

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

**INTERIM RESULTS**

A.G. BARR p.l.c., the soft drinks Group which produces and markets some of the U.K.'s leading brands, including IRN-BRU, Rubicon and Strathmore water, announces its interim results for the 6 months ended 30 July 2011.

**Key Points**

- Total turnover increased by **4%** to **£124.0m** (2010: £119.2m); quarter two revenue increasing by **5.1%**
- Profit on ordinary activities before tax, excluding exceptional items, was marginally ahead of prior year at **£16.2m** (2010: £16.0m)
- Basic earnings per share, excluding exceptional items, increased by **6.9%** to **32.44p** (2010:30.35p)
- Free cash flow in the period was **£9.7m**
- Net debt reduced to **£15.2m**; annualised net debt/EBITDA <0.4 times
- Key brands IRN-BRU, Barr, Rubicon and KA collectively grew **6.0%**
- Intention to invest in increased production capacity in the south of the U.K.
- Interim dividend of **7.30p** per share (2010: 6.75p), an increase of **8.1%** on the prior year

Commenting on the results, Chief Executive Roger White said:

"We are pleased to have delivered financial performance in line with our expectations. This is a particularly positive result given the challenging comparatives we faced in the first half of the year, the relatively poor summer weather, which has impacted the soft drinks market and a competitive market backdrop.

Whilst we remain cautious regarding the second half, given the market context, we are confident that we have a strong programme of activity including further innovation, which should help maintain our growth momentum.

The combination of less demanding comparatives, better cost visibility, a strong programme of brand activity and good sales momentum gives us confidence that, assuming no significant adverse changes in the marketplace, we will meet our expectations for the full year."

For more information, please contact:

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## **Interim Statement**

We are pleased to report solid growth in sales revenue and volume for the 6 months to 30 July 2011. This growth was achieved in a highly competitive market place and against very demanding prior year comparative sales growth of almost 14%. Against this backdrop, trading remains in line with market expectations and we remain cautiously optimistic for the second half.

### **Trading**

Total revenue in the 26 week period increased by 4.0% to £124m, with volume growing by 1.4%. This performance was driven by revenue increases of 2.3% in carbonates and 9.8% in our still brands.

The total take home soft drinks market grew in the 6 month period by 5% in value terms but was flat in volume terms. Within this performance, carbonates grew volume by 3% and stills volume declined by 3%. After a strong start to the year, the market weakened in June and the relatively poor weather experienced across the summer months has had a negative impact as we indicated in our trading statement in July.

A.G. BARR's operating margins have been resilient given the impact of increased raw material costs, sales mix and manufacturing inefficiencies in the period. Although margins are 50 basis points below the same period last year, they are in line with our expectations, reflecting both our actions to manage costs and further investment in brands and sales execution in the period. Profit before tax, excluding exceptional items, is marginally ahead versus last year at £16.2m (2010: £16.0m), reflecting our forecast performance.

Within the overall market, the level of promotional intensity increased in the period, as brand owners and retailers sought to pass on price increases on the one hand but increased promotional activity to maintain market share on the other. Our pricing strategy has been designed to minimise cost increases to consumers where possible and to ensure our brands remain good value for money without having to increase our level of price promotion.

Our core brands of IRN-BRU, Rubicon and Barr continue to support and drive our business.

IRN-BRU sales in the same period in the prior year increased by 8%, making comparative growth more of a challenge. Overall, IRN-BRU sales declined by 1.2% in the 6 month period. However in the second quarter, sales regained positive momentum and finished that quarter ahead of the prior year. IRN-BRU sales in the second half are expected to build on this second quarter performance, with strong execution behind our BRU JET promotional mechanic, some exciting new brand innovation and a strong in-store support programme planned.

Our strategy for supporting growth of IRN-BRU, specifically in the north of England, continues to pay dividends, with this geographical area continuing to grow faster than the rest of the market as IRN-BRU establishes itself as a key part of consumers' soft drinks repertoire.

The second year of substantial cricket sponsorship by Rubicon has delivered increased levels of brand awareness and has given us significant opportunities to widen the appeal of the Rubicon brand both to its core consumer base and to a wider general consumer audience.

Sales growth across the Rubicon range remained strong, with 8.8% of revenue growth. Increases in fruit prices were fully recovered in the period through price increases implemented in the final quarter of 2010. These pricing changes initiated, in turn, some significant increases in retail pricing which impacted sales growth in some outlets in the first quarter. However, strong sales execution around our cricket activity helped to regain good growth momentum thereafter.

Within our portfolio, the most impressive performance has once again been our Caribbean brand KA. The combination of further distribution growth and successful innovation with the launch of KA stills drove growth of 72%, making KA now 4 times the size of Tizer in revenue terms.

Within our carbonates portfolio, the Barr brand continued to drive solid growth, capitalising on growing distribution and a consumer proposition aimed at giving good value for money. Sales increased by over 10% in the period, with growth biased towards the north of England.

We plan to maintain this focus on our core brands and will continue to invest in the development of our sales execution and brand equity across the second half of the financial year.

We started the 2011/12 financial year well from an operational perspective, with the successful closure, clearance and sale of the Mansfield site, further progress in the investment in manufacturing capacity at Cumbernauld and our supply chain changes of 2010 all fully bedded in. However as highlighted

previously, the late delivery of the final stage of our manufacturing investment at Cumbernauld and challenging customer demand profiles, presented us with some issues from a manufacturing and consequential customer service perspective. We have worked hard to rectify this and have chosen to source some products from external third party manufacturers; consequentially our operating efficiencies were impacted in the period. We are now over the most difficult of our challenges but to ensure we return to a high level of customer service we will externally source further, smaller volumes as required.

### **Capacity Planning and Investment**

The business has grown strongly over the past two years bringing forward the need to plan future investments in production capacity to meet specific format demand forecasts and our general growth ambitions. The board believes that investment in a new production site in the south of the U.K. is now a viable and important next step in our future development. As such, we will confirm our specific plans in due course but anticipate investing in a new site with canning capacity along with the potential for additional PET capacity. It is anticipated that this additional facility would come on stream over the course of 2012/13.

### **Balance Sheet**

In the 12 month period our net assets have increased by over 14% from £103.9m to £118.6m. This was driven by a significant turnaround of our retirement benefit position, moving from a deficit of £7.1m to a "temporary" surplus of £0.8m. The Group also benefited from the expiry of an interest rate hedge taken out at the time of the Rubicon acquisition and a reduction in the level of borrowing by £10m, despite increased working capital requirements in the form of higher inventory holdings.

Free cash flow of £9.7m was generated in the 6 month period and at the end of July the Group's net debt position has reduced to £15.2m, equating to an annualised net debt/EBITDA position of just 0.38 times. Leverage and interest cover are very comfortably within covenant levels.

Inventories, although higher than the same time last year, are 8% (£1.6m) lower than the January year end position. Inventory levels remain relatively high in order to satisfy ongoing customer requirements and a growing turnover base. The Group has also purchased forward certain commodities in order to secure improved pricing arrangements. Our inventory holding period is marginally ahead of the same time last year, increasing from an average 56.5 to 56.8 days.

Capital expenditure in the 6 month period amounted to £3.1m. We are now into the final commissioning stages of the Cumbernauld investment programme, having completed installation of pasteurising equipment and we are now focussing on the final stages of packing and automated pallet building equipment. The level of capital expenditure is broadly flat on the same period last year and reflects a blend of normal replacement, project, information technology and commercial asset spend.

Overall, our annualised Return on Capital Employed has increased from 20.7% to 21.5%.

### **Dividend**

The continued consistent performance and satisfactory financial position of the Group has given the board confidence to declare an interim dividend of 7.30 pence per share, payable on 21 October 2011. This is an increase of 8.1% on the prior year.

### **Current Trading and Outlook**

The uncertain economic outlook and the mixed weather have contributed to a difficult summer in both U.K. retailing and consumer goods. To date, the soft drinks market has continued to grow, despite the economic headwinds but the summer weather has had a negative impact. Whilst we expect general trading to remain challenging over the coming months, we do however believe A.G. BARR can continue to trade well throughout this period, benefiting from significantly less strenuous second half comparatives, strong cost control, excellent innovation and a full programme of sales activity across the second half.

Sales in the first few weeks of the second half are in line with our plans and give us confidence that we will meet our full year expectations assuming no significant adverse changes in the market.

Ronald G. Hanna  
**CHAIRMAN**

Roger A. White  
**CHIEF EXECUTIVE**

**27 September 2011**

## Principal Risks and Uncertainties

There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group, which has operated throughout the financial period. This process involves regular assessments of the Group's risk register by the Audit Committee. In line with best practice the register includes an assessment of the impact and likelihood of each risk together with the controls in place to manage the risk.

The Group's risk management framework is designed to support this process and is the responsibility of the Finance Director. This framework governs the management and control of both financial and non-financial risks.

Internal audit is undertaken by an independent firm of chartered accountants who develop an annual internal audit plan having reviewed the Group's risk register and following discussions with external Auditors, management and members of the Audit Committee.

During the period the Audit Committee has reviewed reports covering the work undertaken as part of the annual internal audit plan. This has included assessment of the general control environment, identification of control weaknesses, quantification of any associated risk together with a review of the status of actions to address weaknesses and mitigate these risks.

The Audit Committee has also received reports from management in relation to specific risk items together with reports from external Auditors, who consider controls only to the extent necessary to form an opinion as to the truth and fairness of the financial statements.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and it must be recognised that it can only provide reasonable and not absolute assurance against material misstatement or loss.

A.G. BARR offers a range of brands that it manufactures and distributes through a cross section of trade channels and retailers. Performance is monitored closely by the board and management committee. This includes monitoring and tracking of metrics which review brand equity strength, together with monitoring of financial performance. Changing consumer preferences are reviewed annually by the board with reference to external research.

Within the Group there is a clearly defined and communicated Corporate Social Responsibility Policy. Quality standards, both at our sites and those of suppliers, are well defined, implemented and measured.

The Group operates within the boundaries of compliance in the areas of legislation, health and safety and ethical working standards and these are regularly reviewed by the board and management committee. The Group proactively engages with the relevant authorities including the British Soft Drinks Association and the General Counsel of Scotland to ensure it fully participates in the future development of and compliance with legislation.

Assets within the Group are proactively managed whether this be intangible brand assets, plant and equipment, people or IT systems. Robust disaster recovery and incident management plans exist and are formally tested. Contingency measures are in place and are regularly tested. Intellectual property rights associated with current and future brands are proactively protected by our legal team, through trademark registration and legal enforcement when required.

The Group's activities also expose it to a variety of financial risks which include market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. Financial risks are reviewed and managed by the Treasury Committee whose remit and authority levels are set by the board.

The Treasury Committee's remit focuses on the unpredictability of financial markets and seeks to minimise potential related adverse effects on the Group's financial performance.

In addition to financial risks the Group's results could be materially affected by:

- A decline in the sales of certain key brands
- Adverse publicity in relation to the Group or its brands
- Consolidation or reduction of the customer base
- Failure or unavailability of the Group's operational infrastructure
- Interruption in, or change in the terms of, the Group's supply of packaging and raw materials
- Failure in IT systems
- Inability to protect the intellectual property rights associated with current and future brands
- Litigation or changes in legislation including changes in accounting principles and standards
- Changes in consumer preferences, perception or purchasing behaviour

- Adverse economic conditions
- Adverse weather conditions
- Changes in regulatory requirements
- Actions taken by customers
- Actions taken by competitors

## Consolidated Condensed Income Statement

|  | 6 months ended 30 July 2011            |                              |                 | 6 months ended 31 July 2010            |                              |               |
|--|--|------------------------------|-----------------|--|------------------------------|---------------|
|  | Before<br>exceptional<br>items<br>£000 | Exceptional<br>items<br>£000 | Total<br>£000   | Before<br>exceptional<br>items<br>£000 | Exceptional<br>items<br>£000 | Total<br>£000 |
| Revenue                                  | <b>123,953</b>                         | -                            | <b>123,953</b>  | 119,207                                | -                            | 119,207       |
| Cost of sales                            | <b>(61,647)</b>                        | <b>(522)</b>                 | <b>(62,169)</b> | (58,106)                               | -                            | (58,106)      |
| Gross profit                             | <b>62,306</b>                          | <b>(522)</b>                 | <b>61,784</b>   | 61,101                                 | -                            | 61,101        |
| Net operating<br>expenses                | <b>(45,601)</b>                        | <b>619</b>                   | <b>(44,982)</b> | (44,349)                               | (590)                        | (44,939)      |
| Operating profit                         | <b>16,705</b>                          | <b>97</b>                    | <b>16,802</b>   | 16,752                                 | (590)                        | 16,162        |
| Finance income                           | <b>42</b>                              | -                            | <b>42</b>       | 26                                     | -                            | 26            |
| Finance costs                            | <b>(551)</b>                           | -                            | <b>(551)</b>    | (781)                                  | -                            | (781)         |
| Profit before tax                        | <b>16,196</b>                          | <b>97</b>                    | <b>16,293</b>   | 15,997                                 | (590)                        | 15,407        |
| Tax on profit                            | <b>(3,754)</b>                         | <b>(26)</b>                  | <b>(3,780)</b>  | (4,371)                                | 165                          | (4,206)       |
| Profit attributable to<br>equity holders | <b>12,442</b>                          | <b>71</b>                    | <b>12,513</b>   | 11,626                                 | (425)                        | 11,201        |
| <b>Earnings per share</b>                |  |                              |                 |  |                              |               |
| Basic earnings per<br>share              | <b>32.44p</b>                          | <b>0.18p</b>                 | <b>32.62p</b>   | 30.35p                                 | (1.11)p                      | 29.24p        |
| Diluted earnings per<br>share            | <b>32.25p</b>                          | <b>0.18p</b>                 | <b>32.43p</b>   | 30.10p                                 | (1.10)p                      | 29.00p        |

**Ex Div date: 5/10/11**

**Record Date: 7/10/11**

## Consolidated Condensed Income statement

Year ended 29 January 2011

|  | Before<br>exceptional<br>items<br>£000 | Exceptional<br>items<br>£000 | Total<br>£000 |
|--|--|------------------------------|---------------|
| Revenue                                  | 222,366                                | -                            | 222,366       |
| Cost of sales                            | (107,656)                              | (331)                        | (107,987)     |
| Gross profit                             | 114,710                                | (331)                        | 114,379       |
| Net operating expenses                   | (82,016)                               | (825)                        | (82,841)      |
| Operating profit                         | 32,694                                 | (1,156)                      | 31,538        |
| Finance income                           | 321                                    | -                            | 321           |
| Finance costs                            | (1,423)                                | -                            | (1,423)       |
| Profit before tax                        | 31,592                                 | (1,156)                      | 30,436        |
| Tax on profit                            | (8,084)                                | 233                          | (7,851)       |
| Profit attributable to<br>equity holders | 23,508                                 | (923)                        | 22,585        |
| <b>Earnings per share</b>                |  |                              |               |
| Basic earnings per share                 | 61.24p                                 | (2.40)p                      | 58.84p        |
| Diluted earnings per<br>share            | 60.90p                                 | (2.39)p                      | 58.51p        |

**Consolidated Condensed Statement of Comprehensive Income**

|  | <b>6 months<br/>ended 30<br/>July 2011<br/>£000</b> | 6 months<br>ended 31<br>July 2010<br>£000 | Year ended 29<br>January 2011<br>£000 |
|--|---|---|---------------------------------------|
| Profit after tax   | <b>12,513</b>                                       | 11,201                                    | 22,585                                |
| <b>Other comprehensive income</b>  |   |   |                                       |
| Actuarial (loss)/gain recognised on defined benefit pension plans              | <b>(3,641)</b>                                      | (2,400)                                   | 4,598                                 |
| Effective portion of changes in fair value of cash flow hedges                 | <b>382</b>  | 388                                       | 573                                   |
| Deferred tax movements on items taken direct to equity                         | <b>754</b>  | 1,044                                     | (1,350)                               |
| <b>Other comprehensive income for the period, net of tax</b>                   | <b>(2,505)</b>                                      | (968)                                     | 3,821                                 |
| <b>Total comprehensive income attributable to equity holders of the parent</b> | <b>10,008</b>                                       | 10,233                                    | 26,406                                |

## Consolidated Condensed Statement of Changes in Equity

|   | Share<br>capital<br>£000 | Share<br>premium<br>account<br>£000 | Share<br>options<br>reserve<br>£000 | Cash flow<br>hedge<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000  |
|---|--------------------------|-------------------------------------|-------------------------------------|---------------------------------------|------------------------------|----------------|
| <b>At 29 January 2011</b>   | <b>4,865</b>             | <b>905</b>                          | <b>1,981</b>                        | <b>(382)</b>                          | <b>109,338</b>               | <b>116,707</b> |
| Cash flow hedge -<br>recognition of fair value                    | -                        | -                                   | -                                   | 382                                   | -                            | 382            |
| Actuarial loss on defined<br>benefit pension plans                | -                        | -                                   | -                                   | -                                     | (3,641)                      | (3,641)        |
| Deferred tax on items<br>taken direct to equity                   | -                        | -                                   | (47)                                | -                                     | 801                          | 754            |
| Profit for the period   | -                        | -                                   | -                                   | -                                     | 12,513                       | 12,513         |
| Total comprehensive<br>income for the period                      | -                        | -                                   | (47)                                | 382                                   | 9,673                        | 10,008         |
| Company shares purchased<br>for use by employee<br>benefit trusts | -                        | -                                   | -                                   | -                                     | (2,449)                      | (2,449)        |
| Proceeds on disposal of<br>shares by employee benefit<br>trusts   | -                        | -                                   | -                                   | -                                     | 1,057                        | 1,057          |
| Recognition of share-based<br>payment costs                       | -                        | -                                   | 453                                 | -                                     | -                            | 453            |
| Transfer of reserve on<br>share award                             | -                        | -                                   | (499)                               | -                                     | 499                          | -              |
| Dividends paid  | -                        | -                                   | -                                   | -                                     | (7,163)                      | (7,163)        |
| <b>At 30 July 2011</b>  | <b>4,865</b>             | <b>905</b>                          | <b>1,888</b>                        | <b>-</b>                              | <b>110,955</b>               | <b>118,613</b> |
| At 31 January 2010  | 4,865                    | 905                                 | 1,595                               | (955)                                 | 94,099                       | 100,509        |
| Cash flow hedge -<br>recognition of fair value                    | -                        | -                                   | -                                   | 388                                   | -                            | 388            |
| Actuarial loss on defined<br>benefit pension plans                | -                        | -                                   | -                                   | -                                     | (2,400)                      | (2,400)        |
| Deferred tax on items<br>taken direct to equity                   | -                        | -                                   | 577                                 | -                                     | 467                          | 1,044          |
| Profit for the period   | -                        | -                                   | -                                   | -                                     | 11,201                       | 11,201         |
| Total comprehensive<br>income for the period                      | -                        | -                                   | 577                                 | 388                                   | 9,268                        | 10,233         |
| Company shares purchased<br>for use by employee<br>benefit trusts | -                        | -                                   | -                                   | -                                     | (1,705)                      | (1,705)        |
| Proceeds on disposal of<br>shares by employee benefit<br>trusts   | -                        | -                                   | -                                   | -                                     | 874                          | 874            |
| Recognition of share-based<br>payment costs                       | -                        | -                                   | 470                                 | -                                     | -                            | 470            |
| Transfer of reserve on<br>share award                             | -                        | -                                   | (378)                               | -                                     | 378                          | -              |
| Dividends paid  | -                        | -                                   | -                                   | -                                     | (6,450)                      | (6,450)        |
| At 31 July 2010   | 4,865                    | 905                                 | 2,264                               | (567)                                 | 96,464                       | 103,931        |

## Consolidated Condensed Statement of Changes in Equity

|   | Share<br>capital<br>£000 | Share<br>premium<br>account<br>£000 | Share<br>options<br>reserve<br>£000 | Cash<br>flow<br>hedge<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000 |
|---|--------------------------|-------------------------------------|-------------------------------------|--|------------------------------|---------------|
| At 31 January 2010  | 4,865                    | 905                                 | 1,595                               | (955)                                    | 94,099                       | 100,509       |
| Cash flow hedge -<br>recognition of fair value                    | -                        | -                                   | -                                   | 573                                      | -                            | 573           |
| Actuarial gain on defined<br>benefit pension plans                | -                        | -                                   | -                                   | -  | 4,598                        | 4,598         |
| Deferred tax on items taken<br>direct to equity                   | -                        | -                                   | 82                                  | -  | (1,432)                      | (1,350)       |
| Profit for the year   | -                        | -                                   | -                                   | -  | 22,585                       | 22,585        |
| Total comprehensive income<br>for the period                      | -                        | -                                   | 82                                  | 573                                      | 25,751                       | 26,406        |
| Company shares purchased<br>for use by employee benefit<br>trusts | -                        | -                                   | -                                   | -  | (4,197)                      | (4,197)       |
| Proceeds on disposal of<br>shares by employee benefit<br>trusts   | -                        | -                                   | -                                   | -  | 2,078                        | 2,078         |
| Recognition of share-based<br>payment costs                       | -                        | -                                   | 956                                 | -  | -                            | 956           |
| Transfer of reserve on share<br>award                             | -                        | -                                   | (652)                               | -  | 652                          | -             |
| Dividends paid  | -                        | -                                   | -                                   | -  | (9,045)                      | (9,045)       |
| At 29 January 2011  | 4,865                    | 905                                 | 1,981                               | (382)                                    | 109,338                      | 116,707       |

## Consolidated Condensed Statement of Financial Position

|  | As at<br>30 July 2011<br>£000 | As at<br>31 July 2010<br>£000 | As at<br>29 January 2011<br>£000 |
|--|-------------------------------|-------------------------------|----------------------------------|
| <b>Non-current assets</b>                                  |                               |                               |                                  |
| Intangible assets  | 74,744                        | 75,912                        | 74,940                           |
| Property, plant and equipment                              | 54,705                        | 55,439                        | 58,570                           |
| Financial instruments                                      | -                             | 39                            | -                                |
| Retirement benefit surplus                                 | 800                           | -                             | 2,092                            |
|  | <b>130,249</b>                | 131,390                       | 135,602                          |
| <b>Current assets</b>                                      |                               |                               |                                  |
| Inventories  | 19,205                        | 17,983                        | 20,809                           |
| Trade and other receivables                                | 48,822                        | 50,416                        | 34,733                           |
| Financial instruments                                      | 204                           | 61                            | 219                              |
| Cash and cash equivalents                                  | 4,815                         | 9,769                         | 8,411                            |
| Assets classified as held for sale                         | 2,400                         | 2,400                         | 2,400                            |
|  | <b>75,446</b>                 | 80,629                        | 66,572                           |
| <b>Total assets</b>  | <b>205,695</b>                | 212,019                       | 202,174                          |
| <b>Current liabilities</b>                                 |                               |                               |                                  |
| Borrowings   | 5,000                         | 10,000                        | 5,000                            |
| Trade and other payables                                   | 48,184                        | 51,146                        | 39,562                           |
| Financial instruments                                      | 49                            | 956                           | 416                              |
| Provisions   | 49                            | 1,783                         | 777                              |
| Current tax  | 3,799                         | 4,250                         | 3,920                            |
|  | <b>57,081</b>                 | 68,135                        | 49,675                           |
| <b>Non-current liabilities</b>                             |                               |                               |                                  |
| Borrowings   | 14,799                        | 19,777                        | 19,814                           |
| Deferred income  | 60                            | 72                            | 72                               |
| Financial instruments                                      | -                             | 81                            | -                                |
| Deferred tax liabilities                                   | 15,142                        | 12,942                        | 15,906                           |
| Retirement benefit obligations                             | -                             | 7,081                         | -                                |
|  | <b>30,001</b>                 | 39,953                        | 35,792                           |
| <b>Capital and reserves attributable to equity holders</b> |                               |                               |                                  |
| Called up share capital                                    | 4,865                         | 4,865                         | 4,865                            |
| Share premium account                                      | 905                           | 905                           | 905                              |
| Share options reserve                                      | 1,888                         | 2,264                         | 1,981                            |
| Cash flow hedge reserve                                    | -                             | (567)                         | (382)                            |
| Retained earnings  | 110,955                       | 96,464                        | 109,338                          |
|  | <b>118,613</b>                | 103,931                       | 116,707                          |
| <b>Total equity and liabilities</b>                        | <b>205,695</b>                | 212,019                       | 202,174                          |

## Consolidated Condensed Cash Flow Statement

|  | 6 months<br>ended 30<br>July 2011 | 6 months<br>ended 31<br>July 2010 | Year<br>ended 29<br>January 2011 |
|--|-----------------------------------|-----------------------------------|----------------------------------|
|  | £000                              | £000                              | £000                             |
| Operating activities   |                                   |                                   |                                  |
| Profit before tax  | <b>16,293</b>                     | 15,407                            | 30,436                           |
| Adjustments for:   |                                   |                                   |                                  |
| Interest receivable  | <b>(42)</b>                       | (26)                              | (321)                            |
| Interest payable   | <b>551</b>                        | 781                               | 1,423                            |
| Depreciation of property, plant and equipment                        | <b>3,579</b>                      | 3,561                             | 7,325                            |
| Fair value adjustment to financial instruments                       | <b>64</b>                         | 328                               | (192)                            |
| Amortisation of intangible assets                                    | <b>196</b>                        | 196                               | 392                              |
| Impairment of intangible assets                                      | <b>-</b>                          | 308                               | 1,084                            |
| Share options costs  | <b>453</b>                        | 470                               | 956                              |
| Gain on sale of property, plant and equipment                        | <b>(210)</b>                      | (62)                              | (6)                              |
| Government grants written back                                       | <b>(12)</b>                       | (4)                               | (4)                              |
| <b>Operating cash flows before movements in working capital</b>      | <b>20,872</b>                     | 20,959                            | 41,093                           |
| Decrease/ (increase) in inventories                                  | <b>1,604</b>                      | (1,983)                           | (4,893)                          |
| Increase in receivables  | <b>(14,089)</b>                   | (20,259)                          | (4,576)                          |
| Increase in payables   | <b>8,123</b>                      | 19,058                            | 6,038                            |
| Net decrease in retirement benefit obligation                        | <b>(2,349)</b>                    | (1,174)                           | (3,105)                          |
| <b>Cash generated by operations</b>                                  | <b>14,161</b>                     | 16,601                            | 34,557                           |
| Tax on profit paid   | <b>(3,911)</b>                    | (3,838)                           | (7,243)                          |
| <b>Net cash from operating activities</b>                            | <b>10,250</b>                     | 12,763                            | 27,314                           |
| <b>Investing activities</b>  |                                   |                                   |                                  |
| Purchase of property, plant and equipment                            | <b>(3,082)</b>                    | (3,067)                           | (9,840)                          |
| Proceeds on sale of property, plant and equipment                    | <b>3,463</b>                      | 142                               | 281                              |
| Interest received  | <b>12</b>                         | 31                                | 48                               |
| <b>Net cash generated by investing activities</b>                    | <b>393</b>                        | (2,894)                           | (9,511)                          |
| <b>Financing activities</b>  |                                   |                                   |                                  |
| New loans received   | <b>-</b>                          | 7,000                             | 12,000                           |
| Loans repaid   | <b>(5,000)</b>                    | (10,000)                          | (20,000)                         |
| Bank arrangement fees paid   | <b>(60)</b>                       | -                                 | -                                |
| Purchase of Company shares via employee benefit trusts               | <b>(2,449)</b>                    | (1,705)                           | (4,197)                          |
| Proceeds from disposal of Company shares via employee benefit trusts | <b>1,057</b>                      | 874                               | 2,078                            |
| Dividends paid   | <b>(7,163)</b>                    | (6,450)                           | (9,045)                          |
| Interest paid  | <b>(624)</b>                      | (745)                             | (1,154)                          |
| <b>Net cash used in financing activities</b>                         | <b>(14,239)</b>                   | (11,026)                          | (20,318)                         |
| Net decrease in cash and cash equivalents                            | <b>(3,596)</b>                    | (1,157)                           | (2,515)                          |
| Cash and cash equivalents at beginning of period                     | <b>8,411</b>                      | 10,926                            | 10,926                           |
| Cash and cash equivalents at end of period                           | <b>4,815</b>                      | 9,769                             | 8,411                            |

## 1. General information

The Company is a public limited company incorporated and domiciled in the U.K. The address of its registered office is A.G. BARR p.l.c., Westfield House, 4 Mollins Road, Cumbernauld G68 9HD.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 29 January 2011 were approved by the board of directors on 28 March 2011 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 29 January 2011 are an extract of the Company's statutory accounts for that year. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

This condensed consolidated interim financial information is unaudited but has been reviewed by the Company's Auditors.

## 2. Segment reporting

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

The management committee considers the business from a product perspective. This has led to the operating segments identified in the table below. The performance of the operating segments is assessed by reference to their gross profit before exceptional items.

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

### 6 months ended 30 July 2011

|                                       | Carbonates<br>£000 | Still drinks<br>and water<br>£000 | Other<br>£000 | Total<br>£000  |
|---------------------------------------|--------------------|-----------------------------------|---------------|----------------|
| Total revenue                         | <b>93,913</b>      | <b>29,757</b>                     | <b>283</b>    | <b>123,953</b> |
| Gross profit before exceptional items | <b>52,984</b>      | <b>9,073</b>                      | <b>249</b>    | <b>62,306</b>  |

### 6 months ended 31 July 2010

|                                       | Carbonates<br>£000 | Still drinks<br>and water<br>£000 | Other<br>£000 | Total<br>£000 |
|---------------------------------------|--------------------|-----------------------------------|---------------|---------------|
| Total revenue                         | 91,814             | 27,101                            | 292           | 119,207       |
| Gross profit before exceptional items | 52,704             | 8,153                             | 244           | 61,101        |

### Year ended 29 January 2011

|                                       | Carbonates<br>£000 | Still drinks<br>and water<br>£000 | Other<br>£000 | Total<br>£000 |
|---------------------------------------|--------------------|-----------------------------------|---------------|---------------|
| Total revenue                         | 172,316            | 49,420                            | 630           | 222,366       |
| Gross profit before exceptional items | 98,932             | 15,235                            | 543           | 114,710       |

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

Other segments represent income from water coolers for the Findlays 19 litre water business, rental income for vending machines and other soft drink related items such as water cups.

The gross profit from the segment reporting is reconciled to the total profit before income tax as shown in the consolidated condensed income statement.

### 3. Operating profit

The following items have been charged/ (credited) to operating profit during the period:

|   | <b>6 months<br/>ended 30<br/>July 2011<br/>£000</b> | 6 months<br>ended 31<br>July 2010<br>£000 | Year<br>ended 29<br>January 2011<br>£000 |
|---|---|---|--|
| Inventory write down                          | <b>221</b>  | 87  | 464                                      |
| Foreign exchange (gains)/losses recognised    | <b>(266)</b>  | 221                                       | 199                                      |
| Fair value movements in financial instruments | <b>64</b>   | 328                                       | (192)                                    |

The following exceptional items have been charged/ (credited) to operating profit during the period:

|   |              |      |       |
|---|--------------|------|-------|
| Net redundancy costs for production site closure                          | <b>62</b>    | -    | -     |
| Dual running costs  | <b>460</b>   | -    | 331   |
| <b>Total cost of sales</b>  | <b>522</b>   | -    | 331   |
| Dual running costs  | <b>13</b>    | 327  | 103   |
| Release of provision no longer required                                   | <b>(63)</b>  |      |       |
| Redundancy cost for Group reorganisation                                  | -            | 51   | 136   |
| Net Redundancy (cost release) / provision for production site closure     | -            | (96) | (157) |
| Gain on disposal of property and plant related to production site closure | <b>(72)</b>  | -    | -     |
| <b>Total distribution costs</b>   | <b>(122)</b> | 282  | 82    |
| Curtailment of retirement benefit scheme                                  | <b>(497)</b> | -    | (341) |
| Impairment of intangible assets   | -            | 308  | 1,084 |
| <b>Total administration costs</b>   | <b>(497)</b> | 308  | 743   |
| <b>Net exceptional (credits)/charges</b>                                  | <b>(97)</b>  | 590  | 1,156 |

Exceptional costs for the half year to 30 July 2011 are dual running, redundancy and travel costs relating to the completion of the Mansfield site closure. These have been offset by a net gain on disposal of assets at this site and the release of provisions no longer required. In addition, as a result of the final site closure, a further curtailment in the Group retirement pension plan has arisen. This has resulted in an exceptional credit arising from the reduction in the retirement benefit obligation following a reduction in the number of employees remaining with the scheme. The value of this credit is £497,000.

The exceptional items for the year to 29 January 2011 related to the impairment of three intangible assets. In addition there were costs relating to the closure of Mansfield and the reorganisation of the Group. These included dual running costs in the lead up to the closure of the Mansfield distribution operation offset by an exceptional pension curtailment credit and net release of redundancy provisions.

#### **4. Tax on profit**

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 23.2% (six months ended 31 July 2010: 27.3%; year ended 29 January 2011: 25.8%).

The March 2011 budget announced changes to the main corporate tax rate. A decrease in the tax rate to 26% was substantively enacted for the purposes of IAS 12 Income taxes on 29 March 2011. The 2011 budget also proposed a further 1% reduction to 25% from 1 April 2012. This amendment received its third reading in the House of Commons on 5 July 2011 resulting in the decrease in the tax rate to 25% being substantively enacted for the purposes of IAS 12. Further reductions to the main rate are proposed, to reduce the rate by 1% per annum to 23% by 1 April 2014. As the reduction in the rate from 28% to 25% had been enacted at the statement of financial position date the effect of this rate change is reflected in calculating the estimated average annual effective income tax rate.

The proposed remaining two reductions of the main rate of corporation tax, by 1% per year to 23% by 1 April 2014, are expected to be enacted separately each year.

These changes had not been substantively enacted at the statement of financial position date and have therefore not been recognised in these financial statements. It has not been possible to quantify the impact of the changes in these rates.

## 5. Earnings per share

Basic earnings per share have been calculated by dividing the earnings attributable to equity holders of the parent by the weighted average number of shares in issue during the year, excluding shares held by the employee share scheme trusts.

|   | <b>6 months<br/>ended 30<br/>July 2011</b> | 6 months<br>ended 31<br>July 2010 | Year<br>ended 29<br>January 2011 |
|---|--|-----------------------------------|----------------------------------|
| Profit attributable to equity holders of the Company (£000) | <b>12,513</b>                              | 11,201                            | 22,585                           |
| Weighted average number of ordinary shares in issue         | <b>38,362,812</b>                          | 38,307,258                        | 38,385,598                       |
| Basic earnings per share (pence)                            | <b>32.62</b>                               | 29.24                             | 58.84                            |

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

|   | <b>6 months<br/>ended 30<br/>July 2011</b> | 6 months<br>ended 31<br>July 2010 | Year<br>ended 29<br>January 2011 |
|---|--|-----------------------------------|----------------------------------|
| Profit attributable to equity holders of the Company (£000) | <b>12,513</b>                              | 11,201                            | 22,585                           |
| Weighted average number of ordinary shares in issue         | <b>38,362,812</b>                          | 38,307,258                        | 38,385,598                       |
| Adjustment for share options                                | <b>220,537</b>                             | 323,481                           | 216,127                          |
| Diluted weighted average number of ordinary shares in issue | <b>38,583,349</b>                          | 38,630,739                        | 38,601,725                       |
| Diluted earnings per share (pence)                          | <b>32.43</b>                               | 29.00                             | 58.51                            |

## 6. Intangible assets

|                        | <b>6 months<br/>ended 30<br/>July 2011<br/>£000</b> | 6 months<br>ended 31<br>July 2010<br>£000 | Year<br>ended 29<br>January 2011<br>£000 |
|------------------------|---|---|--|
| Opening net book value | <b>74,940</b>                                       | 76,416                                    | 76,416                                   |
| Amortisation           | <b>(196)</b>  | (196)                                     | (392)                                    |
| Impairment             | -   | (308)                                     | (1,084)                                  |
| Closing net book value | <b>74,744</b>                                       | 75,912                                    | 74,940                                   |

The amortisation charge for the six months to 30 July 2011 represents £126,000 (six months ended 31 July 2010: £126,000; year ended 29 January 2011: £253,000) of charges for the Rubicon customer list and £70,000 (six months ended 31 July 2010: £70,000; year ended 29 January 2011: £139,000) for the amortisation of the Strathmore customer list.

The impairment charge for the six months to 31 July 2010 represents the impairment of the Vitsmart brand and related goodwill. During the six months to 31 July 2010 the directors undertook a strategic review and decided to remove the brand from the market. As the product had no foreseeable future cash flows, the related goodwill of £18,000 and brand of £290,000 were fully impaired.

During the second half of the year to 29 January 2011 a strategic decision was made to remove the Taut brand from the sports and energy drinks market for the foreseeable future. Goodwill of £318,000 recognised at the date of acquiring Taut (U.K.) Limited was fully written off.

Neither of the brands had any other assets associated with them that require an impairment review.

In the second half of the year to 29 January 2011 the water rights A.G. BARR p.l.c. holds for the use of the spring for Findlays water were written down by £458,000 to the recoverable value of £1. The impairment arose following declining volumes in the sales of Findlays water.

All of these impairments were treated as exceptional costs.

## 7. Property, plant and equipment

|                        | <b>6 months<br/>ended 30<br/>July 2011<br/>£000</b> | 6 months<br>ended 31<br>July 2010<br>£000 | Year<br>ended 29<br>January 2011<br>£000 |
|------------------------|---|---|--|
| Opening net book value | <b>58,570</b>                                       | 55,902                                    | 55,902                                   |
| Additions              | <b>2,967</b>  | 3,187                                     | 10,268                                   |
| Disposals              | <b>(3,253)</b>                                      | (89)                                      | (275)                                    |
| Depreciation           | <b>(3,579)</b>                                      | (3,561)                                   | (7,325)                                  |
| Closing net book value | <b>54,705</b>                                       | 55,439                                    | 58,570                                   |

The closing balance includes £1,034,000 (as at 31 July 2010: £3,641,000; as at 29 January 2011: £1,922,000) of assets under construction.

## 8. Financial instruments

Current assets of £204,000 (at 31 July 2010: £61,000; 29 January 2011: £219,000) relate to foreign exchange forward contracts with a maturity of less than 12 months.

The financial instrument non-current asset at 31 July 2010 of £39,000 included an interest rate swaption and foreign exchange forward contracts with maturity date more than 12 months away.

Both current and non-current assets are classified as assets at fair value through profit and loss.

Current liabilities of £49,000 represent foreign exchange forward contracts (classified at fair value through the profit and loss account). At 31 July 2010 and 29 January 2011 the values were £956,000 and £416,000 respectively. At these dates the value represented both foreign exchange forward contracts and an interest rate hedge which was classified as a derivative used for hedging. The interest rate hedge expired on 29 July 2011.

The non-current liability of £81,000 at 31 July 2010 related to foreign exchange forward contracts with maturity more than 12 months away. These are also classified at fair value through the profit and loss account.

## 9. Assets classified as held for sale

Assets classified as held for sale represent the Atherton production site closed during the year to 26 January 2008. The land and buildings qualify as an asset classified as held for sale.

## 10. Provisions

|                                      | <b>6 months<br/>ended 30<br/>July 2011<br/>£000</b> | 6 months<br>ended 31<br>July 2010<br>£000 | Year<br>ended 29<br>January 2011<br>£000 |
|--------------------------------------|---|---|--|
| Opening provision                    | <b>777</b>  | 1,962                                     | 1,962                                    |
| Provision recognised in the period   | <b>14</b>   | 63  | 72                                       |
| Provision utilised during the period | <b>(671)</b>  | (146)                                     | (1,071)                                  |
| Provision released during the period | <b>(71)</b>   | (96)                                      | (186)                                    |
| Closing provision                    | <b>49</b>   | 1,783                                     | 777                                      |

The closing provision balance at 30 July 2011 relates to the remaining expected employee termination costs relating to the closure of the Atherton and Mansfield production sites.

## 11. Borrowings and loans

Movements in borrowings and loans are analysed as follows:

|                             | <b>6 months<br/>ended 30<br/>July 2011<br/>£000</b> | 6 months<br>ended 31<br>July 2010<br>£000 | Year<br>ended 29<br>January 2011<br>£000 |
|-----------------------------|---|---|--|
| Opening loan balance        | <b>25,000</b>                                       | 33,000                                    | 33,000                                   |
| Borrowings made             | -   | 7,000                                     | 12,000                                   |
| Repayments of borrowings    | <b>(5,000)</b>                                      | (10,000)                                  | (20,000)                                 |
| Closing loan balance        | <b>20,000</b>                                       | 30,000                                    | 25,000                                   |
| Unamortised arrangement fee | <b>(201)</b>  | (223)                                     | (186)                                    |
| Closing loan balance        | <b>19,799</b>                                       | 29,777                                    | 24,814                                   |

During the six months to 30 July 2011 the Group successfully negotiated a three year revolving credit facility which expires in March 2014. The facility is in addition to a five year facility taken at the time of the Rubicon acquisition which expires in July 2013.

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

The closing balance of £19.8m is split between current liabilities of £5m and non-current liabilities of £14.8m on the statement of financial position at 30 July 2011.

## 12. Retirement benefit surplus/obligations

The surplus on the defined benefit retirement scheme has decreased by £1.292m since 29 January 2011.

The key financial assumptions used to value the liabilities at 30 July 2011, 31 July 2010 and 29 January 2011 were as follows:

|                                  | <b>As at 30 July<br/>2011<br/>%</b> | As at 31 July<br>2010<br>% | As at 29<br>January 2011<br>% |
|----------------------------------|-------------------------------------|----------------------------|-------------------------------|
| Discount rate                    | <b>5.50</b>                         | 5.40                       | 5.70                          |
| Expected return on scheme assets | <b>6.42</b>                         | 6.42                       | 6.42                          |
| Salary inflation                 | <b>4.75</b>                         | 4.45                       | 4.75                          |
| Price inflation                  | <b>3.50</b>                         | 3.20                       | 3.50                          |

The change in the discount rate has resulted in approximately £2.6m of an increase in the liability. In addition there has been a decrease in the asset value of the defined benefit retirement scheme of £1.0m. The changes in valuation have been partially offset by an ongoing deficit funding programme, with a total of £2m of contributions paid in the six months to 30 July 2011.

## 13. Movements in Company shares held by employee benefit trusts

During the six months to 30 July 2011 the employee benefit trusts of the Group acquired 187,481 (six months to 31 July 2010: 165,688; year to 29 January 2011: 375,020) of the Company's shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 30 July 2011 the shares held by the Company's employee benefit trusts represented 567,226 (31 July 2010: 649,405; 29 January 2011: 552,849) shares at a purchased cost of £6,321,122 (31 July 2010: £4,608,958; 29 January 2011: £5,465,821).

173,104 (six months to 31 July 2010: 123,321; year to 29 January 2011: 429,218) shares were utilised in satisfying share options from the Company's employee share schemes during the same period.

The related weighted average share price at the time of exercise for the six months to 30 July 2011 was £12.65 (six months to 31 July 2010: £11.90; year to 29 January 2011: £11.90) per share.

## 14. Events occurring after the reporting period

The interim dividend of 7.30p per share was approved by the board on 27 September 2011 and will be paid on 21 October 2011 to shareholders on record on 7 October 2011.

The assets classified as held for sale in the statement of financial position represents the Atherton site. It was sold on 8 August 2011 at a value comparable to its carrying value on the statement of financial position. The resulting proceeds and gain on disposal will be recognised in the financial statements for the year to 28 January 2012.