's strategic objectives to 'breakthrough solutions beyond the bottle' and 'flavour billions of water occasions'.

The initial accounting for the acquisition is provisional at the end of the reporting period due to the significant uncertainties posed by COVID-19 on the valuation of intangible assets and contingent consideration. The acquisition accounting may be subject to revision during the 12 months following the acquisition date.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of TBTC at the date of acquisition were as follows:

	2020
Assets	
Intangible assets; technology	3.8
Intangible assets; customer relationships	4.8
Property, plant and equipment	0.1
Right-of-use assets (note 8)	0.4
Inventories	0.6
Trade and other receivables	0.6
Cash and cash equivalents	0.4
Total	**10.7**
Liabilities	
Trade and other payables	(0.6)
Lease liabilities (note 8)	(0.1)
Current income tax payable	(0.2)
Other liabilities	(0.2)
Non- current deferred tax liability	(1.6)
Non-current lease liabilities (note 8)	(0.2)
Total	**(2.9)**
Total identifiable net assets at fair value	**7.8**

Goodwill arising on acquisition	6.6
Purchase consideration	**14.4**

The goodwill arising on acquisition of £6.6m has been allocated entirely to the GB operating segment given the current business operations are GB focused.

The key constituent parts of goodwill comprise mainly future customer relationships and technological developments through which TBTC will generate revenue and the replacement cost of TBTC's assembled workforce. Workforce is not separately capitalised on the balance sheet under IFRS but is a component of goodwill.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Intangible assets identified separately from goodwill are technology of £3.8m and customer relationships of £4.8m, which have each been allocated a useful economic life of 14 years.

Purchase consideration

Purchase consideration is analysed as follows:

	2020 £m
Cash	2.3
Deferred consideration liability	6.9
Contingent consideration liability	5.2
Total consideration	**14.4**

	2020 £m
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	0.3
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(0.4)
Net cash paid to acquire subsidiary (included in cash flows from investing activities)	2.3
Net cash outflow on acquisition	**2.2**

Deferred and contingent consideration

Deferred consideration of £7.1m (fair value £6.9m) will be paid, subject to two financial stress tests which management expect to be met, to the previous owners in May 2021.

As part of the purchase agreement there is an element of contingent consideration which comprises additional cash payments to the previous owners of TBTC of the following amounts if operating profit targets are achieved during an earn-out period:

- £3.0m (fair value £2.7m) in the first year
- A further £3.0m (fair value £2.5m) in the second year

The earn-out period will commence when normal trading conditions have resumed post COVID-19, with the timeframe to be agreed between Britvic and the former shareholders of TBTC, but is expected to span FY21 − FY23. As at 30 September 2020, management anticipate the commencement of the earn-out period to begin during 2021.

In addition, on acquisition, an employee incentive scheme was created with a scheme duration of three years. During the year ended 30 September 2020 an associated charge of £0.5m has been incurred. Additional costs of up to £4.0m are expected to be incurred between FY21-FY23 if performance criteria are achieved.

As at the acquisition date, the fair value of the deferred and contingent consideration was estimated to be £12.1m. The acquisition date fair value reflects management's expectation that achievement of the performance targets is highly probable, and the fair value has been determined using a discounted cash flow method. The fair value of the deferred and contingent consideration at 30 September 2020 reflects the unwinding of an element of the discount due to the passage of time.

A reconciliation of the fair value measurement of the deferred and contingent consideration liability is provided below:

	£m
At 6 June 2020	12.1

Unwinding of discount	0.2
At 30 September 2020	**12.3**

Deferred and contingent consideration are recorded within other liabilities and other non-current liabilities on the Groups balance sheet.

From the date of the acquisition, TBTC contributed £0.6m of revenue to the Group, and a loss before interest and tax of £0.2m, relating to intangible asset amortisation as included as part of adjusting items. If the combination had taken place at the beginning of the year, revenue would have been £2.0m, with a loss before interest and tax of £0.2m.

Disposals

On the 30 September 2020 the Group completed the transaction with Refresco to dispose its three juice manufacturing sites in France, its private label juice business, and the Fruité brand. During the year ended 30 September 2020, an Income Statement charge of £5.3m was incurred relating to the finalised purchase price, legal and professional fees associated with the disposal and other costs, including a credit of £2.3m relating to foreign exchange gain on the disposed business recycled through the Income Statement. The costs associated with the disposal have been included within adjusting items.

	2020 £m
Assets	
Intangible assets	–
Property, plant and equipment	15.1
Inventories	8.5
Trade and other receivables	10.6
Total assets	**34.2**
Liabilities	
Trade and other payables	(15.6)
Pension liability	(1.5)
Deferred tax liability	(0.7)
Total liabilities	**(17.8)**
Net assets disposed of	**16.4**
Cash proceeds arising from transaction	(13.2)
Loss on disposal	**3.2**
Foreign exchange gain recycled through the Income Statement	(2.3)
Loss on disposal including foreign exchange gain	**0.9**
Additional costs on disposal	4.4
Income statement charge	**5.3**

11. Post balance sheet events

In October 2020 Britvic signed a new and exclusive 20 year franchise bottling agreement with Pepsi for the production, distribution, marketing and sales of its soft drink brands in GB, which provides access to a portfolio of global brands, including Pepsi MAX, 7UP and now Rockstar. The GB agreement runs to December 2040.

NON-GAAP RECONCILIATIONS

Adjusting items

The Group excludes adjusting items from its Non-GAAP measures because of their size, frequency and nature to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess trends in financial performance more readily.

These items primarily relate to the loss on disposal of the French juices business, impairment of intangible assets, goodwill and property, plant and equipment in the Counterpoint business, restructuring costs associated with the divestment of part of the French business, employee restructuring costs and other one-off items that are not considered part of business operations as detailed in the notes below. In addition, acquisition related costs such as amortisation of acquired intangibles and the impairment of assets held for sale as part of a disposal are also considered adjusting items.

Adjusted KPIs are used to measure the underlying profitability of the Group and enable comparison of performance against peers. They are also used in the calculation of short and long term reward schemes.

In prior years adjusting items included fair value movements on financial instruments where hedge accounting cannot be applied on future transactions and also where hedge ineffectiveness is recognised. Consideration is made each year as to whether fair value movements on derivative financial instruments where hedge accounting cannot be applied to future transactions or where there is ineffectiveness in the hedge relationship, are recorded within adjusting items.

	Notes	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m
Strategic restructuring – business capability programme	(a)	(1.6)	(33.0)
Strategic restructuring – organisational capability transformation	(b)	(11.3)	–
Credits in relation to the acquisition and integration of subsidiaries	(c)	1.3	1.3
Strategic M&A activity	(d)	(6.3)	(2.5)
Closure of Fruit Shoot multi-pack operations in the USA	(e)	–	(2.1)
Impairment of assets held for sale	(f)	(0.4)	(31.2)
Pension scheme costs	(g)	–	(6.2)
Impairment of Counterpoint assets	(h)	(8.4)	–
Acquisition related amortisation	(i)	(8.8)	(10.4)
Total included in operating profit		**(35.5)**	**(84.1)**
Fair value movements	(j)	–	(0.5)
Unwind of discount on deferred consideration	(k)	(0.2)	—
Total included in finance costs		**(0.2)**	**(0.5)**
Tax on adjusting items – merger of Brazil entities	(l)	1.6	–
Tax on adjusting items included in profit before tax		13.9	7.4
Total included in taxation		**15.5**	**7.4**
Net adjusting items		**(20.2)**	**(77.2)**

a) Strategic restructuring - business capability programme' relates to the restructuring of supply chain and the operating model across the Group, initiated in 2016. Of the £1.6m costs in the current year, £2.6m relates to the closure of the Norwich site for site services, advisory and exit costs, offset by a £1.0m credit for the part reversal of a previous impairment charge in relation to the Norwich land and buildings.

b) Strategic restructuring – organisational capability transformation primarily relates to contract termination costs, consultation fees and employee termination benefits following the implementation of a Group wide strategic restructure announced during the year.

c) Relates to the release of purchase price allocation provisions for Bela Ischia Alimentos Ltda (Bela Ischia) and Empresa Brasileira de Bebidas e Alimentos SA (Ebba).

d) Strategic M&A activity in the current year primarily relates to charges incurred as part of the disposal of our French private label juice business (refer to note 34) and the acquisition of TBTC (refer to note 34). On acquisition of TBTC, an employee incentive scheme was created with a scheme duration of three years. Associated employee incentive payments are expected to be reflected within adjusting items over the associated performance period.

e) Closure of Fruit Shoot multi-pack operations in the USA costs incurred in the prior year related to assets and inventory write-offs and employee costs.

f) The current year charge of £0.4m relate to an impairment of Norwich and Counterpoint as a result of moving the assets into held for sale. The prior year charge of £31.2m related to the French disposal.

g) Pension scheme costs in the prior year relate to a charge resulting from the equalisation of Guaranteed Minimum Pension (GMP) in the GB and Northern Ireland pension schemes and associated pension advisory costs.

h) During 2020 intangible assets, goodwill and PPE relating to the Counterpoint business were impaired.

i) Acquisition related amortisation relates to the amortisation of intangibles recognised on acquisitions in GB, Ireland, France and Brazil.

j) 'Fair value movements' in the prior year relates to the fair value movement of derivative financial instruments where either hedge accounting cannot be applied to future transactions or where there is ineffectiveness in the hedge relationship.

k) 'Unwind of discount on deferred consideration' relates to TBTC acquisition (note 10).

l) Following the merger of Brazil entities during the year, a deferred tax asset on intangibles has been recognised within the Group.

Adjusted profit

	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m
Operating profit as reported	130.3	130.0
Add back adjusting items in operating profit	35.5	84.1
Adjusted EBIT	**165.8**	**214.1**
Net finance costs	(19.1)	(19.7)
Add back adjusting net finance costs	0.2	0.5
Adjusted profit before tax and acquisition related amortisation	**146.9**	**194.9**
Acquisition related amortisation	(8.8)	(10.4)
Adjusted profit before tax	**138.1**	**184.5**
Taxation	(16.6)	(29.4)
Less adjusting tax credit	(15.5)	(7.4)
Adjusted profit after tax	**106.0**	**147.7**
Adjusted effective tax rate	**23.2%**	**19.9%**

Earnings per share

	2020 £m	2019 £m
Adjusted earnings per share		
Profit for the period attributable to equity shareholders	94.6	80.9
Add: Net impact of adjusting items	20.2	77.2
	114.8	158.1
Weighted average number of ordinary shares in issue for basic earnings per share	265.9	264.5
Adjusted earnings per share	**43.2p**	**59.8p**
Adjusted diluted earnings per share		
Profit for the period attributable to equity shareholders before adjusting items and acquisition related intangible assets amortisation	114.8	158.1
Weighted average number of ordinary shares in issue for diluted earnings per share	267.2	266.9
Adjusted diluted earnings per share	**43.0p**	**59.2p**

Constant currency and like-for-like movements

	Revenue £m	Brand Contribution £m	Adjusted EBIT £m
2019			
52-week period ended 29 September 2019 as reported	1,545.0	551.1	214.1
Like-for-like cost reclassification*	–	12.4	–
Adjustment for FX	(29.1)	(6.9)	(1.8)
2019 like-for-like at constant currency	**1,515.9**	**556.6**	**212.3**

* Reclassification of certain prior year costs in GB (£9.7m) and Ireland (£2.7m) from variable to fixed costs to allow like-for-like comparison with the current year.

Free cash flow

	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m
Net cash flows from operating activities	168.8	185.1
Purchases of property, plant & equipment	(43.7)	(67.4)
Purchases of intangible assets	(6.3)	(7.4)
Interest paid, net of derivative financial instruments	(16.5)	(21.0)
Repayment of principal portion of lease liabilities	(10.2)	–
Repayment of interest element of lease liabilities	(2.1)	–
Repayment of finance leases	–	(0.9)
Free cash flow	**90.0**	**88.4**

Adjusted net debt/EBITDA ratio

	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m
EBITA	**165.8**	**214.1**
Depreciation of Assets	43.0	45.7
Depreciation of Right of Use Assets	11.0	-
Amortisation excl. acquisition related	7.1	8.0
Loss on disposal of property, plant & equipment & intangible assets	4.3	2.3
Reported EBITDA	**231.2**	**270.1**
Less payment of lease liabilities as estimate for pre-IFRS16 rental charges	(12.3)	-
EBITDA	**218.9**	**270.1**
Adjusted Net Debt	520.4	566.2
12 Month EBITDA (pre IFRS16)	218.9	270.1
Net Debt/EBITDA ratio	**2.4x**	**2.1x**
Net interest	(19.1)	(19.7)
EBITDA/Net Interest ratio	**11x**	**14x**

Adjusted net debt

	12 months ended 30 September 2020 £m	52 weeks ended 29 September 2019 £m
Cash and cash equivalents	(109.2)	(49.0)
Derivatives hedging balance sheet debt	(35.1)	(68.3)
Interest bearing loans and borrowings	664.7	683.5
Adjusted net debt	**520.4**	**566.2**

Glossary

A&P is Advertising and Promotion and is a measure of marketing spend including marketing, research and advertising.

Adjusted earnings per share is a non-GAAP measure calculated by dividing adjusted earnings by the average number of shares during the period. Adjusted earnings is defined as the profit/(loss) attributable to ordinary equity shareholders before adjusting items.

Adjusted EBIT is a non-GAAP measure and is defined as operating profit before adjusting items. EBIT margin is EBIT as a proportion of Group revenue.

Adjusted net debt is a non-GAAP measure and is defined as Group net debt, adding back the impact of derivatives hedging the balance sheet debt.

Adjusted EBITDA is a non-GAAP measure calculated by taking Group EBITA; adding back depreciation; amortisation; loss on disposal of Property, Plant and Equipment; payment of lease liabilities as estimate for pre-IFRS16 rental charges.

Adjusted profit after tax is a non-GAAP measure and is defined as profit after tax before adjusting items, with the exception of acquisition related amortisation.

ARP is Average Realised Price and is defined as average price per litre sold, excluding factored brands and concentrate sales.

BPS is basis points and is a measure used to describe the percentage change in a value. One basis point is equivalent to 0.01%.

Brand contribution is a non-GAAP measure and is defined as revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Such costs include brand specific advertising and promotion costs, raw materials, and marginal production and distribution costs.

Brand contribution margin is a non-GAAP measure and is a percentage measure calculated as brand contribution, divided by revenue. Each business unit's performance is reported down to the brand contribution level.

CAGR is Compound Annual Growth Rate.

CGU is Cash Generating Unit.

CHP is the Combined Heat and Power plant located at the Rugby site and used to generate power.

Constant exchange rate is a non-GAAP measure of performance in the underlying currency to eliminate the impact of foreign exchange movements.

EBITDA is Earnings Before Interest, Taxation, Depreciation and Amortisation.

EPS is Earnings Per Share.

FMCG is Fast Moving Consumer Goods.

Free cash flow is defined as cash generated from operating activities, less capex, interest and repayment of lease liabilities.

Innovation is defined as new launches over the last three years, excluding new flavours and pack sizes of established brands.

M&A is Mergers and Acquisitions.

Non-GAAP measures are provided because they are closely tracked by management to evaluate Britvic's operating performance and to make financial, strategic and operating decisions.

Organic is a non-GAAP measure which excludes the impact of the acquisition of The Boiling Tap Company and presented on a constant currency basis.

PBTA is Profit Before Tax and Amortisation.

PET is polyethylene terephthalate plastic.

PPE is Personal Protective Equipment.

Revenue is defined as sales achieved by the group net of price promotional investment and retailer discounts.

Revenue management is used to define a range of actions to affect ARP. It includes, but is not limited to, price increases, changes to price promotions and variation of pack size.

rPET is recycled polyethylene terephthalate plastic.

SKU is Stock-Keeping Units.

TBTC is The Boiling Tap Company.

Volume is defined as number of litres sold, excluding factored brands sold by Counterpoint in Ireland. No volume is recorded in respect of international concentrate sales