



**A.G.BARR ANNOUNCE INTERIM RESULTS**  
**Portfolio Additions IRN-BRU 32 and Strathmore Contribute to Positive 6 Month Figures**

A.G.BARR p.l.c. the soft drinks group announces its interim results today for the 6 months ended 29<sup>th</sup> July 2006.

**Key Points**

- Profit on ordinary activities before tax and exceptional items increased by **8.2%** to **£9.4 million** (2005 – £8.7 million).
- Total turnover versus the comparable period was up **8.9%** at **£72.2 million** (2005 – £66.3).
- Strathmore water business acquired on 1<sup>st</sup> June 2006 has been successfully integrated into the Barr business.
- Total IRN-BRU brand revenue increases by **3%**.
- Interim dividend increased by **0.50p** to **10.25p** per share (2005 – 9.75p).
- Initial warehouse operations now commenced at Cumbernauld.

*Commenting on the results Chief Executive, Roger White, said:*

*“The sustained drive to develop and broaden our portfolio alongside the above average summer weather has delivered improved top line performance despite continued competitive market conditions.*

*“Operationally we are now nearing completion of our major capital investment programme at Cumbernauld and additionally we have successfully integrated the Strathmore business into our operating structure.*

*“Trading is forecast to remain competitive; however our underlying business performance remains strong and we anticipate meeting our expectations for the full year”*

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**A.G.Barr p.l.c.**

A.G.BARR p.l.c. is a long established national soft drinks business with its head office in Glasgow. As a broad based specialist soft drinks business, the company manages a wide portfolio of soft drinks, including IRN-BRU, Diet IRN-BRU, IRN-BRU 32, Findlays Water, Orangina, Tizer, D&B and the Simply Range. The latest acquisition is the Strathmore Mineral Water Company one of the UK's leading bottled water brands, which manufactures still, sparkling and flavoured spring water products. Strathmore has a market leading position in the “on-trade”.

**Interim Statement**

Profit on ordinary activities before taxation for the six months to 29th July, 2006 was, excluding exceptional items, up 8.2% at £9.4m. Turnover versus the same period last year increased by 8.9% to £72.2m, including £3.2m of sales revenue from the Strathmore water business purchased on 1st June, 2006. Underlying sales, excluding Strathmore, increased by 4.1% in the period. The exceptional item in the period relates to the forecast net gains associated with the completion of the re-organisation in our Scottish sales and logistics operations. Exceptional charges are expected to arise in the second half relating to costs associated with the planned closure of our Atherton site.

The business continues to make good progress towards delivering its operational and financial goals.

The overall soft drinks market in the period grew in value terms by 9% (as measured by Nielsen) assisted by better than average weather, especially in July. Total carbonates performance continued to be sluggish with value growth of 1% and volume decline of 3%. This total carbonates position masked some significant competitor carbonate brand declines which has led to a further increase in competition in the market place. We have continued to successfully follow our value based strategy albeit in the face of increased promotional activity and cost particularly in the multiple retailer channel.

Total IRN-BRU brand sales revenue for the period was up by 3% assisted by the successful launch of IRN-BRU 32, aimed at the energy drinks sector. Sales of IRN-BRU 32, launched in March 2006, have exceeded initial expectations with over 5 million cans sold by July 2006. Core IRN-BRU and Diet IRN-BRU also performed solidly recording important market share gains in England and Wales.

Product innovation has played an important role in further developing our portfolio and improving our revenue performance so far this year. IRN-BRU 32 has moved IRN-BRU into the fast growing but competitive energy sector; St Clements Fruits – still fruit drinks – have helped the St Clements brand to grow by 250% in the period and in conjunction with our Simply brand should deliver full year brand revenue of £5.0m. Orangina, following its re-launch earlier this year and further investment in marketing, has grown by 14% in value in the six months. Continued innovation has been necessary to keep pace with changes in legislation related to soft drinks supply to schools. An updated schools' range has been developed to meet legislative changes in England and was launched early in September.

The acquisition of the Strathmore water business from Constellation Brands meets two strategic priorities. First to strengthen our position in the water category and secondly to help our development in the on-trade sector where the brand holds a market leading position. Integration of the Strathmore business into our operating and commercial structures has now been successfully completed. Sales of Strathmore products through our impulse route to market will commence shortly.

Across the business, rising input costs, particularly utilities, continue to put pressure on gross margins. However, current gross margins have been protected by a combination of increases in sales prices and sustained on-going cost reduction actions. Further input cost increases are anticipated in the second half but actions taken in tandem with our purchasing position should see gross margins held through the balance of the financial year.

We are nearing completion of our logistics and sales infrastructure project in Scotland. Progress towards our completion date has, however, been hampered by the unexpected loss of our main contractor who went into receivership in mid May. Whilst we have recovered the position well and are planning to have the project completed by December 2006, we have lost some eight weeks as a consequence and may incur additional one off double running costs of up to £0.5m. Projected annual operating savings on completion remain as previously forecast at £2.5m. Good progress has been made in relation to the planned closure of our Atherton site in spring 2007.

The triennial valuation of our defined benefit pension schemes at 1st November, 2005 has now been completed and shows a gross deficit of £19.8m. Following receipt of this valuation, consultation was carried out with active members of the schemes on both future benefits and appropriate contribution rates. The results of this exercise are currently being assessed and your directors will subsequently agree with the trustees of the schemes the total level of contribution calculated to achieve full funding within the next ten years.

Given the increase in underlying profit and the continued satisfactory financial position of the company your directors have declared an interim dividend of 10.25p per share, payable on 27th October, 2006. This is a 5.1% increase on the interim dividend paid last year.

Turnover to date during the second half of the year is in line with our business plan. The second half will be a period of intense operational change with all the incumbent risks associated therewith. Market conditions are also expected to remain highly competitive across the soft drinks category. Despite these

challenges we remain confident that, in the period, our plans and actions should allow us to meet our expectations for the full year.

Robin Barr  
**CHAIRMAN**

Roger White  
**CHIEF EXECUTIVE**  
**26th September, 2006**

**A.G.BARR p.l.c.**  
**Consolidated Income Statement**

	6 months ended <b>29.07.06</b> £000	6 months ended 30.07.05 £000	Year ended 28.01.06 £000
Notes			
<b>Revenue</b>	<b>72,184</b>	66,290	128,760
Cost of sales	<b>33,584</b>	31,130	63,398
<b>Gross profit</b>	<b>38,600</b>	35,160	65,362
Net operating expenses	<b>29,736</b>	26,998	48,422
<b>Operating profit before exceptional item</b>	<b>8,864</b>	8,162	16,940
Exceptional item	4 <b>(819)</b>	677	533
<b>Operating profit</b>	<b>9,683</b>	7,485	16,407
Finance income	<b>669</b>	797	1,557
Finance costs	<b>(154)</b>	(291)	(583)
<b>Profit on ordinary activities before tax</b>	<b>10,198</b>	7,991	17,381
Tax on profit on ordinary activities	5 <b>3,059</b>	2,359	5,128
<b>Profit attributable to equity shareholders</b>	<b>7,139</b>	5,632	12,253
<b>Basic earnings per share</b>	<b>37.70 p</b>	30.22 p	65.06 p
<b>Fully diluted earnings per share</b>	<b>36.68 p</b>	28.72 p	63.87 p
<b>Dividend per share paid</b>	<b>22.00 p</b>	19.50 p	29.25 p
<b>Dividend paid (£'000)</b>	<b>4,143</b>	3,795	5,628
<b>Dividend per share proposed</b>	10 <b>10.25 p</b>	9.75 p	22.00 p
<b>Dividend proposed (£'000)</b>	10 <b>1,995</b>	1,897	4,282

**A.G.BARR p.l.c.****Consolidated Statement of Recognised Income and Expense**

	<b>6 months ended</b>	6 months ended	Year ended
	<b>29.07.06</b>	30.07.05	28.01.06
	<b>£000</b>	£000	£000
Actuarial cost recognised on defined benefit pension plans	-	-	(2,235)
Deferred tax relating to defined benefit pension plans	-	-	671
<b>Net income recognised directly in equity</b>	-	-	(1,564)
Profit for the period	<b>7,139</b>	5,632	12,253
<b>Total recognised income and expense for the period</b>	<b>7,139</b>	5,632	10,689
<b>Attributable to equity shareholders</b>	<b>7,139</b>	5,632	10,689

**A.G.BARR p.l.c.**  
**Consolidated Balance Sheet**

	Notes	As at 29.07.06 £000	Restated As at 30.07.05 £000	Restated As at 28.01.06 £000
<b>Non-current assets</b>				
Intangible assets	6	9,951	-	-
Property, plant and equipment	7	46,373	38,326	42,335
Deferred tax assets		5,873	5,852	5,777
		<b>62,197</b>	<b>44,178</b>	<b>48,112</b>
<b>Current assets</b>				
Inventories		9,521	8,414	8,274
Trade and other receivables		34,912	28,682	22,143
Cash at bank		23,079	33,845	31,412
Assets available for sale		-	-	937
		<b>67,512</b>	<b>70,941</b>	<b>62,766</b>
<b>Total assets</b>		<b>129,709</b>	<b>115,119</b>	<b>110,878</b>
<b>Current liabilities</b>				
Trade and other payables		37,146	28,041	22,083
Current tax		2,912	2,707	1,962
		<b>40,058</b>	<b>30,748</b>	<b>24,045</b>
<b>Non-current liabilities</b>				
Deferred income		74	615	611
Deferred tax liabilities		5,216	4,850	5,030
Retirement benefit obligations		16,025	17,044	16,248
		<b>21,315</b>	<b>22,509</b>	<b>21,889</b>
<b>Capital and reserves attributable to equity shareholders</b>				
Called up share capital		4,865	4,865	4,865
Share premium account		905	905	905
Own shares held	8	(3,976)	(4,010)	(4,298)
Share options reserve		1,645	1,147	1,416
Retained earnings		64,897	58,955	62,056
		<b>68,336</b>	<b>61,862</b>	<b>64,944</b>
<b>Total equity and liabilities</b>		<b>129,709</b>	<b>115,119</b>	<b>110,878</b>

**A.G.BARR p.l.c.**  
**Consolidated Cash Flow Statement**

	<b>6 months ended 29.07.06 £000</b>	Restated 6 months ended 30.07.05 £000	Year ended 28.01.06 £000
<b>Operating activities</b>			
Profit on ordinary activities before tax	<b>10,198</b>	7,991	17,381
Interest receivable	<b>(669)</b>	(797)	(1,557)
Interest payable	<b>154</b>	291	583
Depreciation of property, plant and equipment	<b>2,705</b>	2,901	5,756
Share options costs	<b>181</b>	115	299
Gain on sale of property, plant and equipment	<b>(1,761)</b>	(7)	(215)
Government grants written back	<b>(537)</b>	(4)	(8)
<b>Operating cash flows before movements in working capital</b>	<b>10,271</b>	10,490	22,239
(Increase) / decrease in inventories	<b>(1,247)</b>	758	898
Increase in receivables	<b>(12,769)</b>	(8,012)	(1,473)
Increase in payables	<b>14,540</b>	5,805	255
Decrease in retirement benefit obligations	<b>(223)</b>	-	(3,031)
<b>Cash generated by operations</b>	<b>10,572</b>	9,041	18,888
Tax on profit paid	<b>(1,667)</b>	(2,373)	(4,876)
<b>Net cash from operating activities</b>	<b>8,905</b>	6,668	14,012
<b>Investing activities</b>			
Acquisition of Strathmore	<b>(15,347)</b>	-	-
Proceeds on sale of property, plant and equipment	<b>6,597</b>	81	514
Purchase of property, plant and equipment	<b>(4,865)</b>	(3,595)	(12,029)
Interest received	<b>669</b>	797	1,557
Interest paid	<b>(154)</b>	(291)	(583)
<b>Net cash used in investing activities</b>	<b>(13,100)</b>	(3,008)	(10,541)
<b>Financing activities</b>			
Purchase of own shares	<b>(523)</b>	(2,718)	(3,149)
Sale of own shares	<b>528</b>	1,740	1,760
Dividends paid	<b>(4,143)</b>	(3,795)	(5,628)
<b>Net cash used in financing activities</b>	<b>(4,138)</b>	(4,773)	(7,017)
<b>Net decrease in cash and cash equivalents</b>	<b>(8,333)</b>	(1,113)	(3,546)
<b>Cash and cash equivalents at beginning of period</b>	<b>31,412</b>	34,958	34,958
<b>Cash and cash equivalents at end of period</b>	<b>23,079</b>	33,845	31,412

## Notes to the Accounts

### 1. Basis of preparation

These interim financial statements do not constitute statutory accounts and are unaudited.

A copy of this report is distributed to all registered shareholders of the company and is available for members of the public upon application to the Company Secretary at 1306 Gallowgate, Glasgow G31 4DS and on our corporate website at [www.agbarr.co.uk](http://www.agbarr.co.uk).

### 2. Accounting policies

The interim financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 28th January, 2006 with the exception noted below.

The statutory financial statements for the year to 28th January, 2006 have been filed with the Registrar of Companies and a copy may be obtained from Companies House. These have been audited and contain an unqualified audit opinion and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

#### Change of accounting policy

In the six months to 29th July, 2006 the group changed its accounting policy for assets under construction. Previously the policy was to include assets under construction as capital work in progress included within trade and other receivables. The cost is now included within property, plant and equipment.

The impact on the balance sheet has been as follows:

	July 2005 £000	January 2006 £000
Increase to property, plant and equipment	1,252	7,403
Reduction in trade and other receivables	(1,252)	(7,403)

This change in policy has had no impact on the income statement.

### 3. Segment information

The group's primary basis of segmentation is by geography. For management purposes, the group is currently organised into one business segment being the manufacture, sale and distribution of soft drinks.

The group operates predominantly in the U.K., with some worldwide operations. The directors are of the opinion that the group has two reportable geographic segments as defined by IAS 14 Segment Reporting.

#### Geographic segments

	Total revenue £000	Inter- segment revenue £000	External revenue £000	Profit attributable to equity shareholders		
				£000	£000	£000
29th July, 2006						
U.K.	<b>71,854</b>	<b>153</b>	<b>71,701</b>	<b>14,092</b>	-	-
Worldwide	<b>483</b>	-	<b>483</b>	<b>124</b>	-	-
Consolidated	<b>72,337</b>	<b>153</b>	<b>72,184</b>	<b>14,216</b>	-	-
30th July, 2005						
U.K.	66,044	124	65,920	-	13,704	-
Worldwide	370	-	370	-	85	-
Consolidated	66,414	124	66,290	-	13,789	-
28th January, 2006						
U.K.	128,373	235	128,138	-	-	27,953
Worldwide	622	-	622	-	-	99
Consolidated	128,995	235	128,760	-	-	28,052
<b>Result</b>				<b>14,216</b>	13,789	28,052
Unallocated corporate expenses				<b>5,352</b>	5,627	11,112
Exceptional item				<b>(819)</b>	677	533
Operating profit				<b>9,683</b>	7,485	16,407
Finance income				<b>669</b>	797	1,557
Finance costs				<b>(154)</b>	(291)	(583)
Profit before tax				<b>10,198</b>	7,991	17,381
Tax				<b>3,059</b>	2,359	5,128
Profit for the period				<b>7,139</b>	5,632	12,253

### 4. Exceptional item

During the period the group continued with the re-organisation of its sales and logistics facilities in Scotland which will ultimately lead to a consolidated facility at its existing Cumbernauld factory site. This has led to exceptional gains and costs arising in the six months to July 2006.

The sale of the Scottish distribution sites resulted in a gain of £1,738,000 which included property at Irvine and Wishaw. These two properties were classed as assets available for sale in the financial statements for the year to 28th January, 2006. Government grants received at the time of the initial property purchases by the group have now been released to the income statement with £536,000 of a credit being recognised as an exceptional item. Previously the grants were released over the expected lifetime of the properties.

Reducing the above are redundancy costs of £1,455,000 relating to the site closures and re-organisation of the sales and logistics facilities.

## 5. Tax charge

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 30% (6 months ended 30th July, 2005: 30%).

## 6. Acquisition of Strathmore

On 1st June, 2006 the group acquired for cash the trade and assets of the Strathmore mineral water business which bottles, distributes and sells spring water and flavoured water products. In the two months to 29th July, 2006 the business contributed operating profit of 0.5m. If the acquisition had occurred on 29th January, 2006, the board estimates that group revenue would have been £76.9m and operating profit thereon before the exceptional item would have been £9.1m for the six months ended 29th July, 2006.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Recognised values on acquisition £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	4,993	262	5,255
Intangible assets	-	8,000	8,000
Inventories	1,222	-	1,222
Trade receivables	1,370	-	1,370
Trade and other payables	(2,264)	-	(2,264)
	5,321	8,262	13,583
Goodwill arising on acquisition			1,951
Total consideration, satisfied by cash			15,534

The consideration included £351,000 of fees relating to the acquisition.

The intangible assets recognised are the Strathmore brand with a value of £7.0m and the Strathmore customer relationship valued at £1.0m. The goodwill arising on the acquisition of the business is attributable to the anticipated profitability through the distribution of the products in new markets. Due to the short time between the acquisition and the preparation of these financial statements the figures relating to the fair value adjustments and related goodwill are provisional.

## 7. Property, plant and equipment

	6 months ended 29.07.06 £000	Restated 6 months ended 30.07.05 £000	Restated Year ended 28.01.06 £000
At 28th January, 2006	42,335	37,636	37,636
Additions	5,388	3,665	11,691
Assets acquired through acquisition	5,255	-	-
Transfers to non-current assets held for sale	-	-	(937)
Disposals	(3,900)	(74)	(299)
Depreciation	(2,705)	(2,901)	(5,756)
At 29th July, 2006	46,373	38,326	42,335

The closing balance includes £11,359,000 (July 2005: £1,252,000 ; January 2006: £7,403,000) of assets under construction.

## 8. Own shares held

	<b>6 months ended 29.07.06 £000</b>	6 months ended 30.07.05 £000	Year ended 28.01.06 £000
At 28th January, 2006	<b>4,298</b>	3,100	3,100
Shares purchased	<b>523</b>	2,718	3,149
Proceeds of options exercised	<b>(528)</b>	(1,740)	(1,760)
Transfer to retained earnings on option exercise	<b>(317)</b>	(68)	(191)
At 29th July, 2006	<b>3,976</b>	4,010	4,298

The shares held in the company were purchased to meet future requirements of the company's employee share schemes. These shares are held at cost.

## 9. Contingencies and commitments

	<b>As at 29.07.06 £000</b>	As at 30.07.05 £000	As at 28.01.06 £000
Commitments for the acquisition of property, plant and equipment	<b>5,155</b>	12,643	5,930

## 10. Post balance sheet events

The interim dividend of 10.25p per share was approved by the board on 26th September, 2006 and will be paid to shareholders on 27th October, 2006. The ex-div and record dates will be 4th October, 2006 and 6th October, 2006 respectively.

## 11. Related party disclosures

Transactions between the company and its subsidiaries, which are related companies, have been eliminated on consolidation.

## **INDEPENDENT REVIEW REPORT**

### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 29th July, 2006 which comprises consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of recognised income and expense. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, therefore in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the U.K.. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 29th July, 2006.

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21st September, 2006