

1<sup>st</sup> April 2008

**A.G.BARR p.l.c.**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED**  
**26<sup>th</sup> JANUARY 2008**

A.G.BARR p.l.c. the soft drinks group announces its preliminary results for the 12 months to 26<sup>th</sup> January 2008.

**Key Points**

- Profit on ordinary activities before tax and exceptional items increased by **11.4%** to **£21.3m** (2007 – £19.1 m).
- Profit before tax increased by **27.4%** to **£20.8m** (2007 - £16.4m) reflecting the significant prior year exceptional costs of re-organisation and rationalisation.
- Turnover increased by **4.6%** to **£148.4m** (2007 - £141.9 million).
- Proposed final dividend of **28.00p** per share to give a proposed total dividend for the year of **39.00p** per share, an increase of **11.4%** over the previous year.
- Strong performance from both core carbonate brands and still brands despite poor summer weather.
- IRN-BRU and Diet IRN-BRU revenue increased by 3% and market share grew across all regions in the UK.
- Acquisition of Vitsmart functional water and Taut sports drinks brands plus Rockstar energy drink franchise enhance the portfolio.
- Cash flow remained strong resulting in **£17.9m** cash at bank.
- Operating profit margin improved as the restructuring programme begins to deliver planned benefits.

**Commenting Roger White, Chief Executive said:**

*"The business made excellent progress over the last 12 months despite the difficulties of poor weather and increased competition in the soft drinks market. During the course of the last year we have grown our sales, improved our operating margins and continued to develop our strong portfolio of brands.*

*The current challenging macro economic climate should have minimal impact on our business. We remain confident that we can deliver growth and improve business performance from our expanding stable of brands. The benefits of our capital investments and restructuring programme are now beginning to flow through improving cost and operational capability.*

*Sales in the first seven weeks of the new financial year are 3% ahead of the same period last year."*

New images can be found at [www.fovea.tv](http://www.fovea.tv) after 3:00 p.m. free of charge.

For more information, please contact:

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## **Chairman's Statement**

### **Review of Results**

Profit before taxation for the year to January 2008 was – excluding exceptional items – £21.3m compared with £19.1m for the previous year. This increase of 11.4% represents an excellent overall performance in a year of dismal summer weather and also reflects the improvement in operating costs resulting from the infrastructure changes completed during the year.

The exceptional items produced a net charge of £0.5m. This was a substantial reduction from the charge of £2.8m incurred last year and represented the final costs of our recent restructuring process.

Turnover for the year to January 2008 was £148.4m – an increase of 4.6% over the previous year. Adjusting for the turnover of the Strathmore Water business which was acquired in June 2006, the like-for-like increase was 2.7%.

The tax charge for the current year is again very low at 19% of the profit on ordinary activities compared with the corporation tax rate of 30% applicable to the year. The difference is substantially due to a reduction of £1.3m in the company's tax charge for this year related to the disposal of properties at the conclusion of our restructuring process.

Basic earnings per share have risen from 69.65p to 86.75p and your directors are pleased to recommend a final dividend of 28.00p per share to give a total dividend for the year to January 2008 of 39.00p – an increase of 11.4%. It is worth noting that over the last six years we have been able to raise the total dividend for the year from 21.60p to 39.00p – an overall increase of 80.6%.

### **People**

On behalf of our external shareholders I would again like to take this opportunity to thank all our employees for their efforts during this year. The excellent results achieved are particularly creditable given both the distraction of completing the infrastructure changes and the exceptionally poor summer weather experienced this year in comparison with 2006.

### **Board**

We announced in January that the current year would see the retirement of two long serving executive directors.

Alan Bibby, Operations Director, retired on 29th February. He joined the Company in 1977 and was appointed to the Board in 1985. Iain Greenock who will retire at the end of June joined the Company in 1975 and was appointed Finance Director in 1998. Throughout these long periods of service both Alan and Iain have consistently given a level of application and professionalism which has contributed substantially to the Company's success over that time and I would like to thank them on behalf of all our shareholders and wish them both well in their retirement.

After the conclusion of an exhaustive recruitment process I am pleased to confirm that we have been able to appoint two capable and experienced candidates to the vacant positions. Andrew Memmott, who joined the Company in 1990 and was most recently Head of Manufacturing, was appointed Operations Director on 1st March. We also anticipate the appointment on 1st July of Alex Short as Finance Director. Alex is currently Group Finance Director of William Grant & Sons Ltd, a major company in the alcoholic drinks industry. I look forward to the contributions that these two new board members will make to the Company.

### **Prospects**

Competition within the soft drinks industry remains intense and is now spread over the much wider range of products which today's consumer demands. To meet this change we have continued to widen our own portfolio into those categories which offer prospects of profitable growth while, at the same time, we remain aware that traditional carbonates will for the future remain the largest soft drinks category. We are confident that the strength of our core brands in that category will enable us to successfully develop the widening portfolio with which we are now engaged.

W R G Barr  
**CHAIRMAN**

## **Chief Executive's Statement**

### **Financial Performance**

Over the course of the last financial year our business has delivered a strong overall performance. We have continued to execute our value based growth strategy and despite the extremely poor summer weather and its consequential impact on the soft drinks market we have delivered growth in sales revenue, operating margin and profit, at the same time as we further invested in our brands and assets. The pace of operational change has continued to be challenging but we remain confident in our ability to deliver improved financial performance even in times of significant change.

Although the poor summer weather impacted the soft drinks market we continued to make good financial progress with pre-tax profit, before exceptionals, increasing by 11.4% from £19.1m to £21.3m. This strong performance was underpinned by improvements in operating margins reflecting the impact of the benefits in our Scottish supply chain project beginning to flow through.

Total sales grew by 4.6% from £141.9m to £148.4m in the period (2.7% on a like-for-like basis adjusting for the Strathmore Water business acquired in June 2006), highlighting the resilient nature of our brands which have collectively grown market share across the year.

Although we continued to manage our business primarily focusing on value not volume, we did, as previously indicated, marginally increase our promotional weight in the multiple retailers sector across the summer period. This initiative in tandem with our ongoing development of the impulse market and a strong control over costs ensured that we successfully delivered our business targets across the summer period despite the challenging market conditions.

Operating profit before exceptionals increased by 11.2% and the operating margin improved in line with our expectations from 12.9% to 13.7%. Further improvement to operating margin is expected from our restructuring programme although increased marketing support costs are planned as we further develop our brand portfolio for the long-term.

Capital spend in the period was £12.5m and, although lower than the prior year, it was higher than long-term average levels as we completed our major restructuring projects. During the second half of the year we completed the clearance of and exit from our Atherton site. This location is now surplus to our operating requirements and a marketing process has now commenced. Despite our high level of capital spend, we were able as a consequence of our continued focus on cash management to exit the year with £17.9m of cash in the bank.

We acquired the Vitsmart and Vitaminsmart brands from Chartered Brands in December 2007 for a potential total consideration of £350,000. This acquisition will give us a head start in the enhanced waters category with an existing product range and revenue streams to quickly build on. The total sales of Vitsmart/Vitaminsmart in 2007 were approximately £1.0m at retail sales value.

We also announced the acquisition of the Taut sports drinks business in late January 2008. The business was acquired for a nominal sum of £1 and had operating losses of c£1.3m in 2006. This acquisition also gives us a strong point of entry into the sports drinks category with a brand that has already had a significant marketing and promotion spend behind it and importantly a credible position with both consumers and the trade in this key growth category. The Taut business will be rapidly consolidated into our operating structure and we expect that the operating losses will be stemmed during the early part of 2008/09. It is consequently anticipated that Taut will not have a material impact on the operating performance of the business in 2008/09 financial year.

### **The Market**

Over the course of the 2007/08 financial year the total soft drinks market grew in value by 3% however its volume dropped by 2% (source Nielsen Scantrack 12 months to 26th January, 2008). This performance reflects the difficult year-on-year comparison in the summer months which contrasted the UK's hottest summer in 2006 with its wettest in 2007. This poor summer position was particularly evident in those sub-categories which had done best in the summer of 2006 – namely water, dilutables and fruit juice. Carbonates in comparison performed relatively better. This was partly due to less difficult comparators but further confirms our view that good quality, well supported carbonate brands can continue to offer good growth prospects. In the twelve month period carbonates were up 4% in value and slightly down in volume. Within the carbonates sector the decline of a number of historically poorer performing non-differentiated fruit carbonate brands continued.

Regardless of weather the two sub categories which have consistently performed strongly over the last two years are sports and energy, in both still and carbonated format. With growth in the last twelve months in excess of 20% in volume and value these sub categories continue to form much of the engine for growth in the category as a whole. With this in mind it is even more important to develop our portfolio into these key areas of potential for future growth.

During the last twelve months our pence per litre (PPL) as measured by Nielsen has continued to improve, increasing by 2% on core Barr brands. This growth is marginally lower than the prior twelve months reflecting our stated plan of increasing promotional weight in multiples as well as the highly competitive nature of the market during the difficult summer period. We anticipate a return to our historic level of promotional weight in 2008/09 and consequently expect our own PPL to rise at or possibly in advance of industry average levels.

### **Strategy**

Our core strategic focus remains unchanged and we continue to develop our strategy around:

- Core brands and markets
- Portfolio development
- Route to market
- Partnerships
- Efficient operations

In addition, the ongoing development of our people underpins each of these areas of strategic focus.

Much of our time and effort in the last twelve months has been spent in pursuit of our goal of building a sustainable future growth platform for the business.

We have therefore allocated increased resources towards the areas of core brands and markets, portfolio development and partnerships all of which are central to meeting our future growth aspirations.

### **Core Brands and Markets**

The Barr brands portfolio performed well in both market share and absolute sales terms across the year. Although the poor summer weather had a negative impact on the total soft drinks market our market share was at its strongest in the difficult summer months demonstrating the underlying brand strength and consumer demand for our core brands. The continued focus on product quality and consumer preference, in particular their taste preferences on a regional basis, has paid further dividends in improved sales performance across our range and throughout the UK.

IRN-BRU and Diet IRN-BRU both continued to show good year-on-year growth increasing sales revenue by over 3%. Considerable market share gains were also made especially in England and Wales where the IRN-BRU brand grew market share by 10% in the period. This market share performance contrasts starkly with competing other flavoured carbonate brands - Fanta and Tango - both of which lost significant volume and share over the year. The IRN-BRU brand is now in value share terms bigger than the combined size of the Lilt, Sprite and Tango brands. After a huge initial sales performance IRN-BRU 32 has settled into a stable rate of sale which reflects its position in the portfolio as a long-term product focused on energy drink consumers specifically in the Scottish market.

In an exciting year for the brand, IRN-BRU became the main sponsor of the Scottish Football League cementing its position as a prominent supporter of grass roots sports throughout Scotland. With a combination of centrally controlled football initiatives balanced with local club support and activities, this three year deal gives the IRN-BRU brand a great platform for communication. In tandem with the continued increase in overall marketing investment behind the IRN-BRU brand the packaging was further updated with the classic IRN-BRU bottle design now represented across the whole impulse portfolio and a higher level of focus behind the 250ml small bottle range. The IRN-BRU brand is in good health with the potential to deliver further exciting developments across 2008/09.

Orangina has had another excellent year with revenue growth of 13% reflecting consumers' response to the increased marketing investment in the brand and also the significant improvements to listings and distribution. The creative and commercial plans for 2008/09 suggest that the current momentum should continue.

Tizer was re-launched at the start of the year with the addition of real fruit juice and with no artificial colours, flavours or sweeteners – the "new original recipe" Tizer. Tizer has performed in line with the

other flavoured carbonates sector this year with sales down 4% reflecting a combination of the poor summer and a number of previously lost listings impacting sales. Tizer has recovered 7% in PPL but now needs to re-establish its distribution and listings across 2008/09.

The underlying strength of our regional offerings whether in the West of Scotland, Central London or the M62 corridor has once again delivered good growth. Our regional portfolio including D'N'B, KA, Red Kola and the Barr range substantially outperformed the market with all brands in growth and a particularly encouraging performance this year in the London area.

Over the course of the last year we rationalised our water offering to focus the Findlays brand on water coolers and Strathmore as our main retail/food service water brand. We commenced, as planned, our marketing activity behind the Strathmore brand including a heavy weight TV advertising campaign and outdoor media in Scotland despite the weakness in the overall water market during the summer of 2007. The launch of Strathmore into the impulse market has gone well although the poor market conditions experienced by the water category overall has held sales flat. The water market remains competitive but we plan to continue to develop Strathmore as a premium brand in the sector. We have further initiatives designed to build the brand included in our programme for 2008/09.

### **Portfolio Development**

During the last twelve months we have made significant progress in the development of our portfolio across the wider soft drinks category. It remains our firmly held view that taste is a key determinant of success and that consumers wish a range of products – traditional carbonates, still/fruit based products and functional drinks. Our efforts to accelerate our developments and improve our speed to market have seen further progress in the development of the St Clement's brand with the launch of a range of juices and smoothies. These high quality products are marketed with both the consumer and trade in mind – they are designed to be "stored ambient and served chilled". They are positioned at a good value for money price point, meeting the demands of the impulse channel where chilled storage and distribution is an issue and allowing increased numbers of consumers access to a high quality product category at a competitive price in this channel.

We have also re-designed our schools range once more in the period to meet the challenging and often inconsistent requirements of this sector.

In our efforts to develop our portfolio we have taken a pragmatic approach to satisfy our growth and development aspirations – consequently we have not only designed and launched several new products under our existing brand names but we have also purchased brands. The acquisitions have been in sectors which we believe are capable of real sustained future growth where speed to market and brand credibility is important. The purchase of the Vitsmart/Vitaminsmart brands and the Taut sports drink business allows us a fast start into these key categories with the potential to grow quickly over the course of the next few years.

Our commercial partnership with Rockstar commenced in the final quarter of 2007/08 with the launch of three Rockstar variants – standard, diet and a juiced product – into the UK. The large can energy market is growing quickly and with the product and marketing support of Rockstar we can provide an exciting range to consumers in this growing category.

Last year has therefore seen considerable development in our portfolio and brought us to a position where we are becoming a more balanced business, with prospects of growth across multiple brands in almost all key sectors.

### **Route to Market**

Supporting the rapid growth of our portfolio is crucial in route to market terms. We have continued to invest in the infrastructure to develop our specific route to market. Although the impulse market remains an important focus for our efforts, we have improved performance and resources across all our key trade channels and will continue to do so. The roll out of our new Customer Relationship Management software is planned for early in the 2008/09 financial year following a full year of development work. This system is designed both to improve our cost efficiency and at the same time enhance our overall customer service offering.

### **Partnerships**

Our ability to form strong strategic partnerships remains a cornerstone of our operating philosophy. Throughout the business we encourage a partnership approach with both internal teams and our key external business contacts.

During the last year our Orangina business has continued to improve with total sales of Orangina International products now over £8.0m. We are committed to developing the Orangina business in the U.K.

Our partnership with the Rockstar team has made an excellent start with huge interest in the brand and a strong executional plan for 2008.

We have seen strong growth from the Rubicon brand and will continue to work with the Rubicon team to deliver contract filling and route to market support for the brand.

On a less positive note we ended our supply of carbonated PET and can products to Marks and Spencer during the course of last year. This was our only piece of customer own brand business and accounted for sales of £1.7m in 2006/07. However, we have recently launched a new range of traditional carbonates in glass bottles with Marks and Spencer. This traditional range is targeted at slightly older consumers and has made good early sales progress.

IRN-BRU in Russia has done very well over the last twelve months with local sales up 20% versus the overall carbonated soft drinks market in Russia at +7%. This performance continues to give us confidence that the IRN-BRU brand can be further developed outside the UK.

Exports to our partners in Spain increased by 32% and our fledgling business in Australia broke through the 1 million litre mark ahead of plan.

We have once again continued across the year to work with our key partner suppliers in many fields to manage risk, enhance quality and improve efficiency while reducing environmental impacts.

### **Efficient Operations**

The structural changes in which we have invested over the last twenty four months have now started to deliver the operating efficiencies and cost savings as planned. Our fewer, larger operating sites have had a busy year with the completion and commissioning of our new can line being the single biggest investment. Across all our sites we have continued to invest to improve flexibility, cost, quality, safety and service. This has not been an easy year within our core operations – new systems and new people, operating on updated sites plus a major new line being commissioned at Cumbernauld with the added dimension of the planned closure of our Atherton site in June. Throughout these changes our focus on the continuous improvement of cost and efficiency coupled with improved flexibility has enabled all our teams to deliver our operating plan.

The further development of our product portfolio is naturally giving us increased operational challenges to meet which we are confident we will tackle successfully. As we look forward our operational efforts will continue to focus on efficiency and cost. However, increasingly operational complexity and the environment will play larger roles in our long-term planning.

Our asset base is in good health but we cannot afford to be complacent since we have stretching improvement targets throughout our operations. Further investment planning is now underway with long-term site development plans being created for our key locations.

### **People**

The business performance improvements of the last twelve months have been delivered by the people in our business. Through sheer hard work, experience, talent and commitment many have overcome significant hurdles to deliver the financial performance we have achieved.

I would like to thank everyone for their efforts. I would also like to specifically thank the team at our Atherton site who worked effectively and with great spirit until the final can was filled at that site in June of last year.

At Board level the retirement of Iain Greenock, Finance Director and Alan Bibby, Operations Director will be a great loss and I would like to thank them for their many years of service and the great impact they have both had on the business. We were however pleased to welcome Andrew Memmott to the Board on his appointment as Operations Director and we look forward to Alex Short joining us as Finance Director during the summer of 2008. I am also pleased to welcome Julie Barr to the role of Company Secretary. Julie joined the company in 2004 following her earlier legal career.

Throughout the last year we have continued to improve our training and development across the business with 25 managers benefiting from our Business Leadership programme and 9 managers

participating in our First Line management programme. Another 32 managers achieved further external qualifications such as National Vocational Qualifications during the last twelve months.

As our business grows and develops communication becomes more important. This is an area we aim to further develop. We have established local consultation teams as a first formal step and improved our internal KPI and performance briefings. We will continue to invest time and effort across the business to ensure people development and communication keeps pace with the business as it develops.

### **Outlook**

The business, despite mixed weather and a competitive soft drinks market, performed well over the last financial year. The soft drinks market remains a challenging but rewarding sector although it is changing and its complexities are increasing – it is not as simple as carbonates and stills or full sugar and diet – consumers are becoming more selective, media is fragmenting, demographic profiles are changing. We need to take account of all of this in moving the business forward but we must also remember not to lose sight of the basic fundamentals – taste, brand differentiation and product availability.

We have, as planned, delivered improved operating profit during the last twelve months and we have increased the momentum behind the development of our portfolio. We must now continue to both invest behind our core brands at the same time as we provide support to our growing portfolio of new brands.

Although the general economic outlook is somewhat uncertain and there is pressure on margins from increased input costs across our industry we remain optimistic that we are well positioned to ride out these difficulties and look forward to further sustained business growth and improvement.

Roger White

**CHIEF EXECUTIVE**

**A.G.BARR p.l.c.****Consolidated Income statement  
for the year ended 26th January, 2008**

The following are the unaudited results for the year to 26th January, 2008. The Board recommends the payment of a final dividend of 28.00p per share which if approved by the shareholders will be posted on 5th June, 2008. The total distribution proposed for the year amounts to 39.00p per share (2007 – 35.00p)

	<b>Group</b>	
	<b>2008</b>	2007
	<b>£000</b>	£000
<b>Revenue</b>	<b>148,377</b>	141,876
Cost of sales	<b>76,068</b>	71,453
<b>Gross profit</b>	<b>72,309</b>	70,423
Net operating expenses	<b>51,920</b>	52,089
<b>Operating profit before exceptional items</b>	<b>20,389</b>	18,334
<b>Exceptional items</b>		
Restructuring costs	<b>639</b>	5,076
Release of excess restructuring provision	<b>(171)</b>	-
Gain on disposal	-	(2,315)
<b>Exceptional items</b>	<b>468</b>	2,761
<b>Operating profit</b>	<b>19,921</b>	15,573
Finance income	<b>924</b>	1,158
Finance costs	<b>(12)</b>	(377)
<b>Profit on ordinary activities before tax</b>	<b>20,833</b>	16,354
Tax on profit on ordinary activities	<b>3,995</b>	3,163
<b>Profit attributable to equity shareholders</b>	<b>16,838</b>	13,191
<b>Dividend per share paid</b>	<b>35.75 p</b>	32.25 P
<b>Dividend paid (£'000)</b>	<b>6,751</b>	6,077
<b>Dividend per share proposed</b>	<b>28.00 p</b>	24.75 P
<b>Dividend proposed (£'000)</b>	<b>5,449</b>	4,817
<b>Basic earnings per share</b>	<b>86.75 p</b>	69.65 P
<b>Fully diluted earnings per share</b>	<b>85.65 p</b>	68.15 P

Record date: 9th May, 2008  
Ex-div date : 7th May, 2008

The financial information set out in this announcement does not constitute statutory accounts. The financial information for the year ended 27th January, 2007 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts and their report was unqualified and did not contain a statement under S237 Companies Act 1985.

**A.G.BARR p.l.c.****Statement of Recognised Income and Expense  
for the year ended 26th January, 2008**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000</b>	£000	<b>£000</b>	£000
Actuarial gain / (loss) recognised on defined benefit pension plans	<b>5,167</b>	(907)	<b>5,167</b>	(907)
Deferred tax on items taken directly to equity	<b>(2,649)</b>	366	<b>(2,649)</b>	366
Current tax on items taken directly to equity	<b>909</b>	-	<b>909</b>	-
<b>Net cost recognised directly in equity</b>	<b>3,427</b>	(541)	<b>3,427</b>	(541)
Profit for the period	<b>16,838</b>	13,191	<b>16,668</b>	13,057
<b>Total recognised income and expense for the period</b>	<b>20,265</b>	12,650	<b>20,095</b>	12,516
<b>Attributable to equity shareholders</b>	<b>20,265</b>	12,650	<b>20,095</b>	12,516

**A.G.BARR p.l.c.****Balance sheets****As at 26th January, 2008**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Non-current assets</b>				
Intangible assets	<b>10,656</b>	9,742	<b>10,656</b>	9,742
Property, plant and equipment	<b>53,373</b>	52,278	<b>52,751</b>	51,402
Investment in subsidiaries	-	-	<b>205</b>	205
Deferred tax assets	-	699	-	731
	<b>64,029</b>	62,719	<b>63,612</b>	62,080
<b>Current assets</b>				
Inventories	<b>12,339</b>	11,409	<b>12,285</b>	11,299
Trade and other receivables	<b>25,965</b>	25,406	<b>25,634</b>	24,983
Cash at bank	<b>17,899</b>	19,097	<b>17,593</b>	18,957
Current tax	<b>557</b>	-	<b>648</b>	14
Assets classified as held for sale	<b>2,910</b>	-	<b>2,864</b>	-
	<b>59,670</b>	55,912	<b>59,024</b>	55,253
<b>Total assets</b>	<b>123,699</b>	118,631	<b>122,636</b>	117,333
<b>Current liabilities</b>				
Trade and other payables	<b>28,163</b>	28,776	<b>29,085</b>	29,347
Provisions	<b>284</b>	2,262	<b>284</b>	2,262
Current tax	-	59	-	-
	<b>28,447</b>	31,097	<b>29,369</b>	31,609
<b>Non-current liabilities</b>				
Deferred income	<b>72</b>	73	<b>72</b>	73
Retirement benefit obligations	<b>8,009</b>	16,084	<b>8,009</b>	16,084
Deferred tax liabilities	<b>2,393</b>	-	<b>2,388</b>	-
	<b>10,474</b>	16,157	<b>10,469</b>	16,157
<b>Capital and reserves attributable to equity shareholders</b>				
Called up share capital	<b>4,865</b>	4,865	<b>4,865</b>	4,865
Share premium account	<b>905</b>	905	<b>905</b>	905
Own shares held	<b>(3,717)</b>	(4,439)	<b>(3,717)</b>	(4,439)
Share options reserve	<b>964</b>	1,923	<b>964</b>	1,923
Retained earnings	<b>81,761</b>	68,123	<b>79,781</b>	66,313
	<b>84,778</b>	71,377	<b>82,798</b>	69,567
<b>Total equity and liabilities</b>	<b>123,699</b>	118,631	<b>122,636</b>	117,333

**A.G.BARR p.l.c.**

**Cash Flow Statements  
for the year ended 26th January, 2008**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Operating activities</b>				
Profit on ordinary activities before tax	<b>20,833</b>	16,354	<b>20,628</b>	16,166
Adjustments for				
Interest receivable	<b>(924)</b>	(1,158)	<b>(913)</b>	(1,152)
Interest payable	<b>12</b>	377	<b>12</b>	377
Depreciation of property, plant and equipment	<b>6,668</b>	5,654	<b>6,393</b>	5,381
Impairment of plant	<b>-</b>	300	<b>-</b>	300
Impairment of assets classified as held for sale	<b>96</b>	-	<b>-</b>	-
Amortisation of customer relationships	<b>233</b>	160	<b>233</b>	160
Share options costs	<b>385</b>	359	<b>385</b>	359
Gain on sale of property, plant and equipment	<b>33</b>	(1,485)	<b>33</b>	(1,485)
Government grants written back	<b>(1)</b>	(538)	<b>(1)</b>	(538)
<b>Operating cash flows before movements in working capital</b>	<b>27,335</b>	20,023	<b>26,770</b>	19,568
Increase in inventories	<b>(930)</b>	(1,727)	<b>(986)</b>	(1,703)
Increase in receivables	<b>(559)</b>	(1,893)	<b>(651)</b>	(1,807)
(Decrease) / Increase in payables	<b>(1,922)</b>	6,212	<b>(1,571)</b>	6,236
Decrease in retirement benefit obligations	<b>(2,855)</b>	(1,071)	<b>(2,855)</b>	(1,071)
<b>Cash generated by operations</b>	<b>21,069</b>	21,544	<b>20,707</b>	21,223
Tax on profit paid	<b>(3,259)</b>	(4,786)	<b>(3,216)</b>	(4,734)
<b>Net cash from operating activities</b>	<b>17,810</b>	16,758	<b>17,491</b>	16,489
<b>Investing activities</b>				
Acquisition of Strathmore water business	<b>-</b>	(15,537)	<b>-</b>	(15,537)
Acquisition of intangible assets	<b>(892)</b>	-	<b>(892)</b>	-
Proceeds on sale of property, plant and equipment	<b>977</b>	6,760	<b>927</b>	6,722
Purchase of property, plant and equipment	<b>(12,448)</b>	(14,501)	<b>(12,234)</b>	(14,216)
Interest received	<b>924</b>	1,158	<b>913</b>	1,152
<b>Net cash used in investing activities</b>	<b>(11,439)</b>	(22,120)	<b>(11,286)</b>	(21,879)
<b>Financing activities</b>				
Purchase of own shares	<b>(2,227)</b>	(1,052)	<b>(2,227)</b>	(1,052)
Sale of own shares	<b>1,421</b>	553	<b>1,421</b>	553
Interest paid	<b>(12)</b>	(377)	<b>(12)</b>	(377)
Dividends paid	<b>(6,751)</b>	(6,077)	<b>(6,751)</b>	(6,077)
<b>Net cash used in financing activities</b>	<b>(7,569)</b>	(6,953)	<b>(7,569)</b>	(6,953)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,198)</b>	(12,315)	<b>(1,364)</b>	(12,343)
<b>Cash and cash equivalents at beginning of period</b>	<b>19,097</b>	31,412	<b>18,957</b>	31,300
<b>Cash and cash equivalents at end of period</b>	<b>17,899</b>	19,097	<b>17,593</b>	18,957

