Straight talking, Forward thinking, Results driven.

BARR

A.G. BARR p.l.c.
Annual Report and Accounts
January 2014

We are a branded soft drinks business making, marketing and selling some of the U.K.'s best loved soft drinks brands.

6.9%
Turnover increase

10.1%
Increased earnings per share

£37.7m
Free cash flow

£38.1m
Profit before tax
(pre-exceptional items)

We are Barr.

Harry Singh, Employee Benefits Administrator

2014 saw a year of real progress in our business – who we are, where we are going and how we are going to achieve our ambitions.

“We are always finding better ways to do things, striving to be the best.”

Jennifer Reade, Assistant Brand Manager, IRN-BRU

Total turnover versus the comparable period up 6.9% at £254.1m (2013: £237.6m).

Profit on ordinary activities before tax, excluding exceptional items, increased 9.6% to £38.1m (2013: £34.8m**).

Underlying earnings per share* increased by 10.1% to 27.02p (2013: 24.55p**).

Free cash flow in the period of £37.7m. Net debt: EBITDA of below 0.1 times.

* Underlying earnings per share exclude the effect of exceptional items after tax on the basic earnings per share calculation. In the year to 26 January 2014 these exceptional items after tax represented a charge of £2,991,000 (2013: a charge of £3,058,000). The term 'underlying' is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures. Reconciliations of underlying measures to IFRS measures for earnings per share in respect of each period are provided in the earnings per share note (note 9).

** Restated for the impact of the revision to IAS 19.

“We work as one team, offering support to each other.”

Mark Aspinwall, Central Financial Controller

Growing our brands across the U.K.

Head Office
01 Cumbernauld

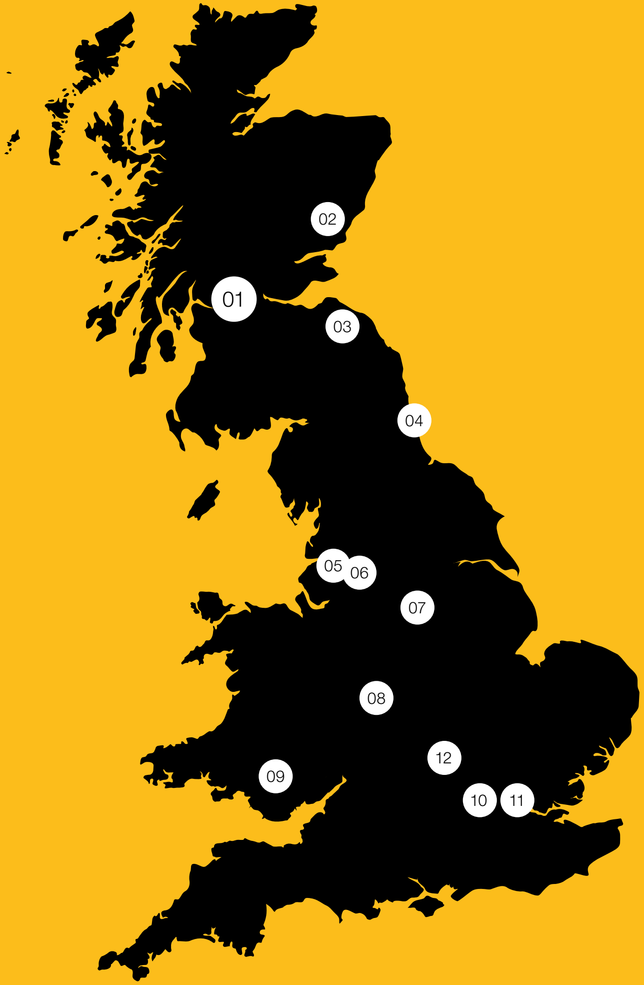
Sales and Administration Offices
01 Cumbernauld
05 Middlebrook
10 Wembley

Sales Branch
04 Newcastle
06 Moston
07 Sheffield
08 Wednesbury
11 Walthamstow

Supply Chain Sites
01 Cumbernauld
02 Forfar
03 Pitcox
09 Tredegar
12 Milton Keynes

Our Brands
IRN-BRU, Rubicon, Barr Brands, KA, Strathmore, Simply, Tizer, D’N’B, St. Clement’s, Findlays, Abbott’s.

Partnership Brands
Orangina, Rockstar, Snapple.



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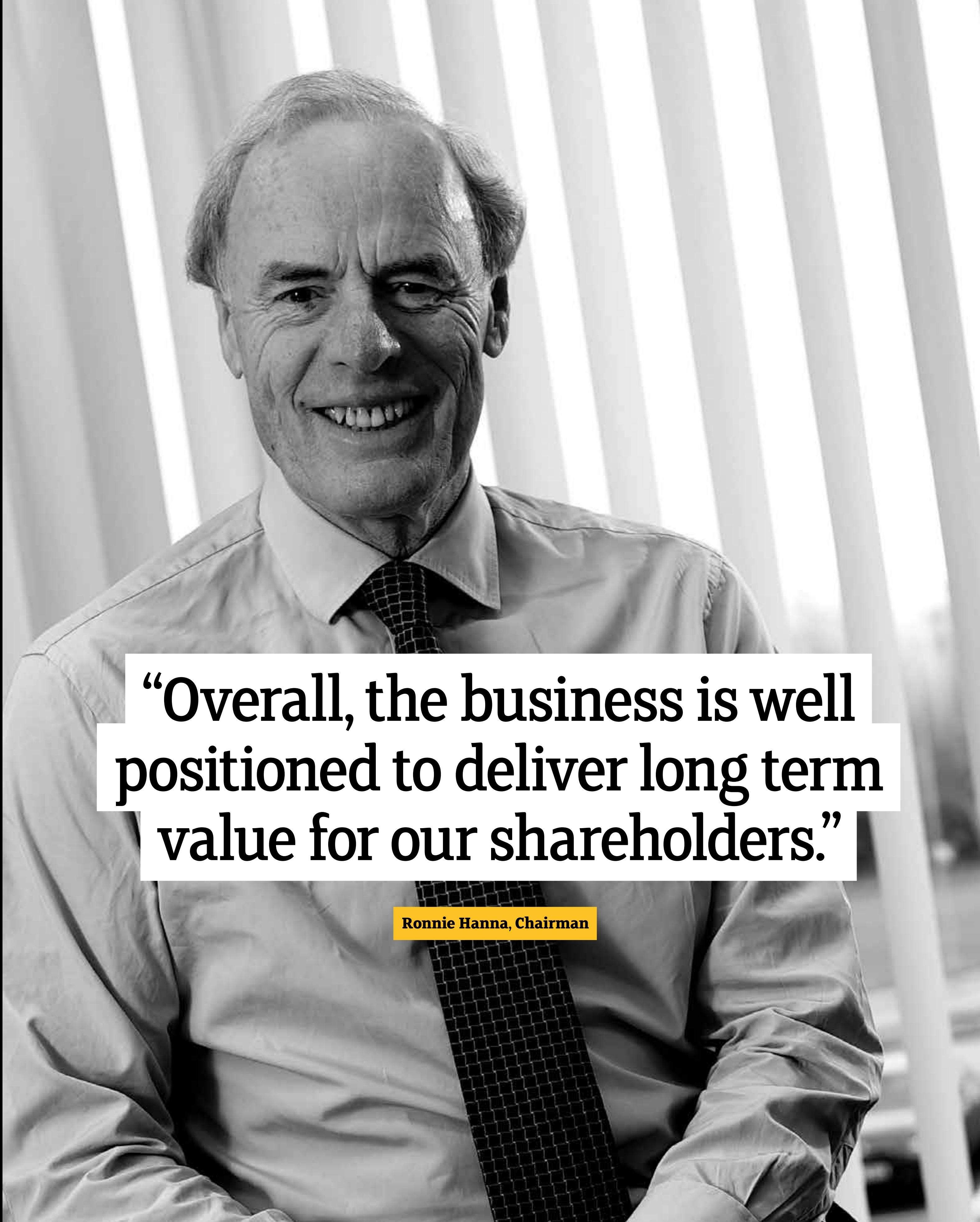
IRN BRU
BARR'S
Strathmore
TIZER
Strathmore
KA
TIZER
Rubicon
Passion
BARR
CREAM SODA
BARR
RASPBERRYADE
ROCKSTAR
RED Kola
BARR
LIMEADE
Rubicon
BARR
BUBBLEGUM
IRN BRU
SUGAR FREE
Rubicon
Lychee
Rubicon
IRN BRU
Rubicon
D'n'B
KA
Fruit Punch
BARR
LEMONADE

Strategic Report
I am pleased to present the Group's Strategic Report for the year ended 26 January 2014, which is set out on pages 1 to 29, provides a comprehensive review of the Group's business model and operations, strategy and performance. The Strategic Report incorporates the Chairman's Statement, Chief Executive's Review, Financial Review, Corporate Social Responsibility Review and Risks and Uncertainties.

The full contents are set out below:

1. Chairman's Statement
2. Business Model
3. Key Performance Indicators
4. Operational Review
5. Financial Review
6. Principal Risks and Uncertainties
7. Corporate Responsibility

Roger White,
Chief Executive
25 March 2014



> “Overall, the business is well positioned to deliver long term value for our shareholders.”

Ronnie Hanna, Chairman

Chairman's Statement
Ronald G. Hanna, Chairman

The Group's results are again excellent, outperforming the U.K. soft drinks market and delivering growth in profit before tax and exceptional items of 9.6%; sales increased by 6.9% to £254.1m. It was an eventful year including the termination of the proposed merger with Britvic plc, which despite the initial recommendation of both Boards and eventual clearance by the Competition Commission, could not subsequently be agreed by both Boards.

I reported last year that, despite the potential distraction of the Britvic deal, our priority remained on the business elements within our control – building brand equity, driving sales fundamentals, seeking efficiency gains and controlling costs and that is exactly what we have done. As a consequence, our business has had another strong financial year.

In addition to our efforts to deliver our financial plans, the business has also embarked on a number of structural improvement initiatives, outlined in more detail in the Operational Review which are designed to support the long term delivery of sustained business performance and maximisation of shareholder value. This is an exciting time for A.G. BARR, in which we aim to accelerate our growth, building on the strong platform we have created.

2013 also saw the completion of our initial investment in our new production and warehousing facilities at Milton Keynes. I am delighted that the first phase of this investment is now complete – on time and to budget – which was a significant achievement for all of the team and now equips us with a highly efficient and flexible site, increasing our capacity immediately and providing further scope for future growth.

Dividend

The Board is pleased to recommend a final dividend of 8.19p per share to give a total dividend for the year of 11.02p per share, a full year increase of 10.0% on the prior year reflecting the financial strength of the business and our confidence in the future.

Future Prospects

We continue to operate in challenging markets but our combination of great people, strong brands, proven business model, excellent asset base and growth potential gives us real confidence in our future prospects.

The markets in which we operate have performed relatively robustly despite the economic, regulatory and consumer related headwinds. However we are cognisant that we must remain vigilant to the fast pace of change in our markets and ensure we are fully focused on consumers. We face these challenges from a position of strength, with a clear growth strategy, well invested asset base, strong balance sheet and a committed and capable team.

People

I am delighted that Pam Powell joined the Board in November 2013. I welcome her experience and continued contribution following an established career in innovation and brand strategy in fast moving consumer goods and latterly within beverages through her nine year tenure at SABMiller plc.

Finally, I would like to thank all of the team at A.G. BARR on behalf of our shareholders and Board for delivering superior performance in what has been a challenging period for all.

Ronald G. Hanna
Chairman

Business Model

Our objective is to deliver long term sustainable value in all we do.

To do this, the building blocks are:

- **Understanding real consumer needs and tastes such that we build brands and develop innovations to satisfy them**
- **Focusing on our core brands**
- **Delivering excellence in execution**
- **Driving efficiency across the supply chain**
- **Developing the team**
- **Building long lasting customer relationships**
- **We do the right thing**
- **Building brands that consumers love.**

Focus on core brands

We have developed a wide brand portfolio and believe in offering choice. We have directed much of our efforts to focus on our core brand offerings – IRN-BRU, BARR, our exotic brands Rubicon and KA and our franchise partner brand Rockstar.

By focusing our efforts on these core brands, we have been able to speed up the development of this group of brands with improved sales execution, better supported communication and improved innovation to market. We believe our core brands will drive our long term business growth.

Excellence in execution

Turning plans into actions as efficiently and effectively as possible is a key factor in our success. From factory operations to activity at the point of consumer purchase we aim to excel in the execution of our plans. We have invested significantly in our customer facing teams to ensure our brand led activity is activated in all channels creating interest, excitement and visibility in our brands and helping to leverage the consumer marketing campaigns which drive brand awareness.

Efficiency across the supply chain

To ensure we can compete in today's marketplace we must strive for efficiency across our full supply chain. We invest in all areas of efficiency from the sourcing of materials across the globe, the design of our packaging materials through to our manufacturing and distribution facilities across the U.K.

Strong business fundamentals allow us to focus on growth

Our business is financially well positioned to grow. We operate within an expandable consumption market with powerful brands, differentiated products and important positions within our core consumers' repertoires.

Our business model allows us to focus on creating and delivering value in all we do. By owning our brands, being asset backed, with multiple routes to market, and having a strong execution culture, we seek to outgrow the market as well as build our business. Consumer insight drives our business.

Our aim is to understand real consumer needs and tastes. Our consumer base is growing in number, location and diversity. We aim to build long term relationships with all our consumers through our brands by appealing to both traditional and new tastes as well as by bringing exciting innovation to the market. We believe people want choice and we aim to build brands and develop innovation which meets this need.

IRN-BRU
IRN-BRU

Envisaged, enabled, energised

Throughout our business we rely on both individual and team performance; our aim is to build competency, capability and leadership across the business. The pace of growth and change in our markets demands much of everyone and we will continue to invest in developing all our people as well as encouraging people to successfully use their initiative.

Long lasting customer relationships

Building long lasting relationships with customers in all channels across all our key markets is central to building our business for the long term. Our aim is to understand all our customers' businesses and work in collaboration with them to find winning consumer propositions but to do so in a practical, fun and profitable way.

IRN-BRU
Thank you for recycling

Doing the right thing

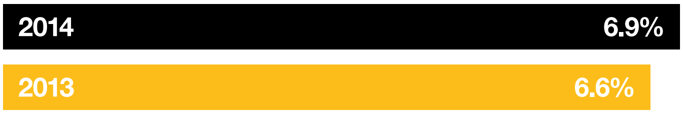
Our Corporate Responsibility actions across the environment, people, consumers and community are a big part of our business. We believe that how we act reflects who we are. Our aim is to ensure we always 'Do the Right Thing' across the business.

We are providing support and guidance but also autonomy to individuals, teams and sites across the business to ensure they can 'Do the Right Thing' every day.

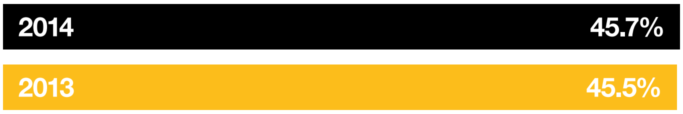
Key Performance Indicators

The principal key performance indicators used by management in assessing the performance of the Group are as follows:

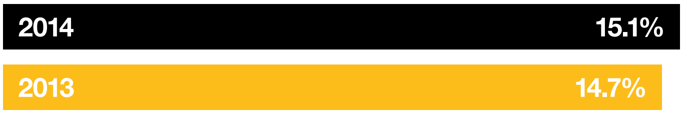
Turnover Growth



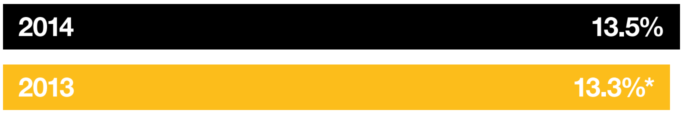
Gross Margin



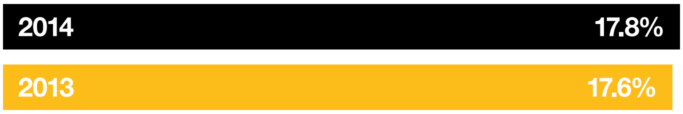
Operating Profit Margin



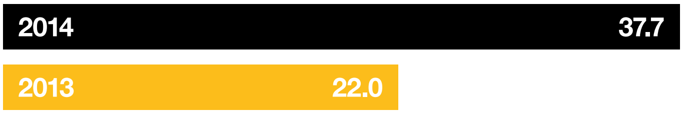
Profit Margin



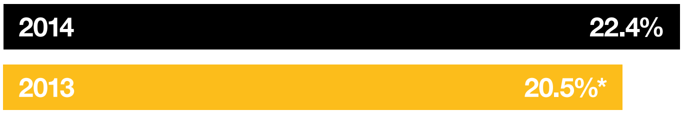
EBITDA Margin



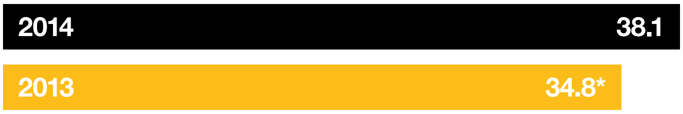
Free Cash Flow (£m)



Return on Capital Employed



Profit Before Tax and Exceptional Items (£m)



* Restated for the impact of the revision to IAS 19.

22.4%
Return on Capital Employed

17.8%
EBITDA margin

Turnover Growth

The increase in value of revenue recorded in the period relative to the prior period.

Average Realised Price

The average revenue per case sold. Gross Margin Revenue less material costs and production related costs, divided by revenue.

Operating Profit Margin

Operating profit before exceptional items and before the deduction of interest and taxation, divided by revenue.

Profit Margin

Profit before exceptional items and before the deduction of taxation, divided by revenue.

EBITDA Margin

EBITDA (defined as profit on ordinary activities before tax less exceptional items, adding back interest, depreciation, amortisation and impairment), divided by revenue.

Free Cash Flow

Net cash flow excluding the movements in borrowings, shares, dividend payments and non cash exceptional items. A reconciliation from operating profit before exceptionals to free cash flow is provided on page 17.

Return on Capital

Employed Operating profit before exceptional items as a percentage of invested capital. Invested capital is defined as period end non-current plus current assets less current liabilities excluding all balances relating to any financial instruments, interest-bearing liabilities and cash or cash equivalents.

Interest Cover

The ratio of EBITA (EBITDA less depreciation) relative to finance charges in respect of the relevant period.

Net Debt/EBITDA

The ratio of aggregate amount of all obligations in respect of period end consolidated gross borrowings to reported EBITDA.

Market Growth

Nielsen market growth summaries reported in terms of volume and value by major product category and geography.

Market Share

Nielsen market share summaries reported in terms of volume and value by major brand and geography.

Market Price per Litre

Nielsen market scantrack data of retail price per litre reported by major brand and geography.

Reportable Accidents

The moving average total of reportable accidents in a period, together with the number of lost time accidents and near misses.

> “We will ensure that our rigorous management of cash and costs will continue to be at the heart of our strategy.”

Roger White, Chief Executive

Chief Executive's Operational Review
Roger White

Across the last financial year we have continued to make excellent progress in both short term financial performance and also the development of our longer term plans and actions to ensure the business is fit for the future.

Our revenue in the 12 months to 26 January 2014 grew by 6.9%, outpacing the wider soft drinks market, as measured by Nielsen, continuing A.G. BARR's track record of outperformance in this regard. It is particularly pleasing in this context that we grew our volume by 5.0%, which is more than double the market rate.

Pre tax profit, before exceptional items, increased by 9.6% to £38.1m, with operating margins increasing by 0.4% to 15.1%, reflecting the improvements in cost of goods, well controlled overheads and positive product sales mix. The improvement in our margins has not come at the expense of our continued investment in our brands, where marketing and promotional spend has further increased year on year.

Market Performance

The U.K. soft drinks market has performed relatively strongly across 2013, with the exceptionally hot weather in July and generally warm summer more than making up for a cold, wet start to the year.

The total soft drinks market grew by 3.8% in value terms, with 1.9% of this growth coming from volume. Still drinks performed marginally better than carbonates in value terms and were significantly ahead in volume terms, driven by the water sub category which performed particularly well.

A.G. BARR's overall performance was driven by excellent growth in carbonates, which grew by 8.2% in overall value. This was as a result of the consistent growth of our core carbonate brands IRN-BRU and Barr, with the addition of a strong performance from our franchise energy brand Rockstar. Our still drinks portfolio had a more subdued year, growing by 2.7% in overall value terms. Within this performance, Rubicon stills grew by 4.0% and the Strathmore water brand grew by over 9%, reflecting the delivery of a number of business development activities and the positive impact of the warm summer weather on the category. KA stills declined by 3.8% following a very strong prior year growth. Overall the KA brand was down 1% in the period.

Our Strategy

The objective of our strategy is to create value for shareholders through:

- Core brands and markets;
- Brand portfolio;
- Route to market;
- Partnerships;
- Efficient operations;
- People development; and
- Sustainability and responsibility.

Our focus on all of the above areas was tested across the 2013/14 financial year, with the impact of the work load and uncertainty created by the planned merger with Britvic plc and associated anti-trust activity. The strength of the performance ethic across the teams at A.G. BARR and the consistency of our strategy and execution enabled us to weather this difficult period and emerge stronger. We have delivered considerable progress across all areas of our business over the last 12 months, all of which equip us to meet our long term growth and value creation objectives.

Core Brands, Markets and Innovation

Delivering growth despite numerous challenges, year in year out, has been the hallmark of our core brands' performance over many years and last year was no different. Our core Group brands, IRN-BRU, Rubicon and Barr, together with franchise brand Rockstar, delivered total revenue growth of 8%.

IRN-BRU
IRN-BRU
1

IRN-BRU new sponsorship the official soft drink of the SPFL

IRN-BRU and the Scottish Professional Football League (SPFL) announced the brand as the Official Soft Drink of the SPFL. The agreement between A.G. BARR and the SPFL means that IRN-BRU's long-standing association with the national game will continue, having already enjoyed six years as title sponsor of the Scottish Football League.

Chief Executive's Operational Review Continued

In geographical terms, our sales in Scotland now account for 40% of our total revenue and continue to grow in line with the overall market, whilst our sales in England and Wales, which account for the balance of our domestic revenues grew at over 9% in the period, reflecting both the significant opportunities for growth and the successful execution of our strategy.

IRN-BRU
Total IRN-BRU invoiced sales grew by 4.3%, as brand performance improved across the full year following a slow start, where aggressive competitor promotional activity impacted our volume performance. Overall sales growth of IRN-BRU in the second half of the year was double that of the first half as we realigned our promotional pricing relative to our competitor set. Our growth last year once again highlights the positive annual performance and significant potential in England and Wales which saw 7.5% growth in the period, driven by double digit growth in IRN-BRU Sugar Free.

Scotland, where we enjoy significant consumer loyalty and brand presence, continued to successfully grow in line with the overall market. The brand benefited from strong underlying brand equity and the execution of a well-developed commercial plan, including further value added promotional activity in the period. All of this activity helped to underpin sales at a time when competitor average pricing was driven down by aggressive promotional pricing.

The IRN-BRU brand continued to benefit from significant advertising support across all major media platforms and particularly benefited from the well-executed "BRU-SKIES" summer promotion, which helped build on the positive impact of the warm summer weather during which we gave away thousands of pairs of free sunglasses. The opportunities to drive further brand growth, by building on a loyal base of consumers in Scotland and geographical expansion with an increasing awareness and loyalty in the North of England, as well as innovation, will remain our main focus.

IRN-BRU Sugar Free, in line with our strategy, will continue to be exploited as a major growth opportunity across the U.K. and has received a further packaging and branding refresh in recent months. It is our aim to grow our Sugar Free brands ahead of our total growth. Following our successful launch of Rubicon ice cream, we have fully developed a further ice cream treat under the IRN-BRU brand which was launched in February 2014. We expect this product to add further brand value and deliver additional sales potential across 2014.

Exotics – Rubicon and KA
Following several years of significant growth, it has been a more modest year for our exotics brands, Rubicon and KA. Total Rubicon brand sales continued to grow, with stills drinks growth of 4.0% and carbonates achieving marginal growth. The past 12 months has seen a period of intense competitor activity, as a number of competing carbonate brands launched exotic flavours in response to the success of Rubicon. We have weathered the storm well and have continued to increase our brand development investment and Rubicon is well positioned to regain its growth momentum in 2014. We have completed a full artwork refresh, which will ensure the brand stands out more on shelf and we also aired national television advertising across 2013, to help broaden awareness and credibility of the brand with a wider audience. We continue to believe that this strong combination of product quality, innovation and brand recognition will ensure that Rubicon continues its positive growth trajectory to drive our exotics portfolio.

In mainland Europe and Scandinavia, Rubicon is an untapped source of future potential. Currently 5% of the Rubicon brand sales come from these territories with growth last year of 6.5%.

> "IRN-BRU Sugar Free, in line with our strategy, will continue to be exploited as a major growth opportunity across the U.K."

Do More with Strathmore Commonwealth packs launched

Strathmore, the Official Water of this year's Commonwealth Games, is launching a range of special packs to celebrate the brand's association with Glasgow 2014.

Do More with
Strathmore

IRN-BRU limited edition 330ml Commonwealth can

IRN-BRU unveiled the first of three limited edition 330ml can designs to mark its sponsorship of the Glasgow 2014 Commonwealth Games with the help of past Olympian and Commonwealth Games weightlifting medallist Peter Kirkbride from Kilmarnock.

BARR
1901–2014
BARR'S IRON BREW
IRN-BRU
SUGAR FREE
PROUD OF OUR SPORTING PAST AND PRESENT
IRN-BRU
SUGAR FREE
IRN-BRU
IRN-BRU
PROUD OF OUR SPORTING PAST AND PRESENT

Chief Executive's Operational Review
Continued

KOOL TASTE
KA
Karnival Krush
LIMITED EDITION

KA Karnival Krush
Limited edition product and special promotional packs on KA, the soft drinks brand that provides a full-flavoured taste of the Caribbean, were launched during the year.

BARR
CREAM SODA
LEMONADE

Barr Brand first ever TV campaign
The Barr brand grew ahead of the soft drinks category with sales having grown more than two and a half times since 2005. To further drive this success, a TV campaign was launched at the beginning of the year.

> "We continue to believe that developing our various route to market strategies and executing them with excellence is a core area of competence which presents exciting further potential for A.G. BARR."

> "We have made excellent progress across our asset base in driving efficiency, building flexibility and improving customer service."

Barr Brands
The Barr range posted growth of 3.2% and further demonstrated its flexibility and potential through innovation and distribution growth. Across the year the brand growth was impacted by actions taken to phase out some flavours in advance of the planned merger with Britvic plc. We have now however successfully reversed these actions and, in addition, introduced a Bubblegum flavoured soft drink to the Barr portfolio. Initially launched as a special pack, Bubblegum is now a new permanent range extension following its success and feedback from our consumers. This, together with the development of an additional cola product – Barr XTRA Cola – for 2014, leaves us confident that Barr will regain its strong growth momentum.

Rockstar
The Rockstar brand continued to go from strength to strength in 2013, supported by the development and subsequent launch of a number of new flavours and pack designs. The energy market has slowed down significantly in overall terms from its growth high points, however Rockstar has continued to appeal to increasing numbers of consumers with growth of over 60%, as distribution levels continue to build across the U.K. This brand, like the category, will continue to rely on innovation and excitement around the category to generate further growth but Rockstar is now an important component of the A.G. BARR portfolio and consumer offering.

Strathmore
Strathmore, in tandem with the wider market as a whole, enjoyed good growth of 9.3%. Within this, 7.3% has come from volume and encouragingly value was driven by incremental listings in the flavoured water variant Strathmore Twist. Strathmore continues to enjoy a leading position within the on-trade and has a strong platform to develop in 2014, specifically with our Commonwealth Games sponsorship activity.

Route to Market
We continue to believe that developing our various route to market strategies and executing them with excellence is a core area of competence which presents exciting further potential for A.G. BARR. As an example of the many actions we are taking to improve our executional capability, we initiated the centralisation of our in-house telesales operation in the second half of 2013. This operation supports our impulse customers and has historically been based at six sites across the U.K. Following employee consultation, we have announced that this important business process will be fully centralised by mid 2014, with new premises and technology to support the development of our important impulse business.

Whilst controlling overhead costs closely, we have also substantially bolstered our central commercial management teams across our various channels over the last year. This will ensure that we have the most effective and efficient commercial programmes available to customers and that we are able to support these with significantly improved customer service. It is our aim to deliver the best possible service and pricing to all of our customers regardless of which route to market we employ.

Partnerships
There have been significant changes in the soft drinks landscape in the U.K. over the last year. Suntory's acquisition of Lucozade and Ribena provides their business with a U.K. operating platform. As a result, we anticipate that our Orangina contract, which is due to expire at the end of 2014, will transfer into the new Suntory Lucozade Ribena operation. At this stage we have not completed the planning for the transfer of the brand but we do not anticipate that this will have any material impact on either our operational or financial performance going forward due to the relatively insignificant scale of the brand, its revenues and gross profit generation.

Rockstar, as previously highlighted, continues to perform strongly and is approaching five times the size of Orangina in revenue terms. We have long term contractual commitments in place with Rockstar stretching through to 2024.

Efficient Operations
We have made excellent progress across our asset base in driving efficiency, building flexibility and improving customer service. Our new site at Magna Park, Milton Keynes is now fully operational, with the can line and associated processes fully commissioned.

Chief Executive's Operational Review Continued

The seamless transfer of our distribution centre from Lutterworth to Milton Keynes was completed in the period and with the site now fully operational, it has the potential to add significantly more capacity to the Group.

As a direct consequence, we have also substantially reduced our finished goods inventories as our new operating platform begins to deliver the planned benefits. We are currently planning our Phase II activities at Milton Keynes and are conducting a full review of our current and future operational requirements and options, mapped out against our forward views of consumer trends, to ensure we make the very most of the potential of this world class operating site. We anticipate reaching concrete conclusions of this review during the course of 2014.

A special thank you should go to all of our colleagues at Milton Keynes, both in the project team and the local team, for their hard work and dedication in delivering this complex and significant project.

Across all of our operating sites we have continued to make great progress in 2013/14 driving improved efficiency and delivering excellent customer service.

Our capital expenditure in the financial year 2013/14 was slightly less than previous guidance at £13.4m, primarily due to the re-phasing of a number of capital projects into 2014/15. Overall, we have a well invested and scalable operating platform from which to grow our business.

People, Sustainability and Responsibility

Across the business everyone has responded positively to both change and challenges throughout the last 12 months. The flexibility, adaptability and resilience of the whole team is a huge credit to them and the delivery of our financial plan, during an extended period of corporate uncertainty, speaks volumes for our people.

We have learned a great deal about ourselves as a business over the last 12 months and we have channelled much of this insight and energy into a change programme which we launched across the second half of 2013. Our Fit for the Future programme is designed to support our internal change agenda across a broad range of development and change projects. All of these projects are designed to ensure we can successfully and sustainably accelerate the growth of our business. Our change programme will cover all key aspects of our business going forward: systems and processes; people and performance; and assets and brands. The adoption of enhanced project and programme management tools and processes will allow us to accelerate and de-risk our major project activity, as well as improve overall resource planning and execution as we enter a new and exciting growth phase of the business. It should be highlighted that the Milton Keynes project was delivered successfully using our new programme project management methodologies.

Safety performance in the period made further significant progress as all of our teams continue the journey to transform safety behaviours across each site. We have built on our previously described near-miss reporting and corrective action plans which, together with increased safety audit activity, have delivered a real reduction in lost time accidents and continue to help keep safety at the top of our agenda across the business.

The weight of regulatory activity, media interest and political comment on the soft drinks sector has never been greater. A.G. BARR continues to take a very positive and proactive role in driving our responsibility actions to ensure we support consumers to do the right thing. We have successfully met our annual objectives related to our commitments under the Government sponsored Responsibility Deal to reduce the average calorie content of our drinks portfolio by 5% by 2016. In addition, we will be adopting the non mandatory, traffic light, front-of-pack labelling system during the course of 2014, ensuring that we give consumers maximum visibility of the nutritional content of our drinks, further emphasising our commitment to supporting consumers' right to clear and well informed choice.

> “We have continued to invest in capability, assets and technology to ensure that we can develop our supply capability.”

Commonwealth Games Glasgow 2014

We are now only a few months away from the Glasgow 2014 Commonwealth Games, to which A.G. BARR is both an official supporter and supplier. Our portfolio of brands – IRN-BRU, Strathmore, Barr and Rubicon – will have a role to play for both spectators and athletes as the Games approach and also during the Games themselves. We have committed significant resources to support the Games, not only across the Games period but across the last 12 months, and support will continue in the run up to and during the Games. The Games will provide a great platform for sport, the city of Glasgow and also our brand activity across the key summer trading months of 2014.

Summary

We are firmly at the start of a new phase in the development of A.G. BARR. We have organic growth potential in our range of unique brands, driven by our geographical growth potential and consumer diversity, as well as an efficient scalable operating asset base, allied to a team across the business hungry for continued growth and success. We will ensure that our rigorous management of cash and costs will continue to be at the heart of our strategy, along with our culture of delivering. We plan to increase the internal pace of development and change in our business, as we deliver on the significant existing growth potential of the business and seek new routes to grow further shareholder value.

Roger A. White
Chief Executive

PERFORMANCE ENERGY
ROCKSTAR XDURANCE
AVAILABLE IN LEADING SUPERMARKETS AND INDEPENDENT RETAILERS
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THE NEW GREAT TASTING ROCKSTAR XDURANCE IS DESIGNED TO GIVE YOU AN INCREDIBLE ENERGY BOOST TO MAXIMISE YOUR MENTAL AND PHYSICAL PERFORMANCE.

Rockstar Xdurance
Rockstar’s Xdurance variant is the U.K.’s fastest selling “Big Can” energy drink contributing to the brand’s growth of over 60% in the year.

Rubicon unveiled a new colourful look for its stills and carbonates range in 2013.
The brand refresh formed part of a major investment in the brand which included national TV advertising, sampling as well as extensive digital activity.

> “We have delivered growth in revenue and profit underpinned by strong volume performance.”

Alex Short, Finance Director

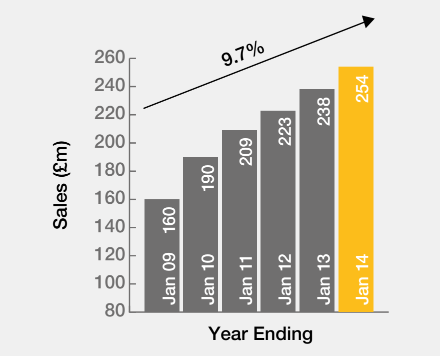
Financial Review
Alex Short, Finance Director

All of our key financial measures have improved relative to the prior year. Revenue increased by 6.9% to £254.1m, profit before tax (pre-exceptional items) by 9.6% to £38.1m and underlying Earnings per Share (EPS) by 10.1% to 27.02p. Including the effect of £3.8m of exceptional items, profit before tax increased by 8.6%.

During the year, the Group generated very strong free cash flow amounting to £37.7m, which contributed to a substantial reduction in our net debt position. Strong EBITDA margins, tight working capital management and continued investment in the asset base contributed to a further strengthening of the balance sheet. Net assets increased by 18.8% to £155.2m. More importantly, Return on Capital Employed (ROCE), increased a further 197 basis points to 22.4%.

These results once again underpin the consistent delivery of key business metrics over the long term. Based on a proven business model, a strong portfolio of brands and a consistent management approach the Group has delivered five year compound annual growth in turnover of 9.7% and profit before tax of 10.5%.

Sales CAGR



Segment Performance

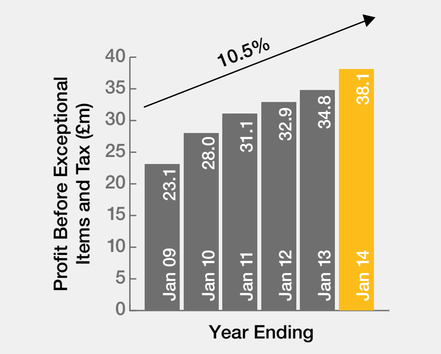
During the year ended 26 January 2014, the Group's turnover increased by 6.9%. This strong performance was driven by the continuation of the strategy to drive distribution gains throughout England and Wales whilst protecting a strong core Scottish market position. In 2013/14 the Group sold over 50 million cases of products, which represented an increase of 5.0% on the prior year. Average realised price (net of promotional investment) increased by 1.9%. In absolute terms, revenue of £254.1m was achieved, which represented an increase of £16.5m on the previous year.

The carbonates segment delivered year on year turnover growth of 8.2%, with volume growing by 5.8% and value by 2.4%. In absolute terms, the increase in carbonates equated to additional turnover of £14.9m.

The still drinks and water segment (stills) delivered year on year turnover growth of 2.7%, with volume growing by 1.8% and value by 0.9%. In absolute terms, the increase in stills equated to additional turnover of £1.5m.

All subsequent comparisons exclude the effect of exceptional items.

PBT CAGR



Margins

Despite improved market sentiments we have continued to see the level of promotion across branded products intensify. Overall, on a like for like basis (net of volume growth) our cost of goods increased by 1.4%. The delivery of modest price increases across the portfolio and a more benign cost environment led to an improvement in gross margins, which increased to 45.7%.

Carbonates gross margins experienced a slight decline due to the mix of lower margin products within the segment growing at a faster rate. Overall, carbonates achieved an average margin of 50.1% (down 50 bps) but cash margins per case increased by 1.3%.

Within stills, the combination of price increases and reduced costs of goods led to an improvement in gross margins from 27.6% to 29.7%, with cash margins increasing by 8.4%.

Overall gross profit increased by £8.2m or 7.5% relative to 2012/13.

In the year ahead we anticipate some further reduction in the pace of input cost inflation, which we expect to be at a low single digit level. We have good visibility of our forward raw material requirements and good levels of foreign exchange cover in place. Current market pricing for PET and sugar is down year on year, aluminium is flat, whilst the costs of our key fruit pulps are marginally higher.

Below gross profit, distribution costs increased by 6.0%, reflecting increased volume driven activity together with a double digit increase in marketing expenditure. This is in line with our strategy of building long term brand equity to accelerate our future growth.

Year on year administration costs increased by 6.9%. During the year we experienced significant increases in pension

Financial Review Continued

contributions through the higher ongoing service charges for the defined benefit pension scheme but also through the additional costs associated with auto enrolment, where we have seen a further 302 employees join the defined contribution pension scheme since November 2013. Professional fees were also incurred in the implementation of the Asset Backed Pension Funding arrangement put in place during the year. The Group saw expenditure on rates increase by 30% with the addition of the Milton Keynes production and distribution facility as well as through an increase in the base charges. Net of pension and rates related expenditure, administration costs increased by 3.9%, reflecting the additional investment deployed in developing our organisational capability.

The Group has continued to experience the benefits of operational gearing, with operating margins growing ahead of gross margins. An operating profit of £38.5m (before exceptional items) was delivered, representing an increase of 10.1% on the prior year. Operating margins, before exceptional items, increased from 14.7% to 15.1%.

Profit before tax (and exceptional items) increased by 9.6% to £38.1m, reflecting slightly higher average borrowing costs associated with the purchase of the land and buildings at Milton Keynes.

EBITDA (pre-exceptional items) of £45.2m was generated in the period, representing an EBITDA margin of 17.8%.

Interest

Net finance charges which amounted to £0.4m were £0.2m higher than in the prior year. The constituent elements of the charge are summarised below:

	£000
Finance income	43
Finance costs	(545)
Interest related to Group borrowings	(502)
Finance income related to pension plans	116
Net finance costs	(386)

Finance income has benefited from the expected return on pension scheme assets being £0.1m higher than the interest costs associated with the scheme liabilities. The cash interest cost includes the full year interest charges of £0.5m, offset to a small extent by interest income on cash balances.

Taxation

The tax charge of £6.1m is £0.1m lower than the prior year charge and represents an effective tax rate of 17.8%, a reduction of 180 basis points from the prior year. The key components in this reduction are; the impact on both current and deferred tax of the reduction in the corporation tax rate; the impact of accelerated capital allowances for the Milton Keynes site; and final agreed deductions relating to the costs of the failed merger with Britvic plc. We have worked hard to develop our excellent relationship with HMRC and have maintained our low risk status.

Earnings Per Share (EPS)

The reduced tax charge in the year has once again had a beneficial impact on underlying EPS, which at 27.02p represents an increase of 10.1% on the prior year.

Dividends

The Board is recommending a final dividend of 8.19p per share to give a total dividend for the year of 11.02 pence. This represents an increase of 10.0% compared to the prior year and represents a payout ratio of 45.1% of basic EPS.

Balance Sheet

Over the 12 month period to 26 January 2014 the Group's balance sheet strength increased significantly. Overall net assets grew by just under 19% to £155.2m. Property, plant and equipment assets increased by £6.8m, predominantly due to the completion of the production and distribution facility at Milton Keynes.

Tight management of working capital and strong cash generation led to a significant reduction in borrowings. This was supplemented by lower current and deferred tax liabilities and a reduction in the defined benefit pension deficit.

The key balance sheet metrics can be summarised as:

- ROCE increased to 22.4%, increasing by 197 bps relative to the prior year.
- Inventory reduced by 23% with inventory days reducing from an average of 59 to 43.
- Trade receivable days remained flat at 65 days.
- Trade payable days reduced from 35 to 25.
- Total capital investment of £13.4m at 5.3% of revenue reflected the six year average.
- The ratio of net debt to EBITDA reduced to below 0.1 times.

In the year ahead, capital expenditure is anticipated to be higher than in the previous year. Total expenditure of £17.0m is anticipated, of which £5.5m relates to retained Milton Keynes final Phase I balances together with expenditure being planned for Phase II; also included is just under £5.0m towards the Enterprise Resource Planning (ERP) replacement project. A decision on the preferred solution to replace our existing ERP solution is imminent. Maintenance capital of £6.6m will more closely match ongoing depreciation.

Cash Flow and Net Debt

An exceptionally strong free cash flow of £37.7m was generated in the period, representing an increase of over £15.7m on the prior year. This was despite exceptional cash costs amounting to £5.0m. The increase in free cash flow was attributable to the improvement in underlying EBITDA, strong management of working capital and reduced taxation.

Below free cash flow, the significant cash out flows included repayments of existing banking facilities of £10.0m, expansionary capital expenditure of £9.6m, and dividends which amounted to £3.3m. The dividend paid in 2013 was significantly lower than the prior year which included a £8.5m early distribution, in lieu of the final dividend, ahead of the planned and subsequently aborted merger with Britvic plc.

Shares with a net value of £1.2m were purchased on behalf of various employee benefit trusts to satisfy the ongoing requirements of the Group's employee share schemes.

Free cash flow statement	Year to 26 Jan 14 £000	Year to 26 Jan 13 £000
Operating profit	38,481	34,946
Depreciation	6,445	6,519
Amortisation	253	253
EBITDA	45,179	41,718
Decrease/(increase) in inventories	4,766	(1,841)
Decrease/(increase) in receivables	323	(4,434)
Increase in payables	3,924	715
Movement in pension liability	(172)	39
Share options costs	595	927
Exceptional cash items	(5,045)	(2,734)
Gain on sale of property, plant and equipment	(86)	(187)
Net operating cash flow	49,484	34,203
Net interest	(417)	(213)
Taxation	(7,696)	(8,267)
Cash flow from operations	41,371	25,723
Maintenance capex	(3,646)	(3,749)
Free cash flow	37,725	21,974
Expansionary capex	(9,635)	(21,129)
Dividends	(3,304)	(19,398)
Net purchases of shares held in trust	(1,211)	(339)
Loans (repaid)/received (incl arrangement fees)	(10,040)	10,000
Cash flow absorbed by financing	(24,190)	(30,866)
Increase/(decrease) in cash	13,535	(8,892)
Cash and cash equivalent at the start of the year	(603)	8,289
Cash and cash equivalent at the end of the year	12,932	(603)
Borrowings	(15,000)	(25,000)
Closing net debt	(2,068)	(25,603)

As at the end of January 2014, the Group's closing net debt position stood at £2.1m, being the closing cash position of £12.9m offset by borrowings of £15.0m. Repayments of £10.0m were made against existing bank facilities during the year which included the final payment to settle the Rubicon acquisition facility in full. The Group has sufficient banking facilities at its disposal to meet the expected future needs of the Group.

During the period, the Group has not undertaken any interest rate hedging activity given the current net debt position and the future expectations of short term interest rates and future free cash generation.

Exceptional Items

The Group incurred £3.8m of exceptional charges during the period. This represented a mixture of merger and Competition Commission activity in the first half of the year, Milton Keynes site set up costs not capitalised and provisions relating to redundancies following a number of organisation structural changes that have either been implemented or announced.

Pensions

The Group continues to operate two pension plans, being the A.G. BARR p.l.c. (2005) Defined Contribution Pension Scheme and the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme. The latter is a defined benefit scheme based on final salary, which also includes a defined contribution section pension provision to senior managers.

The defined benefit scheme is closed to new entrants but remains open for future accrual. As at the end of January 2014 the IAS 19 deficit was valued at £0.1m, a £3.3m improvement on the prior year. The improvement has been driven by strong asset returns. Overall assets have grown by 12%, offset to some extent by the effect of a reduction in the discount rate. The latter has increased liabilities by a further £4.3m. The overall pension position is robust considering the historically low gilt yields that are being used to value the scheme liabilities.

Given the financial position of the defined benefit pension scheme, the Trustees continue to review opportunities to reduce risk, acknowledging both the long term nature of pension arrangements and the underlying objective of achieving full buy out of the liabilities. During the year the Trustees, together with the Company, implemented an Asset Backed Funding arrangement. This arrangement has improved both the funding and the level of security provided to the scheme. The arrangement will support the implementation of a less volatile investment strategy whilst providing the Company with accelerated tax relief on its pension contributions.

Summary

Our financial position has continued to improve as we have delivered growth in underlying trading performance, increased underlying operating profits and generated strong free cash flow. Our balance sheet is in great shape and our efficiency measures of operating margin, cash flow conversion and ROCE are very strong. We have increased the levels of investment deployed to support long term brand building activity and to develop our organisational capability. Capital investment levels are in excess of underlying depreciation as we continue to invest in our asset base to provide efficient platforms for future growth.

As we enter the next stage of our development we do so with a very strong financial foundation.

Share Price and Market Capitalisation

At 26 January 2014 the closing share price for A.G. BARR p.l.c. was £6.05, an increase of 10% on the closing January 2013 position. The Group is a member of the FTSE250, with a market capitalisation of £706.5m at the year end.

Alex DC Short

Alex Short
Finance Director

Principal Risks and Uncertainties

The responsibility for risk management across the Group resides with the Board. The Board uses a risk framework which is designed to support the process for identifying, evaluating and managing both financial and non-financial risks.

There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group, which has operated throughout the year. This process involves regular assessment 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 mitigate the risk.

Internal audit work is undertaken by an independent organisation 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 year 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 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.

The principal risks and corresponding mitigation set out below represent the principal uncertainties that the Board believes may impact the Group's ability to deliver effectively its strategy in the future.

Risks Relating to the Group

Risk	Impact	Mitigating Actions
Adverse publicity in relation to the Group or its brands.	Adverse publicity in relation to the Group or its brands could have an adverse impact on the Group's reputation, consumer consumption patterns, sales and operating profits.	It remains the Group's policy to ensure that employees operate 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 maintains and develops ISO9001 and 14001 systems which are subject to annual external audits with any non-conformances actioned in a timely manner. Within the Group there is a clearly defined and communicated Corporate Social Responsibility Policy. Quality standards are well defined, implemented and measured. The Group offers a range of branded products many of which are low calorie or sugar free. Nutritional information is shown on all of our products and we have signed up to the U.K. Government's package labelling arrangements.

Risk	Impact	Mitigating Actions
Failure or unavailability of the Group's operational infrastructure.	The Group would be affected if there was a catastrophic failure of its major production or distribution facilities which led to a sustained loss in capacity or capability.	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.
Failure of the Group's Information Technology systems.	The maintenance and development of Information Technology systems may result in systems failures, including cyber security breaches which may adversely impact the Group's ability to operate.	IT assets within the Group are proactively managed and procedures exist that support rapid and clean recovery. Robust disaster recovery and incident management plans exist and are formally tested. Contingency measures are in place and are regularly tested.
Inability to protect the intellectual property rights associated with current and future brands.	Failure to maintain the Group's intellectual property rights could result in the value of our brands being eroded.	The Group invests considerable effort in proactively protecting the intellectual property rights associated with its current and future brands, through trademark registration and vigorous legal enforcement as and when required.
Interruption to, or significant change in the terms of, the Group's supply of packaging and raw materials.	The packaging and raw material components that the Group uses for the production of its soft drink products are largely commodities that are subject to price and supply volatility that could have an adverse impact on the Group's sales and operating profits.	The Group adopts centralised purchasing arrangements to ensure the best possible terms are negotiated. Contingency measures exist and are tested regularly. Supplier performance is reviewed on a monthly basis and audits are undertaken for major suppliers. Overall commodity risks are reviewed and managed by the purchasing and operations teams and reviewed by the Treasury Committee whose remit and authority levels are set by the Board. Together with the operations team, the Treasury Committee's remit focuses on the unpredictability of the cost of supply and seeks to minimise potential related adverse effects on the Group's financial performance through either forward purchasing or hedging known commodity requirements.
Financial Risks.	The Group's activities expose it to a variety of financial risks which include market risk (including medium term movements in exchange rates, interest rate risk and commodity price risk), credit risk and liquidity risk. In the poor economic climate the risk of customer insolvency is increased.	Our underlying objective is to secure budgeted exchange rates and thereby reduce the volatility through our cost of goods. Financial risks are reviewed and managed by the Treasury Committee whose remit and authority levels are set by the Board. The Treasury Committee seeks to minimise adverse effects on the Group's financial performance through hedging known currency exposures whilst reviewing the appropriateness of the interest rate hedging policy throughout the year. The Group's finance team reviews cash flow forecasts throughout the year, with headroom against banking covenants assessed regularly. The finance team uses external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. The Group's financial control environment is subject to review by both internal and external audit. Internal audit's focus is to work with and challenge management to ensure an appropriate control environment is maintained.

Principal Risks and Uncertainties Continued

Risk	Impact	Mitigating Actions
Change programmes may not deliver the benefits intended.	A number of change programmes designed to improve the effectiveness and efficiency of the end to end operating, administrative and financial systems and processes continue to be undertaken. There is a risk that these programmes will not fully deliver the expected operational benefits within the timescales expected. There is also the risk that the change programmes lead to disruption to production, administrative and financial processes and could impact customer service and/or operating margins.	Appropriate governance structures are put in place to provide the required frameworks to supervise, monitor, control, direct and manage change programmes. These structures review the scope of change programmes and related project plans and project resources, monitoring progress against set deliverables. External support is utilised when the Group is unable to support the project solely from internal resources.
Increasing funding needs or obligations in respect of the Group's pension scheme arrangements.	The triennial valuation of the Group's defined benefit pension scheme may highlight a worsening funding position that requires the Group to invest additional cash contributions or provide further assurance to cover future liabilities.	The Group's finance team works closely with the Pension Scheme Investment Sub Committee and the Pension Trustees to ensure that an appropriate Investment Strategy is in place to fund future pension requirements at acceptable levels of risk.
Acquisition strategy fails to deliver expected returns via either market performance or under attainment of targeted synergies.	Failure to deliver expected return could affect overall performance, net debt level, share price, management credibility and/or shareholder appetite for future acquisitions.	A robust initial evaluation and diligence process exists which clearly outlines expectations relative to agreed rates of return and clearly identifies deliverables. Sensitivity analysis of the key value drivers is also undertaken. A dedicated integration and project management team is established pre-completion and a 100 day plan established against which progress is actively monitored. Finally, a six monthly review of performance relative to the acquisition model is undertaken.

Risks Relating to the Market

Risk	Impact	Mitigating Actions
Failure to take account of changing market dynamics.	A decline in sales of key brands or a failure to renew trading agreements on favourable terms or reduction in the customer base could have an adverse impact on the Group's sales and operating profits.	The Group 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 and operational performance. The Group focuses heavily on delivering high quality products and invests heavily in building brand equity. Regular contact is maintained with all of the Group's major customers through regular sales force interaction and members of the senior management team meet with key customers throughout the year.
Changes in consumer preferences, perception or purchasing behaviour.	Consumers may decide to purchase and consume alternative brands or spend less on soft drinks.	The Group offers a range of branded products across a range of flavours, subcategories and geographies which offer choice to the end consumer. Changing consumer preferences are reviewed annually by the Board with reference to qualitative and quantitative research. Spontaneous and prompted brand awareness levels are monitored in order to measure any changes in consumer knowledge of brands and/or changes in brand equity strength.
Changes in regulatory requirements.	Changing legislation may impact our ability to market or sell certain products or could cause the Group to incur additional costs or liabilities that could adversely affect its business.	The Group proactively engages with the relevant authorities, including the British Soft Drinks Association, The Food Standards Agency and the General Counsel of Scotland to ensure full participation in the future development of and compliance with relevant legislation. It remains the Group's policy to ensure that employees are aware of their responsibilities and all applicable regulatory requirements. Formal training sessions are undertaken throughout the year. An audit against changing legislative requirements is undertaken annually by the in house legal team.
Potential impact of taxation changes.	Changes to legislation may vary the taxation levels associated with the sale or consumption of soft drinks which could impact sales and operating profits.	The impact of changes to the taxation legislation is reviewed regularly. The Group will seek to remain commercially competitive by passing on any resulting cost differential through price amendments to customers.

“Corporate responsibility is about doing business in the right way.”

Andrew Memmott, Supply Chain Director

Corporate Responsibility
Andrew Memmott, Supply Chain Director

A.G. BARR has long had a strong sense of environmental responsibility, with our earliest demonstration of this commitment perhaps being the introduction our iconic returnable glass bottles in 1875.

Times have changed and now corporate responsibility ('CR') is about more than environmental measures. As a company we have a duty to be a sustainable, responsible business that listens to its consumers, takes care of its employees, gives back to its communities and works to minimise its environmental impact.

With our success and growth as a business comes an obligation to take our social and environmental commitments seriously and embed them across all areas of the business.

We believe that our straightforward, responsible and open approach to business builds trust with our consumers, attracts the right people to work for us, minimises our footprint on the environment and allows us to maintain excellent relationships with our local communities.

Our corporate responsibility programme has four key areas:

- Our people
- Environment
- Consumers
- Communities

Highlights

We have:

- Improved Health and Safety performance for the fifth consecutive year;
- Invested in the "We Are Barr" campaign of Barr behaviours for staff which are the values we aim to demonstrate as a business around being brilliant, always learning, being results driven and encouraging relationships that deliver;
- Completed and commissioned our new manufacturing and warehousing facility in Milton Keynes, which is already showing environmental and performance benefits;
- Continued to support consumers on matters of transparency and public health, specifically fulfilling our Responsibility Deal pledge to reduce the sugar content of our drinks portfolio; and
- Signed our third Education Partnership Agreement, supporting students in their studies as well as learning new skills ourselves.

Our people

The safety of our customers, staff and stakeholders is vital to us as a business and consequently it's an area of the business where we dedicate much of our time and attention. This year has been about reinforcing good practice as well as raising awareness of improved ways of thinking and working.

Safety is led from the top by the Safety Executive team, which comprises the Executive Directors with support from the Health and Safety Manager. This team agrees safety policy and ensures all safety teams implement best safety practice at all our sites. The Safety Executive team identified three key initiatives which are monitored on a quarterly basis. These are:

- Near miss reporting initiative
- Safety training
- Audit standards

IRN-BRU
SUGAR FREE
IRN-BRU

Low sugar drinks
Low sugar drinks are an important focus for the business.

Magna Park
Our state-of-the-art Milton Keynes facility.

Safety Performance

Our safety performance continues to improve with RIDDOR* reportable incidents down by more than half, from 10 in 2012 to 4 in 2013, as we further embed our systems around the reporting and management of workplace safety.

	2009	2010	2011	2012	2013
RIDDOR reportable accidents	17	13	9	10	4
RIDDOR severity Index	23	19	17	16	10
Number of days lost	396	377	288	276	256

* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Corporate Responsibility
Continued

We are continuing to invest in Learning and Development

Our telesales team are put through their training paces.

Cumbernauld Factory Safety Days 2013

Improvement continues in health and safety performance

Sharing the safety message is critical, with a number of site safety days carried throughout the business.

The Near Miss Reporting Initiative ('NMR')
Launched last year, NMR aims to encourage our people to spot potential incidents and put plans in place to prevent them happening. This year it continues to inform our workplace behaviours and determines where to focus our attention in our safety training programmes. NMR was up on 2012 from 2,858 reports to 3,469 in 2013 thanks to the success of our awareness raising campaign. Our employees recognise the value of reporting potential incidents and we will continue to use them to improve workplace health and safety.

Training Safety
Supporting NMR, during 2013 we instigated a programme of site safety days and cross site safety audits, the main objectives of which are to continue to keep safety top of our agenda as well as ensuring all of our people are engaged and involved in our safety programmes and initiatives.

Safety days were one of the main events in the year that helped achieve these key objectives. Lasting between 4 and 6 hours, these safety days were facilitated by our Safety Team across our manufacturing, warehousing and distribution operations and were attended by over 600 staff in total. These sessions were highly interactive to get the safety message across, left all with a clear understanding of hazard spotting and more significantly it ensured everyone understood what they can do to keep the risk reduction plan active.

Vehicle safety training continues to be a key part of our Health and Safety agenda. In 2013 all 150 of our HGV drivers attended year 4 of their Driver Certificate of Professional Competence training, focusing on company procedures and digital tachograph rules. In addition the three year phased driver risk reduction programme, delivered by AA Drivetech, was completed. This year 105 company car drivers and 13 LGV drivers were trained, bringing the total drivers trained to 219 company car drivers and 168 LGV drivers. Each driver was issued with a personal action plan to improve their driving standards which was reviewed with their manager.

Audit Standards
Cross site audits provided an opportunity for our NEBOSH-certified managers to consolidate their learning by auditing an unfamiliar site. 30 audits were conducted, with the aim of improving understanding of and response to safety behaviours, unsafe acts and unsafe conditions. Each of the managers received refresher training and worked with the audited site to close off the actions raised. The exercise was a great success, identifying 150 safety actions, all of which were actioned to remove or mitigate the risks to our people.

Learning and Development
Our goal is to make A.G. BARR a great place to work, both now and in the future. We recognise that our people are critical to the future success of the company and we continually invest in our people to increase their capability to successfully deliver our business objectives.

We believe in creating the right environment for our people to develop successful careers at A.G. BARR:

- Every employee has their own agreed Personal Learning and Development Plan to help them deliver their personal, team and business goals.
- In 2013, 583 internal and external courses were delivered covering over 5,400 hours of learning.

Barr Behaviours

Our 'Barr Behaviours' visually demonstrate how we work together

Being brilliant

Always learning

Results driven

Relationships that deliver

Case Study:

Leadership potential development

In 2013, we introduced an 'Aspiring Manager' programme which is recognised and accredited by the Institute of Leadership & Management. The programme is aimed at employees who have shown an interest in moving into management. Delegates attend a series of workshops and are required to complete written assignments to achieve the qualification. The programme explores the basic principles of management and provides the delegates with an insight into research and best practice which helps them take the step from team member to team leader.

Mark Magunnigal (Cumbernauld Manufacturing) commented, "I recently completed the Aspiring Manager programme. It really made me step outside my comfort zone! Others have called the programme inspiring, informative and challenging, and I'd agree. Although it was a challenge when I did it, I am now able to apply what I have learned to help my colleagues in my new role as Relief Team Leader."

Barr Behaviours

We have developed 'Barr Behaviours' as a simple framework that describes how we should work together in order to get things done in our growing business. They were developed by listening to our people and represent the best of us.

The delivery of Barr Behaviours as a development programme is progressing well, with a range of activities in place to get people talking about these behaviours and their experience of working at A.G. BARR. Feedback is fundamental to our 'Always Learning' behaviour and, as a key part of the programme, we are rolling out the use of 360 feedback which encourages our people to get feedback from their team, colleagues and peers.

In 2013 our Intranet, iLearn and Performance Review administration have been updated to include our Barr Behaviours. 2014 will be a year of further embedding these behaviours into our Recruitment, Induction and Performance Management processes.

Healthy Staff

We have signed up to the Public Health Responsibility Deal led by the Department of Health which asks companies and organisations to look at practical steps we can take to improve the health of our employees.

This ties in well with the social elements of our CR objectives and we now have specific employee volunteers at each site, such as our Physical Activity Champions (PACs), who support the health agenda. They coordinate local activities and act as the point of contact for group-wide activities. For example, on 23 July 2013, our champions coordinated the participation of around 300 of our people (30% of the workforce) in the 20 minutes 14 seconds walk to mark one year until the start of the 2014 Glasgow Commonwealth Games.

As major sponsors of the Games we are working wherever possible with the organisers to share health and activity messages.

Investors in People Silver Accreditation

In 2010, A.G. BARR achieved the prestigious Investors in People (IIP) bronze accreditation. This independent standard is one of the key ways that we measure employee engagement and it highlights where we perform well, as well as identifying areas to improve.

Across 2012 and 2013 all of our sites have now been re-assessed against the IIP standard and all have achieved Silver Status, demonstrating the excellent progress we have made with the development plans that were set for each site across the 'Plan, Do, Review' IIP framework.

Corporate Responsibility
Continued

Case Study:

Our new manufacturing and logistics centre in Milton Keynes

Our new 265,000 sq ft manufacturing and logistics facility in Milton Keynes was completed and commissioned in 2013. This has a canning line which has more than doubled our production capacity in 330ml and 500ml cans.

The building reflects the importance we place on addressing our impacts in all areas of our business. The design of the building is to Building Research Establishment Environmental Assessment Methodology (BREEAM) 'excellent' standard. This has involved us designing the building to minimise carbon emissions, particularly through reducing energy use, energy wastage and water use, and maximising water re-use and the use of low impact materials.

In our choice of location we can now manufacture brands such as Rubicon and Rockstar much closer to their geographically strongest sales areas, so minimising transport miles for the finished product. The site is also within easy reach of three can production facilities and two sugar refining sites. This means that we are reducing the transport miles for our raw materials as well as for our finished products.

"This has been the sixth time I've commissioned a production line, but the first time on a new site. It's been exciting building a completely new team as well. Our utilisation for a line in its commissioning phase has been ahead of plan, and we're improving quickly."
Tim Stacey, Factory Manager.

Gender Diversity

We recognise the benefits of diversity in our business, including the significant value it adds to the quality of discussion and decision making. The charts opposite show the gender split at different levels within the organisation, as at 26 January 2014.

Human Rights

We respect all human rights and are committed to conducting business in an honest and ethical manner. We seek to have a positive impact on employees, customers, consumers and the wider communities on which we impact through our policies and procedures, including those relating to employment, health and safety, the environment, anti-corruption, data protection and whistleblowing. We seek to engage with suppliers who adopt an ethical approach to human rights, working conditions and the environment in line with our own values. Our direct suppliers are required to adhere to our ethical trading policy.

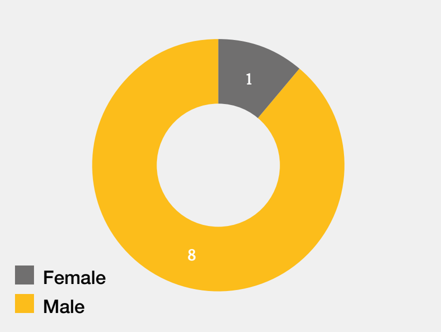
The Group monitors the effectiveness of all of its policies and has not been made aware of any incident where the Group's activities have resulted in an abuse of human rights.

Environment

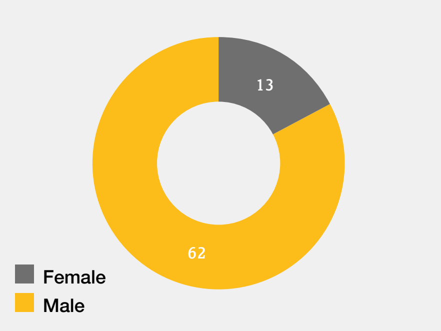
During 2013 we have found opportunities in our existing operations to drive improvements to make A.G. BARR an increasingly efficient business with a lower environmental impact.

Our new facility at Milton Keynes inevitably had an impact on our overall performance as it went through commissioning and started up operations. In building a new site we obviously had an impact on the environment. However we expect our normalised impacts, which are the impacts for each can or bottle of drink we produce, to reduce as it progresses towards an efficient operating capacity.

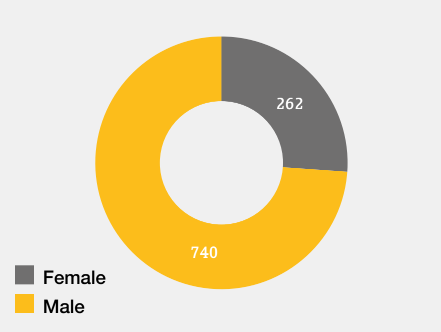
Gender Diversity
Directors



Gender Diversity
Senior Managers



Gender Diversity
Total Employees



Energy Use and Carbon Emissions

The new energy monitoring systems installed in 2013 at our Strathmore and Tredegar sites meant that site teams were able to realise environmental benefits from improved energy behaviours. We have also further upgraded the existing system at Cumbernauld.

Our logistics sites have reduced energy usage by 9.6% in 2013 compared with 2012 through a combination of efforts including installation of energy efficiency lighting in warehouses and replacement boilers at our facilities.

Total CO_2e emissions from our facilities increased 4.8% on 2012, due mainly to the commissioning of the new facility at Milton Keynes. For the same reason, efficiency decreased 1.65% to 29.33kg per tonne of product produced. With the Milton Keynes facility now past its commissioning phase we are confident that we will beat our 2014 target of 29.71kg per tonne of product.

A.G. BARR p.l.c. Green House Gas Emissions in tonnes CO_2e

	2013	2014
Scope 1	5,552	5,432
Scope 2	10,576	11,096
Intensity Ratio*	38.55	38.16

* Intensity ratio is kg of CO_2e per 1000 litres of product produced.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

The methodology we have used is the U.K. Government's Environmental Reporting Guidance (June 2013) and emissions factors from the 2012 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting.

Water Consumption and Disposal

Management of water as a resource is a key activity of our site teams. We are a signatory to the Federation House Commitment, which is an initiative across the food and drink sector to reduce water use, excluding water in products, by 20% by 2020. We calculate this as a ratio of total water used against water in products. In 2013, this increased by 5.3% to 1.51 litres per litre of product with the introduction of a new site at Milton Keynes. We expect to improve during 2014 as additional water conservation initiatives are implemented across all sites and as the commissioning phase at Milton Keynes is completed. We are confident of meeting our 2020 target.

Materials Use, Recycling and Disposal

Our work in reducing the quantity of packaging we use has continued through 2013 with a number of reductions achieved across our portfolio in the areas of preform weights, shrink film gauge and corrugate usage. In total, these projects will remove in excess of 35 tonnes of materials from our supply chain in the next 12 months.

Tredegar, Cumbernauld and Forfar all achieved zero waste to landfill, through a combination of improved product handling and better waste segregation on site. Residual waste from these sites which is unable to be recycled is either used as fuel and incinerated or dealt with by a certified third party waste manager. We anticipate Milton Keynes achieving zero waste to landfill status during 2014.

Transport and Logistics

We delivered 23.21 cases per litre of fuel across the business in 2013. This is an improvement on the 2012 figure at 23.00 cases per litre of fuel. In addition to the completion of our driver training, we have continued to improve route planning to reduce unnecessary miles driven, and have continued our sales vehicle replacement programme, replacing a total of 17 vehicles (15% of fleet) across 2013 (these figures do not include transportation undertaken by third party hauliers on our behalf).

Consumers

As a business we provide a wide range of soft drinks for our diverse consumer base to enjoy and aim to develop and market our portfolio in a responsible manner.

We offer soft drinks which satisfy the diverse variety of consumers and our product range covers 'regular' and low/no sugar carbonates, low sugar energy drinks, regular and low calorie still fruit drinks, low calorie squash, plain and flavoured water in addition to pure fruit juice.

Responsible Marketing

We exercise the greatest care to market and advertise our products responsibly. We fully comply with both the letter and the spirit of the codes of practice set out by the Advertising Standards Authority in the Broadcast Committee of Advertising Practice code for broadcast advertising and the Committee of Advertising Practice code for non-broadcast advertising.

Part of that commitment includes making sure that we do not specifically target young children through our marketing programmes, including the school environment.

We also aim to provide consumers with full knowledge of our products and its packaging to enable them to make informed choices on what they are buying and consuming.

For our products, we are committed to the U.K. Government's Responsibility Deal on Front of Pack Labelling F7(a), where we will adopt and implement the U.K. Government's 2013 recommended Front of Pack Nutrition Labelling Scheme.

The pledge seeks to increase the provision of voluntary front of pack labelling as recommended by all four U.K. Governments in 2013. The scheme will be implemented across all of our brand ranges by the end of 2014.

Consistent front of pack labelling across food and drink helps consumers become familiar with its format and use it to balance their diet and control their energy intake.

In packaging, we also include full information on the recyclability of packaging materials and advice on how to recycle.

We are also a funding partner of 'Every Can Counts' together with Zero Waste Scotland and Alupro (the Aluminium Packaging Recycling Organisation).

Every Can Counts ('ECC') is an 'on the go' recycling scheme for drinks cans which aims to raise awareness of the benefits of recycling, promote behaviour change, create awareness of the value of cans and provide a method to collect and recycle them. ECC is also helping to drive up recycling rates within the workplace and help businesses comply with the new Waste (Scotland) Regulations (introduced in January 2014) which require all businesses to separate paper and card, plastic, metal and glass for recycling.

To find out more about Every Can Counts in Scotland please visit the schemes dedicated website www.everycancounts.co.uk/scotland.

Corporate Responsibility
Continued

Strathmore Twist
We now offer sugar free Strathmore Twist.

Health and Reducing Sugar
In late 2012 we signed up to the U.K. Government's Public Health Responsibility Deal Calorie Reduction Pledge, in which we committed to 'reduce the average calorific content per 100ml of our portfolio of drinks by 5 per cent by 2016 (2011 as our base year)', achieved through a combination of:

- Growing sales of our low calorie, mid calorie, water and fruit juice products as a proportion of our total sales by investing in the sales and marketing of these products.
- Focusing NPD effort on low and mid calorie products.
- Reducing calorie content of our existing drinks range where it is possible to do so.

By the end of 2013 we had achieved 3% of that 5% target, through sugar reductions across the Barr flavours range and increasing sales of low and mid sugar level products such as Strathmore Water, Rubicon Light, Barr Bubblegum and Simply Squash.

We also launched Rockstar Zero as a sugar free energy drink and nationally launched Strathmore Twist, a sugar free flavoured water range in 1.5 litre PET (featuring four still flavours and four sparkling flavours).

As part of our Glasgow 2014 sponsorship we began our on pack campaign on Strathmore Water, inspiring and encouraging consumers to get up and be active with our 'Do More' campaign.

Product Quality
Our consumers trust us to provide drinks made to the highest standards of ingredients and production. We are certified to the ISO9001 quality standard as well as to Grade A status against the British Retail Consortium's Global Food Standard, version 6.

Within procurement, significant focus is placed upon risk management, in terms of vendor selection, and ongoing supplier management for all incoming raw materials and packaging.

The process of supplier approval involves assessment of a range of risk indicators, including geographical, financial, qualitative, environmental and ethical factors.

The continuous process of material risk assessment involves detailed upstream supply chain mapping, focused upon the identification of key risk factors within each primary material input.

We also require all our suppliers to guarantee that our raw materials are GM free.

Community Engagement
A.G. BARR is very much about working with the local community and our employees take part in many initiatives throughout the year to help local groups and charities.

We work very closely with a variety of charities, both at a local level through the A.G. BARR Site Community Fund through to national charities such as the Prince's Trust and the British Asian Trust. We aim to make our engagement activities relevant both to our people and our consumers and at a variety of scales that reflect business-wide interests down to those of individual employees.

The A.G. BARR Site Community Fund provides support for charities and community organisations near our 12 U.K. sites. It gives employees the opportunity to provide support in kind and in time for causes that are important to them as individuals.

Glasgow Hospice is one such charity to benefit. We provide their shop and cafe with free products which the hospice can then sell on to visitors, with proceeds going towards the valuable work they do for terminally ill people. We also support the hospice at various events across the country.

Case Study:

Prince's Trust

This year we ran a 12 week programme with young people from the Prince's Trust to help build their confidence and give them experience of working in a business environment. 17 young people worked at our Cumbernauld site, experiencing different elements of the business, including customer relations training and meeting our creative design agency to discuss a specific project idea. The team presented their ideas to the agency and worked to develop a Christmas Hamper campaign, where they sold eight different types of hamper, from luxury Scottish products through to hampers for your pet. The hampers were filled largely through donations made to the Company. The team then sold the hampers to A.G. BARR's staff and made £3,500 which they were able to reinvest in the Prince's Trust.

This year we also supported over 30 organisations including Hamilton Thai Boxing Club, Willowbrook Hospice Prescott, The Royal Wolverhampton Hospitals NHS Trust Charity, C4WS Homeless Project Walthamstow, Watch Us Grow Cumbernauld, St Luke's Hospice Harrow, Make A Difference Milton Keynes, Willen Hospice Milton Keynes, Bluebellwood Children's Hospice Sheffield, Amy's House Hospice, 4th Darlaston Scout Group, Dunbar Colts Soccer School, Tredegar Orpheus Male Voice Choir, Royal Mencap Homes Foundation, Motor Neurone Disease Association, Thornham Cricket Club, St Helen's Autism Support, Derian House Children's Hospice, Lippen Care Hospice Whitehills Hospital Forfar, Henshaws Society for the Blind, Start Up Stirling and Garrowhill School PTA.

Education Partnerships

We formalised a third Local Partnership Agreement with Our Lady's High School, Cumbernauld in December 2013. As with our other two partnerships with Lenzie Academy and Westfield Primary School, we will ensure that the programmes we deliver support the curriculum for excellence and remain relevant in developing skills and knowledge that the pupils can take on and use in later life and employment.

These relationships are great opportunities for our own colleagues to add to their own skills and experience, very often in softer areas such as presentation skills which they can use immediately in their own work, as well as to help develop students.

The Commission for Developing Scotland's Young Workforce has been tasked by the Scottish Government with making recommendations to ensure Scotland produces better qualified, work ready and motivated young people with skills relevant to modern employment opportunities both as the employees and entrepreneurs of the future. They have challenged business and industry to become much more actively engaged in youth employment.

A.G. BARR's work around the Food and Drink Challenge has been held up by the Commission as an example of best practice. The challenge provides an insight into the entrepreneurial skills required to operate a successful business programme by encouraging young people to take responsibility and ownership of the challenge.

The Commission's interim report says that, "The project demonstrates the innovative and creative manner in which the pupils have developed a business plan that places teamwork, decision making, assessing risk, literacy, numeracy, health and wellbeing, technologies and leadership at the very heart of its objectives. This successful business project has enabled the pupils to develop entrepreneurial skills in a relevant, challenging and enjoyable manner whilst raising their aspirations in the wider context of skills for learning, life and work."

Westfield Primary pupils enjoy a sensory lesson from beverage technologist, Emma Di Nardo.

Case Study:

Making food nutrition fun

Emma Di Nardo, one of our beverage technologists, delivered a sensory class to primary 7 pupils at our partnership school, Westfield Primary. Forming part of a science lesson, Emma gave a presentation that the pupils described as 'brilliant' on different smells and tastes. This was so successful that she has now delivered it to a number of other schools and will be kept busy in 2014 with further presentations.

Going Forward in 2014

2013 has been a busy year for the business as we continued to embrace the principles of good corporate responsibility.

Environmental and social responsibility remains a major focus for the business, with the safety and development of our staff top of our agenda.

2014 will see us build on many of the achievements highlighted here, including striding forwards in our commitment to the Health Responsibility Deal Calorie Reduction Pledge. We will also continue our work with local communities and charities, which is vitally important to our staff and to the legacy of A.G. BARR.

Andrew Memmott
Supply Chain Director

IRN-BRU

IRN-BRU continued to grow – performance in Scotland was in line with the overall market and significant growth in England and Wales was driven by double digit growth in IRN-BRU Sugar Free.

IRN-BRU ... BUT I DON'T GO ON ABOUT IT"
IRN BRU
BARR
SCOTTISH FOOTBALL LEAGUE

“We deliver what we say we are going to deliver.”

Liam Owen, Direct to Store Delivery Team

Corporate Governance

A year of focus and clarity.

Corporate Governance

Board of Directors

1. Ronald G. Hanna
C.A.

Ronnie was formerly Chairman of Troy Income and Growth Trust plc, Chief Executive of Bett Brothers plc, joint managing director of Cala plc, director of Scottish Western Trust and senior consultant at PA Management Consultants.

Term of Office
Joined the Company in 2003 as a Non-Executive Director. Appointed Chairman in 2009.

External Appointments
Chairman of Bowleven plc and Director of Peatallan plc.

Committee Membership
Nomination Committee (Chair), Remuneration Committee.

2. Roger A. White
M.A. (Hons)

Roger is a member of the Board of Management and Executive Council and is a past President of the British Soft Drinks Association (BSDA). Roger is also the BSDA representative with UNESDA, the European soft drinks trade association. Previously held numerous senior positions in food group Rank Hovis McDougall. Scottish PLC Chief Executive of the year in 2010.

Term of Office
Joined the Company in 2002 as Managing Director. Appointed Chief Executive in 2004.

External Appointments
None.

Committee Membership
Treasury Committee.

3. Alex B.C. Short
B.A. (Hons), F.C.M.A.

Alex is a member and former Chairman of the Scottish Finance Directors Group. Previous appointments include Group Finance Director of William Grant & Sons Holdings Ltd, Managing Director of William Grant & Sons Distillers Ltd, Management Consultant with Coopers & Lybrand and various management positions within Coca Cola Schweppes Beverages Ltd.

Term of Office
Joined the Company as Finance Director in June 2008.

External Appointments
Non-Executive Director of Goals Soccer Centres plc.

Committee Membership
Health & Safety Committee (Chair), Treasury Committee.

4. Jonathan D. Kemp
B.A. (Hons)

Jonathan has had a successful career in various commercial roles within Proctor and Gamble.

Term of Office
Joined the Company in 2003 as Commercial Director.

External Appointments
None.

Committee Membership
Health & Safety Committee.

5.

6.

7.

8.

9.

5. Andrew L. Memmott

BSc, MSc.

Andrew joined the Company following three years with Cooperative Wholesale Society.

Term of Office

Joined the Company's Project Engineering Team in June 1990. Appointed Supply Chain Director in 2008.

External Appointments

None.

Committee Membership

Environmental Committee (Chair), Health & Safety Committee.

6. W. Robin G. Barr

C.A.

Robin is a past President of the British Soft Drinks Association.

Term of Office

Joined the Company in 1960. Appointed Director in 1964 and Chairman in 1978. Retired as Chairman and appointed Non-Executive Director in 2009.

External Appointments

None.

Committee Membership

Audit Committee, Nomination Committee, Remuneration Committee.

7. Pamela Powell

B.A., M.B.A.

Pam was formerly Group Director of Strategy and Innovation at SABMiller plc, SVP Global Personal Care at Coty Beauty Inc, and VP Skincare and Global Brand Director Dove at Unilever plc.

Term of Office

Joined the Company in 2013 as a Non-Executive Director.

External Appointments

Non-Executive Director of Premier Foods plc.

Committee Membership

Audit Committee, Nomination Committee, Remuneration Committee.

8. Martin A. Griffiths

L.L.B. (Hons), C.A.

A Chartered Accountant, Martin is a former Chairman of the Scottish Finance Directors Group and a former Director of Troy Income & Growth Trust plc, Trainline Holdings Limited, RoadKing Infrastructure (HK) Limited, Citybus (HK) Limited. He is also a former Senior Independent Non-Executive Director of Robert Walters plc and was young Scottish Finance Director of the year in 2004.

Term of Office

Joined the Company in 2010 as a Non-Executive Director.

External Appointments

CEO of Stagecoach Group plc, Co-Chairman of Virgin Rail Group Holdings Limited and Chairman of Rail Delivery Group Limited.

Committee Membership

Audit Committee (Chair), Nomination Committee, Remuneration Committee.

9. John R. Nicolson

B.A. (Hons)

John's career was spent with ICI, Unilever and Fosters Brewing Group, Scottish & Newcastle PLC, and latterly as President America for Heineken NV. He held various positions in marketing and sales before moving into corporate strategy and development and then general management.

Term of Office

Joined the company in 2013 as a Non-Executive Director.

External Appointments

Non-Executive Director of Stocks Spirits Group PLC, Deputy Chairman of CCU SA (Chile) and Non-Executive Director of North American Breweries Inc.

Committee Membership

Audit Committee, Nomination Committee, Remuneration Committee (Chair).

Directors' Report

The directors present their report and the audited consolidated financial statements of the Group for the 52 weeks (2013: 52 weeks) ended 26 January 2014.

Strategic Report

The Companies Act 2006 requires the directors to present a fair review of the business during the year to 26 January 2014 and of the position of the Group at the end of the financial year, together with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 1 to 29 and is incorporated by reference into this Directors' Report.

Corporate governance statement

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 40 to 45 and is incorporated by reference into this Directors' Report.

Results and dividends

The Group's profit after tax for the financial year ended 26 January 2014 attributable to equity shareholders amounted to £28.179m (2013: £25.387m).

The prior year profits for the Group and the Company have been restated following the introduction of the revised accounting standard IAS 19 Employee Benefits. The effect of the standard is detailed in note 1 to the accounts.

An interim dividend for the current year of 2.825p (2013: 2.616p) per ordinary share was paid on 18 October 2013.

The directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented an income statement for the Company. The Company's profit for the year was £17.236m (2013: £17.137m).

Directors

The following were directors of the Company during the financial year ended 26 January 2014:

- R.G. Hanna
- R.A. White
- A.B.C. Short
- J.D. Kemp
- A.L. Memmott
- W.R.G. Barr
- M.A. Griffiths
- J.R. Nicolson
- P. Powell (appointed 1 November 2013)

Subject to the Company's Articles of Association (the 'Articles') and any relevant legislation, the directors may exercise all of the powers of the Company and may delegate their power and discretion to committees.

The Articles give the directors power to appoint and remove directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. The Articles require directors to retire and submit themselves for election at the first annual general meeting following appointment and to retire no later than the third annual general meeting after the annual general meeting at which they were last elected or re-elected. However, in order to comply with the U.K. Corporate Governance Code, all directors will submit themselves for re-election at the AGM. Biographical details of the Board are set out on pages 32 and 33 of this report.

Directors' interests

Information regarding the directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on page 71. No director has any other interest in any shares or loan stock of any Group company.

Other than service contracts, no director had a material interest in any contract to which any Group company was a party during the year.

There have been the following changes notified in the directors' shareholdings between 26 January 2014 and 25 March 2014: A.B.C. Short an increase in beneficial holding of 54 shares and a decrease in non-beneficial holding of 502 shares, R.A. White an increase in beneficial holding of 53 shares, A.L. Memmott an increase in beneficial holding of 55 shares, J.D. Kemp an increase in beneficial holding of 55 shares and W.R.G. Barr an increase in beneficial holding of 54 shares.

Directors' third party indemnity provisions

As at the date of this report, indemnities are in force between the Company and each of its directors under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out their role as a director of the Company. The directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim in relation to the Company or brought by a regulator as they are incurred provided that where the defence is unsuccessful the director must repay those defence costs to the Company. The Company's total liability under each indemnity is limited to £5.0m for each event giving rise to a claim under that indemnity. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year and has renewed that policy.

Research and development

The Group undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the year on research and development amounted to £967,000 (2013: £779,000).

Political donations and political expenditure

No Group company made any political donations or incurred any political expenditure in the year (2013: £nil).

Post balance sheet events

Relevant post balance sheet events requiring disclosure are included in note 30 to the accounts.

Employee involvement

The Group is committed to engaging employees at all levels regarding matters which affect them and the performance of the Group. This is achieved in a number of ways, including the use of regular briefing procedures, which twice yearly include a report on trading results. Quarterly communication and consultation meetings are held at which employee representatives' views are taken into account when the Company is making decisions that are likely to affect employees' interests. In addition to this, the Group's intranet site provides up-to-date information regarding the Group's activities.

All qualifying employees are entitled to join the Savings Related Share Option Scheme ('SAYE') and the All-Employee Share Ownership Plan ('AESOP'). Details of these share schemes are provided below.

AESOP

The AESOP is HMRC approved and was re-approved by shareholders for a further period of 10 years at the 2012 AGM. The executive directors participate in both sections of the scheme, which is open to all qualifying employees.

The partnership share element provides that for every three shares a participant purchases in the Company, up to a current maximum contribution of £125 per month, the Company will purchase one matching share. The matching shares purchased are held in trust in the name of the individual.

Directors' Report Continued

There are various rules as to the period of time that the shares must be held in trust but after five years the shares can be released tax free to the participant.

The free share element allows participants to receive shares to the value of a common percentage of their earnings, related to the performance of the Group. The maximum value of the annual award is currently £3,000 and the shares awarded are held in trust for five years.

Under the terms of this scheme, the matching shares will be forfeited if the participant leaves the employment of the Company within three years of the award. All partnership, matching and free shares must be removed from the trust if employment with the Company ceases.

SAYE

The SAYE is HMRC approved and is available to all qualifying employees, including executive directors. It is based on a five year savings contract which provides the participant with an option to purchase shares after five years at a discounted price fixed at the time the contract is taken out, or earlier as provided by the scheme rules. No performance conditions require to be met by any participant in order to exercise their option under the SAYE.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the qualifications and abilities of the applicants concerned. In the event of employees becoming disabled every effort is made to ensure that their employment will continue. The Group's policy is that the training, career development and promotion of disabled persons are, as far as possible, identical to those of other employees.

Substantial shareholdings

As at 26 January 2014, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interests in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Caledonia Investments plc	10,431,000	8.93	Indirect
Standard Life Investments Limited	8,081,632	6.92	Direct and indirect
Finsbury Growth & Income Trust plc	4,610,070	3.95	Direct

This position remains the same as at 25 March 2014.

Relations with shareholders

The Company has regular discussions with and briefings for analysts, investors and institutional shareholders. The Chief Executive and Finance Director normally meet with major shareholders twice annually in order to develop an understanding of their views and brief the next Board meeting on their discussions. All directors have the opportunity to attend these meetings. At the AGM, all shareholders, including private investors, have an opportunity to participate in questions and answers with the Board on matters relating to the Company's operation and performance.

Share capital

As at 26 January 2014 the Company's issued share capital comprised a single class of ordinary shares of 4 1/6 pence each. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attaching to the shares are set out in the Articles. Note 26 to the financial statements contains details of the ordinary share capital.

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of AGM gives full details of deadlines for exercising voting rights in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting. Subject to the relevant statutory provisions and the Articles, shareholders are entitled to a dividend where declared and paid out of profits available for such purposes.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- those which may from time to time be applicable under existing laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain directors and employees of the Company require the approval of the Company to deal in the Company's ordinary shares and are prohibited from dealing during close periods.

At 26 January 2014 the Company had authority, pursuant to the shareholders' resolution of 28 May 2013, to purchase up to 10% of its issued ordinary share capital. This authority will expire at the conclusion of the 2014 AGM. It is proposed that this authority be renewed at the 2014 AGM, as detailed in the Notice of AGM.

At 26 January 2014 Robert Barr Limited, as trustee of the General Employee Benefit Trust, the Savings Related Benefit Trust, the All-Employee Share Ownership Plan Trust and the Long Service Award Trust (the 'RBL Trustee'), held 1.07% of the issued share capital of the Company in trust for the benefit of the executive directors and employees of the Group. As at 26 January 2014, Equiniti Share Plan Trustees Limited (the 'AESOP Trustee') held 1.51% of the issued share capital of the Company in trust for participants in the AESOP.

A dividend waiver is in place in respect of the RBL Trustee's holdings under the Savings Related Benefit Trust and the Long Service Award Trust. A dividend waiver is in place in respect of shares held by the AESOP Trustee and the RBL Trustee under the AESOP which have not been appropriated to participants.

The voting rights in relation to the RBL Trustee's shareholdings are exercised by the RBL Trustee, who may vote or abstain from voting the shares as it sees fit in respect of shares which are unvested or have not been appropriated to employees.

Under the rules of the AESOP, eligible employees are entitled to acquire shares in the Company. Details of the AESOP are set out above. AESOP shares which have been appropriated to participants are held in trust for those participants by the AESOP Trustee. Voting rights in respect of shares which have been appropriated to participants are exercised by the AESOP Trustee on receipt of participants' instructions. If a participant does not submit an instruction to the AESOP Trustee, no vote is registered in respect of those shares. In addition, the AESOP Trustee does not vote any unappropriated shares held under the AESOP as surplus assets.

The Executive Share Option Scheme ('ESOS') was approved by shareholders at the 2010 AGM. To date, no options have been awarded under the ESOS.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Change of control

As disclosed in the Directors' Remuneration Report, under certain conditions the notice period for the current executive directors may increase from one year to two years in the event of a takeover of or by the Company or a Company reconstruction.

All of the Company's share incentive plans contain provisions relating to a change of control of the Company. The Company's banking facilities may, at the discretion of the lender, be repayable upon a change of control.

Articles of association

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the 2014 AGM.

Directors' Report
Continued

Greenhouse gas emissions

Disclosures regarding greenhouse gas emissions required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included in the Corporate Responsibility Report forming part of the Strategic Report on pages 1 to 29. This information is incorporated by reference into this Directors' Report.

Financial risk management

Information on the exposure of the Group to certain financial risks and on the Group's objectives and policies for managing each of the Group's main financial risk areas is detailed in the financial risk management disclosure in note 24.

Contracts of significance

There were no contracts of significance as defined by Listing Rule 9.8 in existence during the financial year.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 15 to 17.

After making the appropriate enquiries, the directors have concluded that the Group will be able to meet its financial obligations and will continue to generate positive free cash flow for the foreseeable future and therefore have a reasonable expectation that the Company and the Group overall have adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing the annual report and financial statements.

Directors' statement as to disclosure of information to auditor

So far as each director is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor are unaware. Each director has taken all steps that ought to be taken by a director to make themselves aware of and to establish that the auditor is aware of any relevant audit information.

Auditor

The Audit Committee has responsibility delegated from the Board for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor.

KPMG Audit plc has informed the Company that it has initiated a process to streamline its two registered audit firms (KPMG Audit plc and KPMG LLP). As such, KPMG Audit plc has notified the Company that it is not seeking re-appointment. Consequently, the Audit Committee has recommended, and the Board has approved, the resolution to appoint KPMG LLP as auditor of the Company and its subsidiaries, and to authorise the Audit Committee to fix their remuneration, which will be proposed at the 2014 AGM.

Annual general meeting

The Company's AGM will be held at 9.30am on 27 May 2014 at the offices of KPMG, 191 West George Street, Glasgow, G2 2LJ. The Notice of the AGM is set out on pages 132 to 134 of this report. A description and explanation of the resolutions to be considered at the 2014 AGM is set out on pages 135 to 144 of this report.

Recommendation to shareholders

The Board considers that all the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of them.

By order of the Board

J A B

J.A. Barr
Company Secretary
25 March 2014

Corporate Governance Report

Chairman's Introduction

Dear Shareholder
I am pleased to present our Corporate Governance Report, which describes how the main principles of the U.K. Corporate Governance Code have been applied during the year. Information about the Board, its members and committees, and an overview of the Company's system of internal controls are included.

With the exception of the appointment of Pamela Powell, our new non-executive director, there were no changes to the Board's composition during the year. Pamela brings with her an impressive track record in brand strategy and innovation, as well as considerable sector specific knowledge, all of which will greatly benefit the Company. Pamela's appointment will further strengthen the Board and help us achieve our aim of greater board diversity. Further details of the Board's composition are given on pages 32 and 33.

In order to enhance the Board's performance and effectiveness, we engaged an external consultant, Constal Limited, to conduct a formal board evaluation during the year. Further information regarding the evaluation is set out on page 41.

Ronald G. Hanna
Chairman
25 March 2014

The Board

The Company is led by a strong and experienced board of directors (the 'Board') which brings a depth and diversity of expertise to the leadership of the Company. The Board has an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its responsibilities effectively. The Board currently has nine members, comprising four executive directors, the non-executive Chairman, three independent non-executive directors and one non-independent non-executive director. Biographical details of the directors are set out on pages 32 and 33.

The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between those roles. The Chairman leads the Board and ensures the effective engagement and contribution of all non-executive and executive directors. The Chairman also ensures that Board meetings are underpinned by a culture of openness and challenge, with sufficient time made available to debate issues arising. The Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated from the Board. The senior independent non-executive director, J.R. Nicolson, is available to shareholders if they have concerns which have not been resolved via the normal channels of Chairman, Chief Executive, or the other executive directors, or where communication through such channels would be inappropriate.

The Board considers that M.A. Griffiths, J.R. Nicolson and P. Powell are independent for the purposes of provision B.1.1 of the U.K. Corporate Governance Code, issued by the Financial Reporting Council in September 2012 (the 'Code'), and that the relationships and circumstances set out in that provision which may appear relevant to the determination of independence do not apply. The Board considers that, on appointment, the Chairman was independent for the purposes of provision A.3.1 of the Code. J.R. Nicolson fulfilled the role of senior independent director during the year to 26 January 2014. In addition to his role as Chairman of the Company, R.G. Hanna is chairman of Bowleven plc and a director of Peatallan plc. The Board does not consider that R.G. Hanna's other commitments have any impact on his ability to discharge his duties as Chairman of the Company effectively.

The Articles require directors to retire and submit themselves for election at the first annual general meeting following appointment and to retire no later than the third annual general meeting after the annual general meeting at which they were last elected or re-elected. However, in order to comply with the Code, all directors will submit themselves for re-election at the AGM.

Details of directors' remuneration and interests in shares of the Company are given in the Directors' Remuneration Report on pages 49 to 76.

Role of the Board

The Board is responsible for the long term success of the Group, determines the strategic direction of the Group and reviews operating, financial and risk performance. There is a formal schedule of matters reserved for the Board, including approval of the Group's annual business plan, the Group's strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, all guarantees, treasury policies, the financial statements, the Company's dividend policy, transactions involving the issue or purchase of Company shares, borrowing powers, appointments to the Board, alterations to the memorandum and articles of association, legal actions brought by or against the Group above certain thresholds, and the scope of delegations to Board committees, subsidiary boards and the management committee. Responsibility for the development of policy and strategy and operational management is delegated to the executive directors and a management committee, which as at the date of this report includes the executive directors and thirteen senior managers.

Board performance evaluation

Every year the performance and effectiveness of the Board, its committees and individual directors is evaluated. In line with the Code, during the year an external consultant, Bernice Dunsmuir of Constal Limited, conducted a formal evaluation of the Board and its committees. Bernice Dunsmuir is an independent adviser with no other connection to the Company. The evaluation was conducted by the completion of detailed and comprehensive written survey questionnaires. The results of the evaluation were shared with all members of the Board. Overall, it was noted that the Board and its committees were operating in an effective manner and performing satisfactorily, with no major issues identified.

As in previous years, the Chairman carried out a performance evaluation of each of the directors. The non-executive directors, led by the senior independent director, carried out a performance evaluation of the Chairman, taking into account the views of the executive directors. The Chairman is pleased to confirm that, following performance evaluation of the directors, all of the directors' performances continue to be effective and all of the directors continue to demonstrate commitment to the role of director, including commitment of time for Board meetings and committee meetings and any other relevant duties.

Independent professional advice

Directors can obtain independent professional advice at the Company's expense in the performance of their duties as directors. None of the directors obtained independent professional advice in the period under review. All directors have access to the advice and the services of the Company Secretary. The non-executive directors have access to senior management of the business.

Training and development

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Group's businesses, the risks and strategic challenges the Group faces, and the economic, competitive, legal and regulatory environment in which the Group operates. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the Group's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

Meetings and attendance

Board meetings are scheduled to be held nine times each year. Between these meetings, as required, additional Board meetings (and/or Board committee meetings) may be held to progress the Company's business. A part of each Board meeting is dedicated to the discussion of specific strategy matters.

In advance of all Board meetings the directors are supplied with detailed and comprehensive papers covering the Group's operating functions. Members of the management team attend and make presentations as appropriate at meetings of the Board. The Company Secretary is responsible to the Board for the timeliness and quality of information provided to it. The Chairman holds meetings with the non-executive directors during the year without the executive directors being present.

Corporate Governance Report
Continued

The attendance of directors at scheduled Board and committee meetings in the year to 26 January 2014 was as follows:

	Board Maximum 9	Audit Committee Maximum 4	Remuneration Committee Maximum 5	Nomination Committee Maximum 2
Executive				
R.A. White	9	–	–	–
A.B.C. Short*	9	4	–	–
J.D. Kemp	9	–	–	–
A.L. Memmott	9	–	–	–
Non-executive				
R.G. Hanna	9	–	5	2
W.R.G. Barr	9	4	5	2
M.A. Griffiths	7	4	5	2
J.R. Nicolson**	7	4	3	2
P. Powell***	1	–	–	–

* A.B.C. Short attended all of the audit committee meetings during the year by invitation.

** J.R. Nicolson was appointed to the remuneration committee on 28 May 2013 and could have attended a maximum of three remuneration committee meetings.

*** P. Powell was appointed to the Board on 1 November 2013 and each of the Board committees on 20 January 2014. P. Powell could have attended a maximum of one Board meeting and no committee meetings.

During the year, the Board also convened one additional Board meeting in relation to the possible merger with Britvic plc. All of the directors who were entitled to attend that Board meeting attended the meeting, with the exception of J.R. Nicolson.

Conflicts of Interest

The Articles allow the Board to authorise potential conflicts of interest that may arise from time to time, subject to certain conditions. The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

Committees of the Board

The terms of reference of the principal committees of the Board – Audit, Remuneration and Nomination – have been approved by the Board and are available on the Company's website, www.agbarr.co.uk.

Those terms of reference have been reviewed in the current year and are reviewed at least annually. The work carried out by the Nomination Committee in discharging its responsibilities is summarised below. The work carried out by the Audit Committee is described within the Audit Committee's Report on pages 46 to 48. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 49 to 76.

Nomination Committee

The Nomination Committee comprises R.G. Hanna, W.R.G. Barr, M.A. Griffiths, J.R. Nicolson (appointed 28 May 2013) and P. Powell (appointed 20 January 2014). The Nomination Committee is chaired by R.G. Hanna. The Nomination Committee leads the process for making appointments to the Board and ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The remit of the Nomination Committee also includes reviewing the composition of the Board through a full evaluation of the skills, knowledge and experience of directors and ensuring plans are in place for orderly succession for appointments to the Board. The Nomination Committee also makes recommendations to the Board on membership of its committees.

The Nomination Committee is required, in accordance with its terms of reference, to meet at least once per year. The Nomination Committee met twice during the year and, amongst other matters, considered and recommended the appointment of P. Powell to the Board and its committees. In identifying a potential new non-executive director, the Nomination Committee retained the services of The Zygos Partnership, an external search consultant. The Zygos Partnership has no other connection with the Company other than the provision of these services.

The Board recognises the importance of diversity to the success of the business and is firmly committed to giving due consideration to all aspects of diversity, including gender diversity. Appointments to the Board are made on merit, against objective criteria, and with due regard for the benefits of diversity of the Board. Whilst no formal measurable objectives have been set for female representation at Board level, the Board remains committed to the principles of gender diversity.

The disclosure relating to gender diversity within the Company is included in the Corporate Responsibility Report forming part of the Strategic Report on page 26.

Treasury Committee

The Treasury Committee consists of R.A. White, A.B.C. Short and senior members of the finance and purchasing departments. The Treasury Committee reviews purchase requirements in foreign currencies and implements strategies, including the use of foreign exchange hedges, in order to reduce the risk of foreign exchange exposure and provide certainty over the value of non-domestic purchases in the short to medium term. The Treasury Committee's remit also includes the ability to utilise financial instruments in order to hedge the Group's exposure to interest rate fluctuations.

Internal control

The Board has overall responsibility for the Group's internal control systems and annually reviews their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the executive directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the Group, in accordance with the Code for the period from 27 January 2013 to the date of approval of this annual report.

No significant failings or weaknesses were identified during this review. Had any failings or weaknesses been identified then the Board would have taken the action required to remedy them.

At the Audit Committee meeting on 16 January 2014, following a review and evaluation of the controls and systems in place, the Audit Committee concluded that the Group has a sound system of internal controls in place.

The Board confirms that there is an ongoing process, embedded in the Group's integrated internal control systems, allowing for the identification, evaluation and management of significant business risks, as well as a reporting process to the Board. The Board requires the departments within the Group to undertake at least an annual review to identify new or potentially under-managed risks. The results of these reviews are reported to the Board via the Audit Committee. This process has been in place throughout the year ended 26 January 2014 and up to the date of the approval of this annual report.

Corporate Governance Report
Continued

The three main elements of the Group's internal control system, including risk identification, are as follows:

The Board

The Board has overall responsibility for the Group's internal control systems and exercises this through an organisational structure with clearly defined levels of responsibility and authority as well as appropriate reporting procedures.

The Board has a schedule of matters that are brought to it, or its duly authorised committees, for decision, aimed at maintaining effective control over strategic, financial, operational and compliance issues.

This structure includes the Audit Committee which, with the Finance Director, reviews the effectiveness of the internal financial and operating control environment.

Financial reporting

There is a comprehensive strategic planning, budgeting and forecasting system with an annual operating plan approved by the Board. Monthly financial information, including trading results, cash flow statements, statement of financial position and indebtedness, is reported.

The Board and the management committee review the business and financial performance against the prior year and against annual plans approved by the Board.

Audits and reviews

The key internal risks identified in the Group are subject to regular audits or reviews by the internal auditors. This role is fulfilled by an external professional services firm which is independent from the Board and the Company.

The review of the internal auditors' work by the Audit Committee and monitoring procedures in place ensure that the findings of the audits are acted upon and subsequent reviews confirm compliance with any agreed action plans.

The Board confirms that there has been an independent internal audit function in place for the year.

Share capital structure

The share capital structure of the Company is set out in the Directors' Report.

U.K. Corporate Governance Code compliance

The Company is committed to the principles of corporate governance contained in the Code. A copy of the Code is available on the Financial Reporting Council's website, www.frc.org.uk.

Each of the provisions of the Code has been reviewed and, where necessary, steps have been taken to ensure that the Company is in compliance with all of those provisions as at the date of this report.

The directors consider that the Company has complied throughout the year ended 26 January 2014 with the provisions of the Code, except as set out below.

Prior to 1 November 2013, the Board comprised four executive directors, the non-executive Chairman, and two independent non-executive directors. In addition, W.R.G. Barr was a non-executive director during the year although he is not considered by the Board to be independent. P. Powell, an independent non-executive director, was appointed to the Board on 1 November 2013. Therefore, following P. Powell's appointment, the Board composition was the same with the exception that there were three independent non-executive directors. Accordingly, during the year to 26 January 2014 the composition of the Board did not, at any time, comply with provision B.1.2 of the Code.

The composition of the Company's Audit Committee and Remuneration Committee did not comply with provisions C.3.1 and D.2.1 of the Code at all times during the year to 26 January 2014 due to the fact that these Committees did not, at all times, comprise at least three independent non-executive directors. However, the composition of these committees did comply with these provisions following the appointments of J.R. Nicolson and P. Powell to these committees during the year.

Provision D.1.5 of the Code recommends that executive directors' contracts contain a maximum notice period of one year. As disclosed in the Directors' Remuneration Report, the current executive directors' service contracts provide for a notice period of 12 months except during the six months following either a takeover of or by the Company or a Company reconstruction. Under these conditions and certain circumstances the directors are entitled to a liquidated damages payment equal to the director's basic salary at termination plus the value of all contractual benefits for a two year period. Given the size of the Company and the sector dynamics at the time the current directors were recruited, the Remuneration Committee considered this provision appropriate in order to attract and retain high calibre executive directors. As disclosed in the Directors' Remuneration Report, this provision will continue to be honoured as a contractual commitment made to these directors; however this provision will not be included in service contracts with new executive directors appointed in future.

A copy of the financial statements has been placed on the Company's website, www.agbarr.co.uk. The maintenance and integrity of this website is the responsibility of the directors. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

J.A. Barr
Company Secretary
25 March 2014

Audit Committee Report

Composition

The Audit Committee comprises four non-executive directors: M.A. Griffiths, W.R.G. Barr, J.R. Nicolson and P. Powell. P. Powell was appointed to the Audit Committee during the year. The Audit Committee is chaired by M.A. Griffiths. The Board is satisfied that M.A. Griffiths has recent and relevant financial experience as required by provision C.3.1 of the Code. Biographical details relating to each of the committee members are shown on pages 32 and 33.

Meetings

The Audit Committee met four times during the year. The meetings are attended by the committee members and, by invitation, the Finance Director, the Central Financial Controller, and representatives from the external and internal auditors. The Audit Committee regularly meets with executive directors and management, as well as privately with the external and internal auditors.

Role and responsibilities

The primary role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes:

- monitoring the integrity of the annual and interim financial statements and formal announcements relating to the Group's financial performance;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices;
- reviewing and monitoring the effectiveness of the Group's internal control and risk management systems;
- reviewing and monitoring the effectiveness of the internal audit function and management's responsiveness to any findings and recommendations;
- making recommendations to the Board in relation to the appointment and removal of the external auditor and approving its remuneration and terms of engagement;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the policy on the engagement of the external auditor to supply non-audit services; and
- reporting to the Board on how it has discharged its responsibilities.

Activities of the Audit Committee

During the year the Audit Committee has:

- reviewed and discussed with the external auditor the key accounting considerations and judgements reflected in the Group's results for the six month period ended 28 July 2013;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 26 January 2014;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 26 January 2014, which report included comments on its findings on internal control and a statement on its independence and objectivity;
- received and reviewed reports from management regarding their approach to key accounting considerations and judgements in the half year and full year financial statements;
- reviewed the half year and full year financial statements;
- reviewed the Group's risk register and the control of the Group's financial and business risks;
- discussed and agreed the nature and scope of the work to be performed by the external and internal auditors;
- reviewed the results of this audit work and the response of management to matters raised;
- reviewed the effectiveness of the Group's system of internal control (including financial, operational, compliance and risk management controls) and the appropriateness of the Group's whistle-blowing procedures;
- reviewed the effectiveness of the Group's anti-bribery systems and controls;
- received reports from internal audit covering various aspects of the Group's operations, controls and processes;
- made a recommendation to the Board on the reappointment of the internal auditor;
- made recommendations to the Board on the reappointment and remuneration of the external auditor and monitored the performance of the auditor;
- monitored and reviewed the performance of the internal auditor and the effectiveness of the Group's internal audit activities;

- reviewed its policies on the supply of non-audit services by the external auditor and on the employment of former employees of the Group's external auditor;
- reviewed the non-audit services provided to the Group by the external auditor and monitored and assessed the independence of both the external and internal auditors; and
- reviewed the performance of the Audit Committee and its terms of reference.

Significant areas

The significant matters and key accounting judgements considered by the Audit Committee during the year were:

- the valuation of inventory: the valuation of inventory is judgemental due to the volatile nature of raw material commodity prices and, as the Group uses standard costing, changes in production levels can lead to purchase price variances which require to be accounted for correctly. The Audit Committee discussed and challenged management's judgements in relation to inventory valuation and considered reports from the external auditor on this area and were satisfied that inventory valuations were reasonable;
- the carrying value of brand support accruals: during the year the Audit Committee received and considered a report from the internal auditor regarding the controls operating in relation to brand support expenditure. It also received and considered reports from management on the level of accruals at the half year and at the year end and, in particular, on brand support accruals where settlement has not been fully and finally settled by the year end or which relate to prior years. The Audit Committee was content that there were no issues arising; and
- accounting for property, plant and equipment: the Group has constructed a new facility in Milton Keynes which increases the judgement required in relation to assessing what expenditure should be capitalised as property, plant and equipment, in considering borrowing costs that should be capitalised and assessing appropriate depreciation rates and estimated useful lives of such assets. The Audit Committee received reports from management on the assumptions adopted in each of these areas. The Audit Committee was content after due challenge and debate with the assumptions and judgements applied. The lease in relation to plant and equipment at Milton Keynes was considered by the Audit Committee and after discussion and challenge the Audit Committee was comfortable that the lease be classed as an operating lease.

Other areas

Other matters considered by the Audit Committee during the year were:

- Exceptional items: the Audit Committee considered reports received from management in relation to the classification and presentation of certain items as exceptional and was satisfied with the treatment and presentation of various items which arose during the year as exceptional, the majority of which related to the proposed Britvic merger and related Competition Commission enquiry.
- Re-financing: the Audit Committee considered the bank facilities available to the Group and agreed that the current RBS facilities (which were due to expire during 2014) be replaced with a new £20m three year revolving credit facility with RBS and Barclays in March 2014.
- Defined benefit pension scheme valuation:
  - the Audit Committee considered and was satisfied with a report received from the Group's actuary and management on the actuarial assumptions used to determine the surplus or obligation in relation to the Group's defined benefit pension scheme. The Audit Committee also considered the report by the external auditor who considered the key actuarial assumptions and compared these key assumptions to other actuarially determined benchmarks;
  - asset backed funding ('ABF') arrangement: the Audit Committee considered reports received from management and was satisfied with the proposed accounting and tax treatment of the ABF arrangement implemented during the year in relation to the Group's defined benefit pension scheme. Details of the ABF arrangement are included in note 25 to the financial statements;
  - impact of IAS 19R in relation to accounting for pensions: the Audit Committee considered reports from the Group's actuary on the impact of IAS 19R and was satisfied with its treatment and the restatement of prior year financial statements in line with the new accounting standard. The restatement is explained in note 1 to the financial statements; and
  - error in relation to defined benefit pension scheme valuation disclosed in note 25 to the financial statements: the Audit Committee considered, following discussion of the error with the external auditor, the treatment of the error identified and disclosed within that note.

Audit Committee Report
Continued

The Audit Committee receives regular presentations from members of the senior management team. During the past year, the Audit Committee has considered presentations on health and safety and programme management from representatives of the management team.

External audit

The Group's external auditor is KPMG Audit plc. The Audit Committee reviews the external auditor's performance, independence and objectivity annually. The Audit Committee ensures that procedures are in place to safeguard the external auditor's independence and objectivity. The external auditor reports regularly to the Audit Committee on the actions that it has taken to comply with professional and regulatory requirements and current best practice in order to maintain its independence and objectivity.

The Group has a policy in place which ensures that the provision of non-audit services by the external auditor does not impair the auditor's independence or objectivity. Where fees for any non-audit project are expected to exceed £50,000, the prior approval of the chairman of the Audit Committee and the Finance Director is required. Where fees for non-audit projects are in aggregate expected to exceed £150,000, the prior approval of the Audit Committee is required. Details of the amounts paid to the external auditor during the year for audit and non-audit services are set out in note 3 to the financial statements. Whilst fees for non-audit services were approximately three times those for audit services, the Audit Committee considered the nature and level of non-audit services provided and was satisfied that the objectivity and independence of the external auditor were not affected by the non-audit work undertaken. A significant proportion of the non-audit fees during the year were for services provided in relation to the implementation of the ABF arrangement and the majority of the remainder related to the provision of tax advisory and compliance services. The chair of the Audit Committee discussed the level of KPMG Audit plc's non-audit fees with the relevant senior statutory auditor and KPMG Audit plc confirmed that during the year there were no circumstances where KPMG Audit plc was engaged to provide services which might have led to a conflict of interests.

KPMG Audit plc has acted as the Group's external auditor since its appointment in May 2009 following a competitive tender process. There are no contractual obligations which restrict the Audit Committee's choice of external auditor. The senior statutory auditor rotates every five years to ensure independence; an audit partner rotation therefore took place at the end of the financial year and the Audit Committee took steps to ensure that a new appropriately qualified and independent senior statutory auditor was identified to be responsible for the audit of the Group's 2014/15 financial statements. The Audit Committee acknowledges the new requirement under the Code to tender the external audit contract at least every ten years. The Audit Committee carried out a review during the year and continues to be satisfied with KPMG Audit plc's performance and that it remains objective and independent. KPMG Audit plc has advised that its activities are due to be wound down and they are not seeking re-appointment. The Audit Committee has therefore recommended to the Board that a resolution proposing the appointment of KPMG LLP, KPMG Audit plc's parent entity, be put to shareholders at the 2014 AGM.

Internal audit

At the beginning of each year, an internal control plan is developed by the internal auditor following meetings with directors and senior managers within the business and with reference to the significant risks contained within the Group's risk register and identified controls. The Audit Committee receives updates on progress against the internal control plan throughout the year.

Martin A. Griffiths
Chairman of the Audit Committee
25 March 2014

Directors' Remuneration Report

Remuneration Committee – Chairman's Statement

On behalf of the Board, I am pleased to present the Remuneration Report for the year to 26 January 2014. To reflect the requirements of the revised remuneration reporting regulations this report is presented in two sections: the Directors' Remuneration Policy and the Annual Report on Remuneration. The Directors' Remuneration Policy sets out the forward-looking remuneration policy. It will be subject to a binding vote at the 2014 AGM and every three years thereafter. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 26 January 2014 and how the Directors' Remuneration Policy will be operated for the year commencing 27 January 2014. This is subject to an advisory vote at the 2014 AGM.

2013/14 key decisions and pay outcomes

The Remuneration Committee remains committed to a responsible approach to executive pay. As described in the Strategic Report, the Group has continued to grow revenue and volume ahead of the U.K. soft drinks market, with revenue for the year to 26 January 2014 of £254.1m, an increase of 6.9% on the prior year. Underlying pre-tax profit increased by 9.6% to £38.1m compared to the prior year. Consequently an annual bonus of 57.8% of salary was paid to each of the executive directors in respect of the year to 26 January 2014. Average EPS growth for the three years to 26 January 2014 exceeded the average EPS for the three years preceding that period (both being adjusted for Retail Price Index) by 15.1%. As a result, the Long Term Incentive Plan ('LTIP') awards granted in April 2011 vested at 38.2%.

Proposed changes in executive director remuneration for 2014/15

In line with the range of salary increases across the Group, an increase of 3.2% will be made to the executive directors' base salaries with effect from 1 April 2014.

The latest LTIP (the '2003 LTIP') was approved by shareholders in May 2003, amended by resolution of the shareholders in May 2009 and expired in May 2013. The Remuneration Committee took the opportunity to review the remuneration policy for the executive directors, including the LTIP. As a result the Remuneration Committee is proposing to make a number of changes to the executive director remuneration framework for 2014/15. These changes aim to improve the alignment of the remuneration framework with the interests of shareholders and our strategic sustainable growth agenda. Key features are:

- An element of the annual bonus (20% of basic salary for the 2014/15 financial year) will be assessed against strategic measures to better align our reward structure with key strategic priorities and to encourage behaviours which facilitate profitable growth and the future development of the business. At least 80% of the bonus will be assessed against key financial performance metrics of the business (80% of basic salary for the 2014/15 financial year). The Remuneration Committee considers that the actual annual bonus targets are commercially sensitive and should therefore remain confidential to the Company. They could provide our competitors with insight into our business plans, expectations and our strategic actions. However, we will disclose how the bonus pay-out relates to performance against the targets on a retrospective basis in the Annual Report on Remuneration. For the avoidance of doubt, no changes are proposed to the maximum annual bonus opportunity which will remain at 100% of salary.
- Shareholder approval for a new LTIP (the '2014 LTIP') is being sought at the 2014 AGM. The purpose of the 2014 LTIP is to drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests.
- Awards granted under the 2003 LTIP have been subject to earnings per share ('EPS') growth targets against RPI. For awards granted under the 2014 LTIP in 2014/15 it is proposed that the awards will continue to be based on growth in EPS. In future years the relevant metrics and the respective weightings may vary based upon the Company's strategic priorities. However it is envisaged that no less than 50% of the award would be based on EPS growth. The Remuneration Committee aims to use measures which provide a robust and transparent basis on which to measure the Company's performance and are aligned with the Company's business strategy. Furthermore, the Remuneration Committee considers CPI to be a more relevant basis for measuring real EPS growth compared to RPI. The actual performance measures and targets for 2014 LTIP awards to be granted in 2014/15 are set out on page 67.
- The normal maximum annual award under the 2014 LTIP will be increased from 100% to 125% of salary. The Remuneration Committee considers that a normal maximum annual award of 125% is appropriate given the level of stretch in the proposed targets.

Directors' Remuneration Report
Continued

- The 2014 LTIP rules have been updated to ensure that they include governance provisions which have emerged since the last set of rules were adopted, including "clawback" provisions and those relating to the treatment of leavers. A summary of the key terms of the proposed 2014 LTIP rules is set out in the Notice of the AGM.
- In line with best practice, the Remuneration Committee has also increased the shareholding guideline for executive directors from 100% to 125% of salary with effect from 2017/18.

The Remuneration Committee is not proposing any changes in respect of other benefits, including pension provision.

The terms of reference of the Remuneration Committee are available on the Company's website, www.agbarr.co.uk.

John R. Nicolson

John R. Nicolson
Chairman of the Remuneration Committee
25 March 2014

Directors' Remuneration Policy

This part of the report sets out the Company's Directors' remuneration policy which, subject to shareholder approval at the 2014 AGM, shall take binding effect from the date of that meeting. The policy for the executive directors' has been determined by the Remuneration Committee.

Executive directors

The table below describes each of the elements of the remuneration package for the executive directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain directors of the calibre required for the Company.	Usually reviewed annually. Salary levels are determined by the Remuneration Committee taking into account a range of factors including: • role, experience and individual performance; • pay for other employees in the Group; • prevailing market conditions; and • external benchmarks for similar roles at comparable companies.	Although there is no overall maximum, salary increases are normally reviewed in the context of the salary increases across the wider Group. The Remuneration Committee may award salary increases above this level to take account of individual circumstances such as: • increase in scope and responsibility; • increase to reflect the executive director's development and performance in the role; or • alignment to market level.	Not applicable.
Benefits	Ensures the overall package is competitive. Purpose is to recruit and retain directors of the calibre required for the Company.	Executive directors receive benefits in line with market practice, including a car allowance or provision of a company car, a biennial health check, life assurance and the ability to "buy" or "sell" holidays under the Company's flexible benefits plan. Other benefits may be provided based on individual circumstances. These may include, for example, relocation and travel allowances.	Whilst the Remuneration Committee has not set an absolute maximum on the levels of benefits executive directors receive, the value of the benefit is at a level which the Remuneration Committee considers appropriate against the market and provides sufficient level of benefit based on individual circumstances.	Not applicable.

Directors' Remuneration Report
Continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	Rewards performance against annual targets which support the strategic direction of the Group.	Awards based on annual performance against key financial and/or strategic targets and/or the delivery of personal objectives. Pay-out levels are determined by the Remuneration Committee after the year end based on performance against those targets. The Remuneration Committee has discretion to amend the bonus pay-out if, in its judgement, any formulaic output does not produce a fair result for either the executive director or the Company, taking into account overall business performance.	Maximum bonus opportunity is 100% of base salary.	Targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 80% of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance. **Financial metrics** There is no minimum payment at threshold performance, 50% of the maximum potential for this element of the bonus will be paid out for on-target performance and all of the maximum potential will be paid out for maximum performance. **Non-financial or individual metrics** Vesting of the non-financial or individual metrics will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which a non-financial or individual performance metric has been met.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan 2014	Incentivises executive directors over the longer term and aligns their interests with those of shareholders.	The Remuneration Committee intends to make long term incentive awards under the new 2014 LTIP which will be put to shareholders for approval at the 2014 AGM. Under the 2014 LTIP, awards of conditional shares, nil cost share options or other such form as has the same economic effect may be made with vesting dependent on the achievement of performance conditions set by the Remuneration Committee, normally over a three year performance period. Awards granted over shares may be settled in cash at the election of the Remuneration Committee. As described on page 61, awards may also vest in "good leaver" circumstances or on the death of a participant or on a change of control. The Remuneration Committee has the right to reduce unvested or unexercised awards and/or delay their vesting if there has been a material misstatement of the Group's financial results or if the participant has been guilty of misconduct. The Remuneration Committee may make a dividend equivalent payment ('Dividend Equivalents') to reflect dividends that would have been paid over the period to vesting on shares that vest. This payment may be in the form of additional shares or a cash payment equal to the value of those additional shares. The Remuneration Committee may at its discretion structure awards as Approved Long Term Incentive Plan ('ALTIP') awards comprising both an HMRC tax-approved option granted under the Executive Share Option Scheme ('ESOS') and an LTIP award. ALTIP awards enable the participant and Company to benefit from HMRC tax-approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. ALTIP awards would be structured as a tax-approved option and a LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the tax-approved option. Other than to enable the grant of ALTIP awards, the Company will not grant awards to executive directors under the ESOS.	The normal maximum award is 125% of annual base salary in respect of a financial year. Under the share plan rules the overall maximum opportunity that may be granted in respect of a financial year will be 200% of annual base salary. The normal maximum award limit will only be exceeded in exceptional circumstances involving the recruitment or retention of a senior employee. These limits do not include the value of shares subject to any tax-approved option granted as part of an ALTIP award.	The vesting of awards is subject to the satisfaction of performance targets set by the Remuneration Committee. The performance measures are reviewed regularly to ensure they remain relevant but will be based on financial measures and/or comparative total shareholder return related measures. The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities. For 2014/15 100% of awards will be based on earnings per share growth. Performance measures and weightings for following years will be set out in the directors' annual remuneration report for the relevant year. For achievement of threshold performance 20% of the maximum opportunity will vest. There will usually be straight line vesting between threshold and maximum performance. Where a tax-approved option is granted as part of an ALTIP award, the same performance conditions will apply to the tax-approved option as apply to the LTIP award.

Directors' Remuneration Report
Continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
All employee share schemes	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way.	Executive directors are entitled to participate in an HMRC tax-approved all-employee Savings Related Share Option Scheme ('SAYE') under which they make monthly savings over a period of three or five years linked to the grant of an option over the Company's shares with an option price which can be at a discount of up to 20% of the market value of shares on grant. Executive directors are also entitled to participate in an HMRC tax-approved All-Employee Share Ownership Plan ('AESOP'). The executive directors participate in both sections of the AESOP, being the partnership and matching section and the free share section.	Participation limits are those set by the U.K. tax authorities from time to time.	No performance conditions are attached to awards in line with HMRC practice.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Retirement benefits	Purpose is to recruit and retain directors of the calibre required for the Company. Provides market competitive post-employment benefits (or cash allowance equivalent).	Executive directors are eligible to participate in the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the 'Scheme'), which comprises a defined contribution section and a defined benefit section. The defined benefit section was closed to new entrants from 14 August 2003. Details of the entitlements accruing to the two executive directors who are deferred members of the defined benefit section are detailed in the table on page 69. The contributions paid to the defined contribution section in respect of three executive directors are disclosed on page 68. Details of accruals under the URBS are disclosed on page 70. Executive directors may participate in the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme ('URBS') with the agreement of the Company. The URBS was established to satisfy the Company's contractual obligations to provide retirement benefits for the benefit of the executive directors where either the annual or lifetime allowance has been exceeded whilst those individuals were members of the Scheme. Benefits will be receivable in certain circumstances, including on retirement, death, change of control or cessation of employment in accordance with the rules of the URBS. In appropriate circumstances, executive directors may take a salary supplement instead of contributions into a pension plan.	R.A. White ceased his accrual under the defined benefit section on 5 April 2011. The Company has set an overall maximum of 26% of salary as the Company contribution under the URBS in respect of R.A. White. However, current practice is set at 22.5% of his salary (as defined under the rules of the URBS). The maximum combined Company contribution under the defined contribution section and the URBS in respect of the remaining executive directors is 19% of salary (as defined in the Scheme rules) rising to 26% following the executive's 50th birthday. The Remuneration Committee has discretion to vary the delivery mechanism for retirement benefits, however the exercise of this discretion will not exceed the above limits for the provision of executive directors' retirement benefits. The Company has closed the defined benefits section of the Scheme to new members but the two executive directors who are deferred members will continue to receive benefits in accordance with the terms of the Scheme, subject to separately agreed contractual arrangements, including those summarised below: R.A. White's deferred pension will be re-valued in line with RPI until his normal retirement date. In addition, R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a "good leaver", as set out in his service contract. A.L. Memmott's accrued benefits retain a link to his final pensionable salary.	Not applicable.

Directors' Remuneration Report
Continued

Chairman and non-executive directors

The table below sets out an overview of the remuneration of non-executive directors:

Purpose and link to strategy	Approach of the Company
Sole element of non-executive director remuneration, set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and expertise.	Fees are normally reviewed annually. The remuneration of the Chairman is determined by the Remuneration Committee. Fees are set at a level which reflects the skill, knowledge and experience of the individual, whilst taking into account appropriate market data. The Board is responsible for setting the fees of the other non-executive directors. Fees may include a basic fee and additional fees for further responsibilities (for example, chairmanship of board committees). Fees are set taking into account several factors, including the size and complexity of the business, appropriate market data and the expected time commitment and contribution for the role. Non-executive directors do not participate in any of the Company's share schemes or bonus schemes nor do they receive any pension contributions. Non-executive directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate. Actual fee levels are disclosed in the Directors' annual remuneration report for the relevant financial year.

Explanation of performance metrics chosen and the target setting process

Performance measures are selected that are aligned to the Company's strategy. Stretching performance targets are set each year for the annual bonus and long term incentive awards. When setting these performance targets, the Remuneration Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the market environment. Full vesting will only occur for what the Remuneration Committee considers to be stretching performance.

The annual bonus performance targets have been selected to provide an appropriate balance between incentivising directors to meet financial targets for the year and achieving strategic and/or personal objectives.

The LTIP performance targets reflect the Company's strategic objectives and therefore the financial and strategic decisions which ultimately determine the success of the Company. The LTIP performance measures will be based on financial measures, including (but not exclusively) Earnings Per Share growth, which is a key measure of the Company's profitability, and/or comparative total shareholder return related measures.

The Remuneration Committee retains the ability to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Remuneration Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the scheme rules.

Policy for the remuneration of employees generally

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of the business strategy and should be sufficient to attract and retain high calibre talent.

Under the rules of the ESOS and the 2014 LTIP, certain managers are eligible to participate in the ESOS and the 2014 LTIP; however there has been no such participation to date and there is no current intention to invite managers to do so. Senior managers were not eligible to participate in the 2003 LTIP. The annual bonus arrangements for the senior management team are similar to those for the executive directors in that targets are set annually dependent on financial and/or non-financial performance metrics. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking account of the seniority of employees.

2003 Long Term Incentive Plan

The table below describes the legacy 2003 LTIP for the executive directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan 2003	Incentivises executive directors over the longer term and aligns their interests with those of shareholders.	Under the 2003 LTIP awards of conditional shares may be made with vesting dependent on the achievement of performance conditions, normally over a three year performance period. Awards may vest in "good leaver" circumstances (as defined in the 2003 LTIP rules) or on the death of a participant. Awards may also vest on a takeover, merger or other corporate reorganisation or may be rolled over into shares in the acquiring company. Awards may be adjusted in the event of a variation of share capital in accordance with the scheme rules.	The maximum award is 100% of annual base salary in respect of a financial year.	The performance conditions are set by reference to the average earnings per share ('EPS') growth of the Company (RPI adjusted and excluding exceptional items and other significant non-recurring items as the Remuneration Committee considers appropriate). No part of an award vests if EPS growth is less than 10% over the three year period. 20% – 99.9% of an award vests on a sliding scale where EPS growth is 10% or more but less than 32.5%. 100% of an award vests where EPS growth exceeds RPI growth by 32.5% or more. The Remuneration Committee retains the discretion to adjust the performance targets and measures where it considers it appropriate to do so.

Directors' Remuneration Report
Continued

Approach to recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new director, the Remuneration Committee seeks to ensure that arrangements are in the best interests of the Company and in line with market practice.

The Remuneration Committee will take into consideration a number of relevant factors, which may include the calibre of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

The Remuneration Committee will typically seek to align the remuneration package with the Company's remuneration policy (as set out in the policy table). The maximum level of variable remuneration which may be granted (excluding buy-out awards referred to below) is 300% of salary (in line with this policy). Subject to this overall maximum variable remuneration, incentive awards will only be granted above the normal maximum annual award opportunities where the Remuneration Committee considers there to be a commercial rationale, which may include but is not limited to circumstances where an executive director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis. The Remuneration Committee will ensure that any such awards are linked to the achievement of appropriate and challenging performance targets and will be forfeited if performance or continued employment conditions are not achieved. The individual will usually move over time onto a remuneration package that is consistent with the normal maximum annual award opportunities set out in the policy table.

The Remuneration Committee retains discretion to include other remuneration components or awards which are outside the specific terms of the policy (but subject to the limit on variable remuneration) to facilitate the hiring of candidates of an appropriate calibre, where the Remuneration Committee believes there is a need to do so in the best interests of the Company. The Remuneration Committee would ensure that awards within the 300% of salary variable remuneration limit are linked to the achievement of appropriate and challenging performance measures. The Remuneration Committee does not intend to use this discretion to make a non-performance related incentive payment (for example a 'golden hello').

In some circumstances, the Remuneration Committee may make payments or awards to recognise or 'buy-out' remuneration arrangements forfeited on leaving a previous employer. The Remuneration Committee will normally aim to do so broadly on a like-for-like basis taking into account a number of relevant factors regarding the forfeited arrangements which may include the form of award, any performance conditions attached to the awards and the time at which they would have vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above, however the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as currently permitted under the Listing Rules which allow for the grant of awards to facilitate, in exceptional circumstances, the recruitment of an executive director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

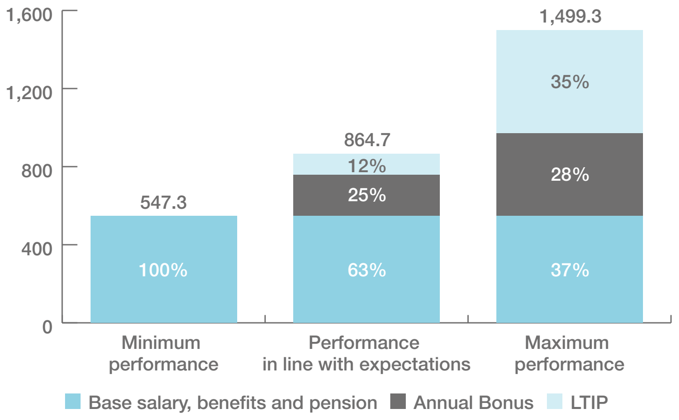
Fees payable to a newly-appointed Chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

Illustrations of application of remuneration policy

The charts below set out an illustration of the remuneration policy for 2014/15 in line with the remuneration policy above and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component.

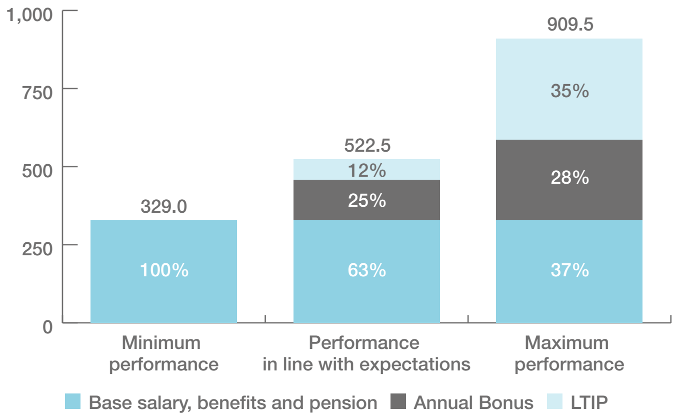
R.A. White

Total remuneration (£000)



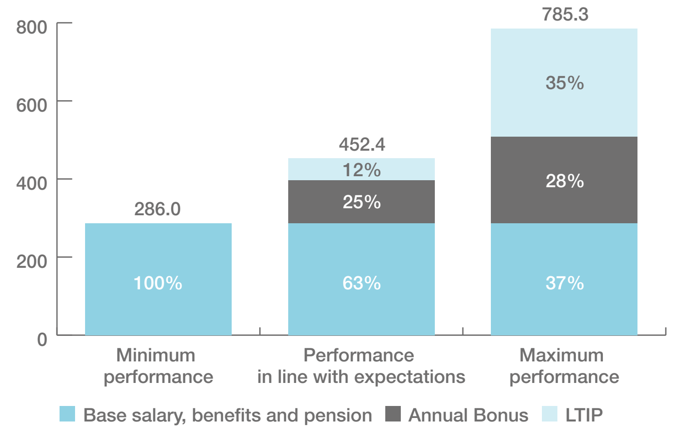
A.B.C. Short

Total remuneration (£000)



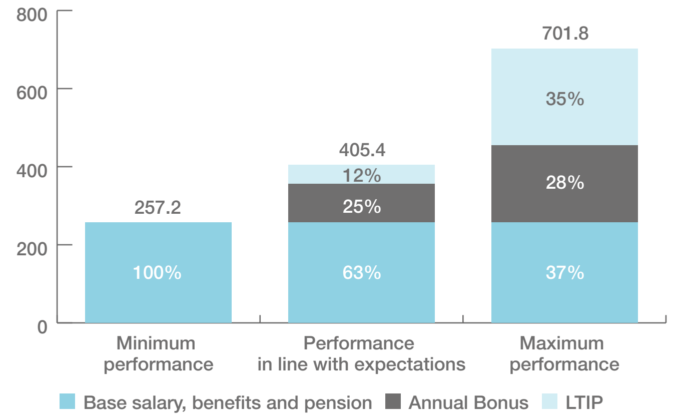
J.D. Kemp

Total remuneration (£000)



A.L. Memmot

Total remuneration (£000)



Directors' Remuneration Report
Continued

Three scenarios have been illustrated for each executive director:

	Fixed pay	Annual Bonus	LTIP
Minimum performance	Fixed elements of remuneration – base salary, benefits and pension only. Base salary is the latest known salary (i.e. the salary effective from 1 April 2014) and the value for benefits has been calculated as per the single figure table on page 63.	No bonus.	No LTIP vesting.
Performance in line with expectations		50% of salary awarded for achieving target performance.	20% of maximum award vesting (i.e. 25% of salary for achieving target performance).
Maximum performance		100% of salary awarded for achieving maximum performance.	100% of maximum award vesting (i.e. 125% of salary for achieving maximum performance).

LTIP awards are included in the scenarios above at face value with no share price movement included.

Service contracts

Executive directors' contracts are on a rolling basis and may be terminated on 12 months' notice by the Company or on 6 months' notice by the executive. Service contracts for new directors will generally be limited to 12 months' notice by the Company.

The service contract for each of the existing executive directors provides for a notice period of 12 months except during the six months following either a takeover of or by the Company or a Company reconstruction. Under these conditions and certain circumstances the directors are entitled to a liquidated damages payment equal to the director's basic salary at termination plus the value of all contractual benefits for a two year period. In the event this liquidated damages payment is triggered, the director will also be deemed to be a "good leaver" for the purposes of the Company's share schemes. Given the size of the Company and the sector dynamics at the time the existing directors were recruited, the Remuneration Committee considered this provision appropriate in order to attract and retain high calibre executive directors. The Remuneration Committee is cognisant of the fact that these provisions do not reflect best practice. It has therefore considered the alternatives available to exit these contractual arrangements, including contractual buy-out. However, the Remuneration Committee concluded that it was not feasible to place a value on these rights, in order to remove them from the contracts, which would be acceptable to both parties. It therefore determined that the most appropriate approach would be to maintain the legacy provisions, however for all future appointments these provisions would not apply.

Non-executive directors are appointed for an initial period of three years, subject to annual re-election by shareholders in accordance with the Code. Their appointments are terminable by either the Company or the directors themselves upon three months notice without compensation.

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	Payments to executive directors upon termination of their service contracts will be equal to 12 months base salary or the highest annual rate earned by the executive during the preceding three years, whichever is higher (plus benefits in kind and pension contributions at the discretion of the Remuneration Committee).
Annual Bonus	This will be at the discretion of the Remuneration Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent upon a number of factors, including the circumstances of the individual's departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will typically be pro-rated for time in service to termination and will, subject to performance, be paid at the usual time.
2014 LTIP	The extent to which any award under the 2014 LTIP will vest would be determined based on the leaver provisions contained within the 2014 LTIP rules. The Remuneration Committee shall determine when awards vest in accordance with those provisions. Awards will normally lapse if the participant leaves employment before vesting. However, awards may vest in "good leaver" circumstances, including death, disability, ill-health, injury, sale of the participant's employer, or any other reason determined by the Remuneration Committee. Any "good leaver" awards will vest at the date of cessation of employment unless the Remuneration Committee decides they should vest at the normal vesting date. In either case, the extent to which an award vests will be determined by the Remuneration Committee taking into account the extent to which the performance conditions have been satisfied and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed from the date of grant to the date of cessation of employment. The Remuneration Committee may vest the award on any other basis if it believes there are exceptional circumstances which warrant that. Options are exercisable for six months from leaving employment or six months from the normal vesting date as appropriate.
Change of control	Awards under the 2014 LTIP will generally vest early on a takeover, merger or other corporate reorganisation. The Remuneration Committee will determine the level of vesting taking account of performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time, where applicable. Alternatively, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company. Awards under all employee share schemes will be expected to vest on a change of control and those which have to meet specific requirements to benefit from permitted tax benefits will vest in accordance with those requirements.
Mitigation	The executive directors' service contracts do not provide for any reduction in payments for mitigation or for early payment.
Other payments	Payments may be made under the Company's all employee share plans which are governed by HMRC tax-approved plan rules and which cover certain leaver provisions. There is no discretionary treatment of leavers under these plans. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment. In doing so, the Remuneration Committee will recognise and balance the interests of shareholders and the departing executive director, as well as the interests of the remaining directors.

Where the Remuneration Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the director's departure and performance.

Directors' Remuneration Report Continued

Statement of consideration of employment conditions elsewhere in the Company

The Remuneration Committee generally considers pay and employment conditions elsewhere in the Company when considering the executive directors' remuneration. When considering base salary increases, the Remuneration Committee reviews overall levels of base pay increases offered to other employees. Employees are not actively consulted on directors' remuneration. The Company has regular contact with union bodies on matters of pay and remuneration for employees covered by collective bargaining or consultation arrangements.

Existing contractual arrangements

The Remuneration Committee retains discretion to make any remuneration payments and payments for loss of office outside the policy in this report:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration of the individual becoming a director of the Company; or
- to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, the term "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. For the avoidance of doubt, the Remuneration Committee's discretion includes discretion to determine matters in accordance with the rules of the 2003 LTIP, including the extent to which awards under that plan may vest on the fulfilment of performance conditions, in the event of the voluntary winding up of the Company, on a change of control, on the death of a participant, and in "good leaver" circumstances.

The Remuneration Committee may make minor changes to this policy which do not have a material advantage to directors, to aid in its operation or implementation, taking into account the interests of shareholders but without the need to seek shareholder approval.

Statement of consideration of shareholder views

The Remuneration Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on executive and non-executive directors' remuneration.

Prior to the new LTIP being formally put to shareholders, the Remuneration Committee has engaged with major shareholders and institutional investor bodies setting out the proposals and the detailed thinking and planning behind them.

Annual report on remuneration

The following parts of the Remuneration Report are subject to audit, other than the elements explaining the application of the remuneration policy for 2014/15.

Single figure table – audited information

The aggregate remuneration provided to directors who have served as directors in the year ended 26 January 2014 is set out below, along with the aggregate remuneration provided to such directors for the financial year ended 26 January 2013.

Year ended 26 January 2014

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	406	29	237	182	132	986
A.B.C. Short	248	22	144	114	48	576
J.D. Kemp	213	22	124	102	40	501
A.L. Memmott	190	22	111	92	52	467
Non-executive						
R.G. Hanna	123	N/a	N/a	N/a	N/a	123
W.R.G. Barr	41	N/a	N/a	N/a	N/a	41
M.A. Griffiths	45	N/a	N/a	N/a	N/a	45
J.R. Nicolson	45	N/a	N/a	N/a	N/a	45
P. Powell*	10	N/a	N/a	N/a	N/a	10

Year ended 26 January 2013

Director	Salary/fees £000	Benefits £000	Bonus £000	Long term incentives £000	Pension £000	Total remuneration £000
Executive						
R.A. White	380	34	193	392	87	1,086
A.B.C. Short	233	22	118	245	44	662
J.D. Kemp	204	22	103	221	37	587
A.L. Memmott	183	29	92	192	35	531
Non-executive						
R.G. Hanna	119	N/a	N/a	N/a	N/a	119
W.R.G. Barr	42	N/a	N/a	N/a	N/a	42
J. Warburton	28	N/a	N/a	N/a	N/a	28
M.A. Griffiths	42	N/a	N/a	N/a	N/a	42
J.R. Nicolson	3	N/a	N/a	N/a	N/a	3

* P. Powell was appointed as a non-executive director on 1 November 2013.

In the previously disclosed figures for the year to 26 January 2013, the figures included a LTIP cash bonus paid in that year, totalling £1,365,000 for the four executive directors. The payment was in compensation for the wavier by them of LTIP awards made to them during 2009 which were due to vest on 6 October 2012 but related to the year ended 27 January 2012. As the comparative figures in the above table contain only the figures that relate to the performance in relation to the year ended 26 January 2013 these figures have not been included in the above table.

Directors' Remuneration Report
Continued

The figures in the single figure table above are derived from the following:

(a) Salary & Fees	The amount of salary/fees received in the year. A salary sacrifice arrangement is operated by the Company. Employees who join this arrangement no longer pay contributions to the pension schemes but receive a lower taxable salary. Directors' salaries are shown gross of salary sacrifice pension contributions.
(b) Benefits	The value of benefits received in the year. These include car allowance, fuel benefit, the value of SAYE options vesting in the year, and AESOP free and matching shares awarded in the year. SAYE: option shares are valued at the market price of the option shares at the date of vesting less the option exercise price. AESOP: free and matching shares are valued at market value at the date of award. Details of the executive directors' interests in the SAYE are set out on page 75.
(c) Bonus	A description of the annual bonus in respect of the year and Group performance against which the bonus pay-out was determined is provided on page 65.
(d) Long term incentives	The value of LTIP awards that vest in respect of the year. LTIP: the shares which will vest in respect of the year have been valued based on the market value of the shares at 26 January 2014. The value of the shares which vested in respect of the prior year was the market value of the shares on the vesting date. Details of the executive directors' interests in the LTIP are set out on page 75.
(e) Pension	The pension figure includes: • for individuals in the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "Scheme") defined contribution section, the Company's contributions to the defined contribution section, excluding any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement; • for individuals in the Scheme's defined benefit section, the additional value achieved in the year calculated using the HMRC method (using a multiplier of 20); and • the value of the accrued liability for the year in respect of the Company's contribution for each director participating in the URBS. Further details of pension benefits are set out on pages 68 to 70.

Individual elements of remuneration

Base salary and fees

Details of base salaries for individual executive directors for the year ended 26 January 2014 and for the following year are set out in the table below:

Executive Director	Base salary for year to 26 January 2014 £000	Base salary for year to 25 January 2015 £000	Increase %
R.A. White	406	421	3.7
A.B.C. Short	248	257	3.7
J.D. Kemp	213	221	3.4
A.L. Memmott	190	197	3.3

An increase of 3.2% will be made to the executive directors' salaries with effect from 1 April 2014.

Details of non-executive directors' fees for the year ended 26 January 2014 and for the following year are set out in the table below:

Non-executive director fee	Year to 26 January 2014 £000	Year to 25 January 2015 £000	Increase %
Basic fee	41	44	5.4
Chairmanship of the audit committee	5	8	80.0
Chairmanship of the remuneration committee	5	8	80.0
Senior independent director	–	2	–

Benefits – audited information

The benefits figure for each of the executive directors is detailed as follows:

Year ended 26 January 2014

Executive Director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Total £000
R.A. White	26	0	3	**29**
A.B.C. Short	19	0	3	**22**
J.D. Kemp	19	0	3	**22**
A.L. Memmott	19	0	3	**22**

Year ended 26 January 2013

Executive Director	Car and fuel benefit £000	SAYE £000	AESOP awards £000	Total £000
R.A. White	26	5	3	**34**
A.B.C. Short	19	0	3	**22**
J.D. Kemp	19	0	3	**22**
A.L. Memmott	21	5	3	**29**

The value of the AESOP awards are the sum of the AESOP free and matching shares awarded to the directors in the year.

Annual bonus

The maximum annual bonus award opportunity for each executive director in respect of the year to 26 January 2014 was 100% of salary. Payments are based on the year on year increase in profit before tax, excluding exceptional items. Executive directors received a total of £616k as annual bonus for the year, representing 57.8% of each director's salary, for delivering above target performance of £38,095k profit before tax.

	Performance target	Actual performance	Maximum	Actual percentage of bonus
Adjusted profit before tax growth	2.5% to 20%	9.6%	100%	57.8%

Directors' Remuneration Report
Continued

Annual bonus for 2014/15

For the 2014/15 financial year, an element of the annual bonus (20% of basic salary) will be assessed against strategic measures to better align our reward structure with key strategic priorities and to encourage behaviours which facilitate profitable growth and the future development of the business. The remainder of the annual bonus will continue to be assessed against Group profit before tax. Performance targets will continue to be set at the challenging levels of previous years. 50% of the annual bonus will be earned for on-target performance. The actual performance targets are not disclosed as they are considered to be commercially sensitive at this time. The targets will be disclosed in next year's Directors' Remuneration Report or at such point that the Remuneration Committee considers that the performance targets are no longer commercially sensitive. No changes are proposed to the maximum annual bonus opportunity which will remain at 100% of salary.

Long term incentives – audited information

Awards vesting in respect of the financial period

LTIP awards granted in April 2011 were subject to the achievement of an average EPS growth performance condition over a three year period ending 26 January 2014. Awards vest if the average EPS for the three years running up to and including the year of calculation exceeds the average EPS of the three years preceding that period, both being adjusted for Retail Price Index ("RPI"), by 10% or more. EPS is calculated on the basis of profit before tax, adjusted to exclude exceptional items and other significant non-recurring items as the Remuneration Committee considers appropriate. No part of an award vests if EPS growth is less than 10% above RPI over the three year period. 20% – 99.9% of an award vests on a sliding scale where EPS growth exceeds RPI by 10% or more but by less than 32.5%. 100% of an award vests where EPS growth exceeds RPI by 32.5% or more. The maximum value of any award of shares is 100% of basic salary.

Details of LTIP awards vesting in respect of the financial period are set out below:

Year ended 26 January 2014

Executive Director	Total shares Number	Award rate %	Shares awarded Number	Share price at 26 January 2014 £	LTIP value £000
R.A. White	78,705	38.2%	30,039	6.05	182
A.B.C. Short	49,191	38.2%	18,775	6.05	114
J.D. Kemp	44,271	38.2%	16,896	6.05	102
A.L. Memmott	39,654	38.2%	15,134	6.05	92

Year ended 26 January 2013

Executive Director	Total shares Number	Award rate %	Shares awarded Number	Share price at award date £	LTIP value £
R.A. White	104,685	68.5%	71,737	5.47	392
A.B.C. Short	65,427	68.5%	44,835	5.47	245
J.D. Kemp	58,884	68.5%	40,351	5.47	221
A.L. Memmott	51,252	68.5%	35,121	5.47	192

Awards granted during the financial period

In respect of the year ended 26 January 2014 the following LTIP awards were granted:

Executive Director	Type of award	Percentage of salary %	Number of shares	Face value at grant £000	% of award vesting at threshold %	Performance period Years
R.A. White	Share award	100.0	75,645	410	20.0	3
A.B.C. Short	Share award	100.0	46,125	250	20.0	3
J.D. Kemp	Share award	100.0	39,667	215	20.0	3
A.L. Memmott	Share award	100.0	35,332	191	20.0	3

The performance condition for these LTIP awards is as described above for LTIP awards granted in April 2011. The salary used in the calculation of the award is the individual director's salary at 1 April 2013.

Long term incentives 2014/15

The current LTIP (the "2003 LTIP") was approved by shareholders in May 2003 and expired in May 2013. The Remuneration Committee took the opportunity to review the remuneration policy for the executive directors, including the LTIP. After engagement with major shareholders, shareholder approval for a new LTIP (the "2014 LTIP") is being sought at the AGM.

The Remuneration Committee is keen to ensure that the 2014 LTIP uses appropriate measures consistent with the Company's strategic objectives, including the long term delivery of sustainable growth. The Remuneration Committee has therefore concluded that EPS growth should continue to be used as the performance measure for the 2014 LTIP.

The detailed performance metrics proposed are as follows:

	% linked to award	Threshold vesting at 20% of the maximum award	Maximum vesting at 100% of the maximum award
EPS growth	100%	10%	32.5%

There will be straight-line vesting between the points and no reward below threshold performance.

- **EPS** – this is a key measure of the Company's profitability. Awards would vest if the average EPS for the three years running up to and including the year of calculation exceeds the average EPS of the three years preceding that period, both being adjusted for CPI, by at least 10%. EPS is calculated on the basis of profit after tax, adjusted to exclude exceptional items and other significant non-recurring items as the Remuneration Committee considers appropriate. No part of an award would vest if EPS growth is less than 10% above CPI over the three year period. 20%-99.9% of an award would vest on a sliding scale where EPS growth exceeds CPI by 10% or more but by less than 32.5%. 100% of an award would vest where EPS growth exceeds CPI by 32.5% or more.

The normal maximum annual award under the 2014 LTIP will be increased from 100% to 125% of salary. The Remuneration Committee considers that a normal maximum annual award of 125% is appropriate given the level of stretch in the proposed targets. The Remuneration Committee proposes that the current vesting schedule is maintained so that the amount that will vest at threshold is 20% of the maximum award.

The Remuneration Committee is also conscious that the 2003 LTIP rules did not reflect best practice in terms of governance and administration of incentive awards. The 2014 LTIP therefore includes updated provisions to reflect current best practice. A summary of the key terms of the proposed 2014 LTIP rules is set out in the Notice of the AGM.

Directors' Remuneration Report
Continued

Total pension entitlements – audited information

Executive directors are all members of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the 'Scheme'). The Scheme has a defined benefit section and a defined contribution section. The defined benefit section was closed to new entrants from 14 August 2003. R.A. White and A.L. Memmott are members of the defined benefit section.

Company contributions (which exclude any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement) are detailed in the following table:

Year to 26 January 2014

Executive Director	Defined benefit £000	Defined contribution £000	URBS £000	Investment return on URBS £000	Total £000
R.A. White	13	0	91	28	132
A.B.C. Short	N/a	35	12	1	48
J.D. Kemp	N/a	37	3	0	40
A.L. Memmott	16	35	1	0	52

Year to 26 January 2013

Executive Director	Defined benefit £000	Defined contribution £000	URBS £000	Investment return on URBS £000	Total £000
R.A. White	0	0	85	2	87
A.B.C. Short	N/a	36	8	0	44
J.D. Kemp	N/a	36	1	0	37
A.L. Memmott	0	35	0	0	35

The URBS is the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme for executive directors. Please see below for further details.

The defined benefit entitlement for R.A. White and A.L. Memmott for the year to 26 January 2013 has been reported as nil.

For R.A. White, the increase in the accrued pension for the year to 26 January 2013 (net of CPI inflation) was calculated by comparing the accrued pension at 26 January 2013 of £64,704 with accrued pension at 28 January 2012 of £64,035 increased in line with CPI over the period from September 2010 to September 2011 (5.22%). The increase is shown as nil because the actual increase in his pension over the year of 2.65% is less than the inflationary increase of 5.22% for the same period.

For A.L. Memmott, the increase in the accrued pension for the year to 26 January 2013 (net of CPI inflation) was calculated by comparing the accrued pension at 26 January 2013 of £40,899 with accrued pension at 28 January 2012 of £39,244 increased in line with CPI over the period from September 2010 to September 2011 (5.22%). The increase is shown as nil because the actual increase in his pension over the year of 2.65% is less than the inflationary increase of 5.22% for the same period.

Details of the entitlements accruing to the two directors who are deferred members of the defined benefit section are detailed in the table below:

	Accrued pension at 26 January 2014 £000	Change in accrued pension over 2013/14 excluding increase for inflation £000	Normal Retirement Age
R.A. White	67	13	63*
A.L. Memmott	43	16	63*

* The normal retirement age specified in the Scheme rules for R.A. White and A.L. Memmott is age 63, however both are also entitled under the Scheme rules to retire at age 60 without an actuarial reduction to their pension benefits and without any consent required.

Early retirement can be taken at age 55 subject to Trustee consent. The accrued pension would be reduced relative to age 60 to take account of its early payment.

R.A. White ceased his accrual under the defined benefit plan on 5 April 2011; his deferred pension will be re-valued in line with RPI until his normal retirement date. In addition, R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a “good leaver”. A.L. Memmott ceased his accrual under the defined benefit plan on 1 March 2008. His accrued benefits retain a link to his final pensionable salary.

Dependants of the executive directors are eligible for dependants’ pensions and the payment of a lump sum in the event of death in service. Where the Scheme provides a pension on a defined benefit basis, final pensionable salary is used to determine the director’s pension entitlement. Where benefits are provided on a defined contribution basis, the benefits depend on the director’s accumulated fund. Lump sum life assurance cover is provided at four times pensionable salary.

The Company paid contributions to the defined contribution section of the Scheme during the year in respect of J.D. Kemp, A.L. Memmott and A.B.C. Short. These are shown in the Defined Contribution column in the Total Pension entitlements table above.

During the year to 26 January 2014, all four executive directors participated in the A.G. BARR p.l.c. Unfunded Retirement Benefit Scheme (‘URBS’) with the agreement of the Company. The URBS was approved by the Remuneration Committee and is an unfunded employer financed retirement benefits scheme. It was established to satisfy the Company’s contractual obligations to provide retirement benefits for the benefit of the executive directors.

The overall maximum Company contribution under the URBS in respect of R.A. White is 26% of his salary (as defined under the rules of the URBS). The current Company contribution under the URBS in respect of R.A. White is 22.5% of his salary. The URBS figure for the directors represents a Company contribution only.

The maximum combined Company contribution under the defined contribution section of the Scheme and the URBS in respect of the remaining executive directors is 19% of salary (as defined in the Scheme rules) rising to 26% following the executive’s 50th birthday.

An accrued liability of £398,776 (2013: £226,133) is included in the closing balance sheet for the URBS. The liability has been accrued in respect of the directors as follows:

Executive Director	Accrual at 26 January 2014 £	Accrual at 26 January 2013 £
R.A. White	**367,846**	212,758
A.B.C. Short	**25,584**	12,226
J.D. Kemp	**4,612**	1,149
A.L. Memmott	**734**	0
Total URBS liability	**398,776**	226,133

Payments to past directors

There were no payments made to past directors during the year in respect of services provided to the Company as a director.

Payments for loss of office

There were no loss of office payments made during the year.

Statement of directors' shareholding and share interests – audited information

In order to further align the executive directors' long term interests with those of shareholders, the Remuneration Committee has introduced new share ownership guidelines applicable from 2017/18. The guidelines require that, with effect from 2017/18, when the first awards to be granted under the 2014 LTIP are due to vest, executive directors retain all shares acquired under Company sponsored share plans and retain up to half of any bonus pay-out after tax to purchase shares in the Company until the value of their shareholding is equal to 125% of gross basic salary. Until this shareholding is acquired, the executive directors may not, without Remuneration Committee approval, sell shares other than to finance any tax liabilities arising from the vesting of LTIP awards. Prior to 2017/18, executive directors will be required to retain all shares acquired under Company sponsored share plans until the value of their shareholding is equal to 100% of gross basic salary. At the year end, R.A. White, A.B.C. Short, J.D. Kemp and A.L. Memmott met the 100% of gross basic salary requirement applicable for the year to 26 January 2014.

The interests of each executive director of the Company as at 26 January 2014 (including those held by their connected persons) were:

				Unvested		
Director	Type	Owned outright	Exercised during the year	Subject to performance conditions	Not subject to performance conditions	Total as at 26 January 2014
Executive						
R.A. White	Shares	350,023	N/a	N/a	N/a	350,023
	LTIP shares	N/a	71,737	252,522	N/a	252,522
	SAYE options	N/a	N/a	N/a	5,202	5,202
	AESOP free shares	N/a	596	N/a	N/a	N/a
	AESOP matching shares	N/a	93	N/a	357	357
A.B.C. Short	Shares	52,265	N/a	N/a	N/a	52,265
	LTIP shares	N/a	44,835	155,289	N/a	155,289
	SAYE options	N/a	N/a	N/a	4,612	4,612
	AESOP free shares	N/a	596	N/a	N/a	596
	AESOP matching shares	N/a	93	N/a	365	365
	Shares – non-beneficial holding*	N/a	N/a	N/a	N/a	1,250,137
J.D. Kemp	Shares	136,076	N/a	N/a	N/a	136,076
	LTIP shares	N/a	40,351	136,270	N/a	136,270
	SAYE options	N/a	N/a	N/a	5,566	5,566
	AESOP free shares	N/a	596	N/a	N/a	N/a
	AESOP matching shares	N/a	93	N/a	357	357
A.L. Memmott	Shares	84,161	N/a	N/a	N/a	84,161
	LTIP shares	N/a	35,121	121,843	N/a	121,843
	SAYE options	N/a	N/a	N/a	5,202	5,202
	AESOP free shares	N/a	596	N/a	N/a	N/a
	AESOP matching shares	N/a	93	N/a	360	360
Non-executive						
R.G. Hanna	Shares	150,000	N/a	N/a	N/a	150,000
W.R.G. Barr	Shares	12,461,385	N/a	N/a	N/a	12,461,385
	Shares – non-beneficial holding**	N/a	N/a	N/a	N/a	10,128,708
M.A. Griffiths	Shares	5,400	N/a	N/a	N/a	5,400
J.R. Nicolson	Shares	0	N/a	N/a	N/a	0
P. Powell	Shares	0	N/a	N/a	N/a	0

* A.B.C. Short's non-beneficial shareholding represents his position as director of Robert Barr Ltd, the trustee of various employee benefit trusts.

** W.R.G. Barr's non-beneficial shareholding represents his position as trustee of various family and charitable trusts.

The "Owned outright" shares set out in the table above are the shares owned outright by the directors. These include any AESOP free shares awarded during the year and any shares awarded during the year following vesting under the LTIP.

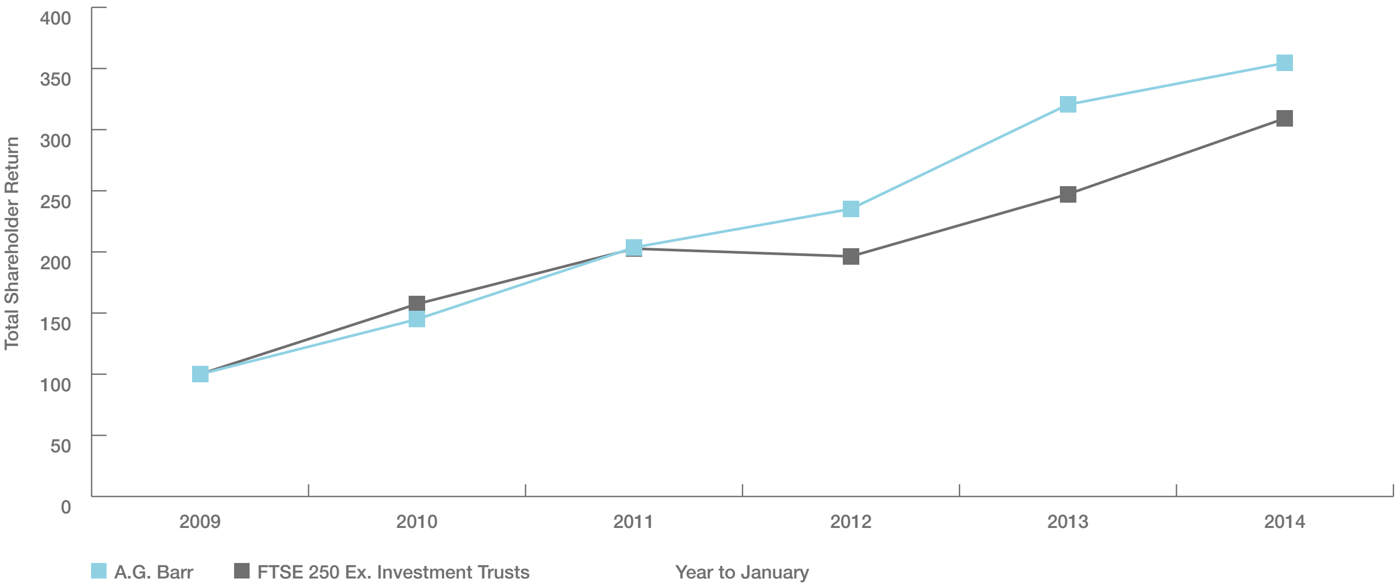
The number of AESOP free and matching shares awarded and shares vesting under the LTIP in the year are included in the "Exercised during the year" column.

Directors' Remuneration Report
Continued

The following sections of the Remuneration Report are not subject to audit.

Performance graph and table

The graph below shows the Company's Total Shareholder Return (TSR) performance against the FTSE 250 excluding investment trusts over the past five years. In the opinion of the Board, the FTSE 250 excluding investment trusts is the most appropriate index against which the TSR of the Company should be measured because it represents a broad equity market index of which the Company is a constituent member.



CEO remuneration for previous five years – audited information

The table below shows details of the total remuneration, annual bonus and LTIP paid out for R.A. White over the last five financial years.

	Total remuneration £000	Annual bonus as a % of maximum opportunity %	LTIP as a % of maximum opportunity %
Year ended 26 January 2014	986	57.8%	38.2%
Year ended 26 January 2013	1,086	50.0%	68.5%
Year ended 28 January 2012	1,070	46.0%	99.3%
Year ended 29 January 2011	1,204	75.0%	92.9%
Year ended 30 January 2010	951	73.4%	45.0%

Percentage change in CEO remuneration

The table below sets out, in relation to salary, taxable benefits and annual bonus, the increase between the pay for the year ended 26 January 2013 and the pay for the year ended 26 January 2014 for R.A. White compared to the wider workforce, calculated on a per capita basis. For these purposes, the wider workforce includes all Group employees but excludes non-executive directors.

Percentage change	CEO	Wider workforce (per capita)
Salary	6.8%	4.1%
Benefits	(14.7%)	8.3%
Annual bonus	22.9%	12.9%

The reduction in benefits for the CEO reflects the vesting of shares under the SAYE share scheme in the year to 26 January 2013.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation).

	Year ended 26 January 2013 £000	Year ended 26 January 2014 £000	% change
Dividends	11,700*	12,839**	10%
Overall expenditure on pay	36,377	38,580	6%

* Dividends payable in respect of the year ended 26 January 2013.

** Dividends payable in respect of the year ended 26 January 2014.

Consideration by the directors of matters relating to directors' remuneration

The following directors were members of the Remuneration Committee during the year: J.R. Nicolson (Chairman, appointed 28 May 2013), R.G. Hanna, M.A. Griffiths, W.R.G. Barr and P. Powell (appointed 20 January 2014).

The Remuneration Committee meets at least twice a year and is responsible for determining, within agreed terms of reference, all aspects of the remuneration of the executive directors and such other members of senior management as it is designated to consider. The Remuneration Committee reviews the remuneration trends, pay levels and employment conditions across the Group. The Remuneration Committee is also responsible for recommending the remuneration of the Chairman to the board.

During the year, the Remuneration Committee received advice from R.A. White (CEO) in respect of the remuneration of the other executive directors, who was not in attendance when his own remuneration was being discussed. The Remuneration Committee received assistance from J.A. Barr (Company Secretary), who acts as secretary to the Committee, and from other members of management, who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

Directors' Remuneration Report
Continued

External adviser

During the year, the Remuneration Committee was assisted in its work by the following external consultant:

Adviser	Details of appointment	Services provided by the Adviser	Fees paid by the Company for advice to the Remuneration Committee and basis of charge	Other services provided to the Company in the year ended 26 January 2014
Deloitte LLP (Deloitte)	Appointed by the Remuneration Committee in January 2014 following a competitive tender process.	Review of executive directors' variable pay arrangements. Executive and non-executive benchmarking. Advice on the new reporting regulations in connection with the disclosure of Directors' remuneration.	£7,820. Charged on a time/cost basis or fixed fee dependent on nature of project.	Pension advisory services. Consulting services in relation to sales data analytics.

The Remuneration Committee is satisfied that all advice received was objective and independent.

Statement of voting at last AGM

The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 28 May 2013.

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve remuneration report	59,302,285	88.18	7,948,144	11.82	5,370,713

Additional information

Executive directors' interests in the LTIP

The individual interests of the executive directors under the LTIP are as follows:

LTIP Executive Director	Date of award	At 26 January 2013 Number	Awarded Number	Vested Number	Lapsed Number	At 26 January 2014 Number	Exercisable from
R.A. White	02 April 2010	104,685	0	(71,737)	(32,948)	0	30 April 2013
	26 April 2011	78,705	0	0	0	78,705	30 April 2014
	04 April 2012	98,172	0	0	0	98,172	30 April 2015
	09 April 2013	0	75,645	0	0	75,645	30 April 2016
A.B.C. Short	02 April 2010	65,427	0	(44,835)	(20,592)	0	30 April 2013
	26 April 2011	49,191	0	0	0	49,191	30 April 2014
	04 April 2012	59,973	0	0	0	59,973	30 April 2015
	09 April 2013	0	46,125	0	0	46,125	30 April 2016
J.D. Kemp	02 April 2010	58,884	0	(40,351)	(18,533)	0	30 April 2013
	26 April 2011	44,271	0	0	0	44,271	30 April 2014
	04 April 2012	52,332	0	0	0	52,332	30 April 2015
	09 April 2013	0	39,667	0	0	39,667	30 April 2016
A.L. Memmott	02 April 2010	51,252	0	(35,121)	(16,131)	0	30 April 2013
	26 April 2011	39,654	0	0	0	39,654	30 April 2014
	04 April 2012	46,857	0	0	0	46,857	30 April 2015
	09 April 2013	0	35,332	0	0	35,332	30 April 2016

Executive directors' interests in the SAYE

The individual interests of the executive directors under the SAYE scheme are as follows:

SAYE	At 26 January 2013 Number	Granted Number	Exercised Number	Lapsed Number	At 26 January 2014 Number	Option price Pence	Exercisable from
R.A. White	4,113	0	0	0	4,113	254	01 October 2015
	1,089	0	0	0	1,089	358	01 January 2018
A.B.C. Short	2,937	0	0	0	2,937	254	01 October 2015
	1,675	0	0	0	1,675	358	01 January 2018
J.D. Kemp	4,896	0	0	0	4,896	254	01 October 2015
	670	0	0	0	670	358	01 January 2018
A.L. Memmott	4,113	0	0	0	4,113	254	01 October 2015
	1,089	0	0	0	1,089	358	01 January 2018

Directors' Remuneration Report
Continued

AESOP free shares

The following free share awards to the executive directors were made under the AESOP scheme:

	Date of award and vesting date	Share price on date of award Pence	At 26 January 2013 Number	Shares awarded Number	Shares vested Number	Shares lapsed Number	At 26 January 2014 Number	Value vested £000
R.A. White	12 June 2013	503	–	596	(596)	–	–	3
A.B.C. Short	12 June 2013	503	–	596	(596)	–	–	3
J.D. Kemp	12 June 2013	503	–	596	(596)	–	–	3
A.L. Memmott	12 June 2013	503	–	596	(596)	–	–	3

Approval

This Report was approved by the Board and signed on its behalf by:

John R. Nicolson

John R. Nicolson
Chairman of the Remuneration Committee
25 March 2014

Directors' Statement

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the consolidated profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the parent Company and the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

A copy of the Group and parent Company financial statements has been placed on the Company's website, www.agbarr.co.uk. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are set out on pages 32 to 33 of this report, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position of the Group and parent Company and of the consolidated profit;
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Alex BC Short

R.A. White
Chief Executive
25 March 2014

A.B.C. Short
Finance Director

BARR
SOFT DRINKS

Barr Brand range

The Barr Brand continued its development of new flavours adding a Bubblegum flavoured drink to the range during the year. The Barr Brand continues to develop with the launch of Barr XTRA Cola in 2014.

> "We are always looking for opportunities to develop new skills."

David Cruikshanks, Technical Operator

Accounts

A year of strong growth in revenue and profit.

Accounts

Independent Auditor's Report to the Members of A.G. BARR p.l.c. only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of A.G. BARR p.l.c. for the year ended 26 January 2014 set out on pages 84 to 130. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 26 January 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

The risk	Our response
Valuation of inventories (£16.0 million): *Refer to page 47 (Audit Committee statement), page 96 (accounting policy) and page 114 (financial disclosures)*	
Inventory is a significant balance and the group's main raw materials are commodities which can be subject to price volatility. As the group uses a standard cost as its basis of inventory valuation, changes in price and production levels will lead to purchase price variances which, if not accounted for correctly, may lead to inventories being misstated.	In this area, our audit procedures included, among others, testing the group's controls over the tracking of purchase price variances, inventory movements and balances; agreeing the cost of inventories for a sample of items to supporting documentation (e.g. purchase invoices) and considering for reasonableness (by reference to historical data and commodity price movements) the variances arising from the group's standard costing system. In addition our procedures included testing whether the standard costs which form the basis of the inventory valuation were set appropriately (for example by agreeing standard costs into invoices and other supporting costings) and reflected normal production levels, having been adjusted appropriately for any capacity under-utilisation; and agreeing the calculation of overheads absorbed into inventory to supporting analyses of production costs incurred during the time of production of year-end inventory. We also considered the adequacy of disclosures in relation to inventory in the financial statements.
Brand support accruals (£12.4 million): *Refer to page 47 (Audit Committee statement), page 98 (accounting policy) and page 118 (financial disclosures)*	
The group incurs significant costs in supporting and developing the group's brands. Accounting for such costs at the year end is considered a significant audit risk due to the judgement involved in ascertaining the level of accrual required in relation to promotions and brand support campaigns that either span the year end, where settlement has not been fully and finally made by the year end or where prior year claims arise.	Our audit procedures in relation to accounting for brand support costs included, among others, testing the group's systems for capturing and ensuring completeness of such costs and challenging by reference to our knowledge of historical sales and other data, on a sample basis, the nature and level of key brand support accruals. In addition our testing included agreeing some specific items within accruals to supporting documentation or correspondence with the customer to confirm the agreed brand support cost and discussing with management and agreeing the accounting treatment for prior year claims from customers (which included reading and considering correspondence with key customers) that remained within accruals at the year end. We have considered the disclosures made in this area.

Independent Auditor's Report to the Members of A.G. BARR p.l.c. only
Continued

The risk	Our response
Accounting for certain aspects of property, plant and equipment and leases in relation to the group's facility at Milton Keynes; *Refer to page 47 (Audit Committee statement), page 94 (accounting policy) and pages 108, 109 and 121 (financial disclosures)*	
The group has significant property, plant and equipment and, this year, has constructed a new facility in Milton Keynes. As such, there is a risk arising from the degree of judgement involved in assessing the nature and level of expenditure to be capitalised as property, plant and equipment, in considering the level of borrowing costs that should be capitalised on the construction of such assets, in assessing whether leases entered into are finance or operating in nature and in assessing the appropriate depreciation rates and estimated useful lives of such assets.	Our audit procedures included, among others, testing the group's controls over capitalisation and purchase of assets; seeking support for additions, particularly in relation to the new site at Milton Keynes; challenging additions to property, plant and equipment to assess whether there are any items included that should have been charged to income and ensuring that a sample of additions relate to valid items; testing depreciation calculations to assess whether the depreciation rates are in line with similar properties and have been applied correctly and consistently; assessing whether the date of commencement of depreciation of Milton Keynes' assets was in accordance with the group's accounting policy and assessing the appropriateness of the accounting policy in this regard; completing a site visit to the Milton Keynes facility; testing that any borrowing costs incurred in relation to the acquisition of the land and construction of buildings have been appropriately capitalised; and considering the treatment of a lease entered into by the group for the plant and equipment at this site by reference to the lease accounting criteria contained in accounting standards. We also considered the adequacy of the group's disclosures in this area.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £1.0m. This has been determined with reference to a benchmark of group profit before taxation (of which it represents 3%), which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £100,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for group reporting purposes were performed for all components by the group audit team at one location in Cumbernauld. These audits covered 100% of group turnover, profit before tax and total assets. The audits performed for group reporting purposes were all performed to materiality levels set individually for each component and ranged from £35,000 to £1,000,000. Inventory counts carried out at the group's Cumbernauld, Tredegar and Milton Keynes sites were attended. During the year senior members of the group audit team continued its programme of site visits and completed a site visit of the group's new Milton Keynes facility.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 40 to 45 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 38, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 40 to 45 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 77, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Craig Anderson
(Senior Statutory Auditor)
for and on behalf of

KPMG Audit Plc, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ
25 March 2014

Consolidated Income Statement

For the year ended 26 January 2014

		2014			2013		
	Note	Before exceptional items £000	Exceptional items (note 6) £000	Total £000	Before exceptional items Restated (note 1) £000	Exceptional items (note 6) £000	Total Restated (note 1) £000
Revenue	2	254,085	–	254,085	237,595	–	237,595
Cost of sales	6	(137,929)	(1,039)	(138,968)	(129,591)	–	(129,591)
Gross profit	2, 6	116,156	(1,039)	115,117	108,004	–	108,004
Operating expenses	5, 6	(77,675)	(2,762)	(80,437)	(73,058)	(3,158)	(76,216)
Operating profit		38,481	(3,801)	34,680	34,946	(3,158)	31,788
Finance income	7	159	–	159	160	–	160
Finance costs	7	(545)	–	(545)	(356)	–	(356)
Profit before tax		38,095	(3,801)	34,294	34,750	(3,158)	31,592
Tax on profit	8	(6,925)	810	(6,115)	(6,305)	100	(6,205)
Profit attributable to equity holders		31,170	(2,991)	28,179	28,445	(3,058)	25,387

Earnings per share (p)					Restated (note 1)		Restated (note 1)
Basic earnings per share	9	27.02	(2.59)	24.43	24.55	(2.64)	21.91
Diluted earnings per share	9	26.92	(2.58)	24.34	24.53	(2.64)	21.89

Statement of Comprehensive Income

For the year ended 26 January 2014

		Group		Company	
	Note	2014 £000	2013 Restated (note 1) £000	2014 £000	2013 Restated (note 1) £000
Profit after tax		28,179	25,387	17,236	17,137
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit pension plans	25	3,002	(2,954)	3,002	(2,954)
Deferred tax movements on items above	22	(2,368)	247	(2,368)	247
Current tax movements on items above		1,181	–	1,181	–
Items that will be or have been reclassified to profit or loss					
Effective portion of changes in fair value of cash flow hedges	14	(2,130)	1,463	(2,130)	1,463
Deferred tax movements on items above	22	469	(336)	469	(336)
Other comprehensive income for the year, net of tax		154	(1,580)	154	(1,580)
Total comprehensive income attributable to equity holders of the parent		28,333	23,807	17,390	15,557

Statement of Changes in Equity

For the year ended 26 January 2014

Group	Share capital £000	Share premium account £000	Share options reserve £000	Cash flow hedge reserve £000	Retained earnings Restated (note 1) £000	Total Restated (note 1) £000
At 26 January 2013	4,865	905	1,861	1,127	121,890	130,648
Profit for the year	–	–	–	–	28,179	28,179
Other comprehensive income	–	–	–	(1,661)	1,815	154
Total comprehensive income for the year	–	–	–	(1,661)	29,994	28,333
Company shares purchased for use by employee benefit trusts	–	–	–	–	(2,290)	(2,290)
Proceeds on disposal of shares by employee benefit trusts	–	–	–	–	1,079	1,079
Recognition of share-based payment costs	–	–	595	–	–	595
Transfer of reserve on share award	–	–	(687)	–	687	–
Deferred tax on items taken direct to reserves	–	–	57	–	–	57
Current tax on items taken direct to reserves	–	–	–	–	118	118
Dividends paid	–	–	–	–	(3,304)	(3,304)
At 26 January 2014	4,865	905	1,826	(534)	148,174	155,236
At 28 January 2012	4,865	905	2,228	–	119,022	127,020
Profit for the year	–	–	–	–	25,387	25,387
Other comprehensive income	–	–	–	1,127	(2,707)	(1,580)
Total comprehensive income for the year	–	–	–	1,127	22,680	23,807
Company shares purchased for use by employee benefit trusts	–	–	–	–	(2,553)	(2,553)
Proceeds on disposal of shares by employee benefit trusts	–	–	–	–	2,214	2,214
Recognition of share-based payment costs	–	–	927	–	–	927
Transfer of reserve on share award	–	–	(1,142)	–	1,142	–
Deferred tax on items taken direct to reserves	–	–	(152)	–	–	(152)
Payment in respect of LTIP award	–	–	–	–	(1,217)	(1,217)
Dividends paid	–	–	–	–	(19,398)	(19,398)
At 26 January 2013	4,865	905	1,861	1,127	121,890	130,648

Company	Share capital £000	Share premium account £000	Share options reserve £000	Cash flow hedge reserve £000	Retained earnings Restated (note 1) £000	Total Restated (note 1) £000
At 26 January 2013	4,865	905	1,861	1,127	93,936	102,694
Profit for the year	–	–	–	–	17,236	17,236
Other comprehensive income	–	–	–	(1,661)	1,815	154
Total comprehensive income for the year	–	–	–	(1,661)	19,051	17,390
Company shares purchased for use by employee benefit trusts	–	–	–	–	(2,290)	(2,290)
Proceeds on disposal of shares by employee benefit trusts	–	–	–	–	1,079	1,079
Recognition of share-based payment costs	–	–	595	–	–	595
Transfer of reserve on share award	–	–	(687)	–	687	–
Deferred tax on items taken direct to reserves	–	–	57	–	–	57
Current tax on items taken direct to reserves	–	–	–	–	118	118
Dividends paid	–	–	–	–	(3,304)	(3,304)
At 26 January 2014	**4,865**	**905**	**1,826**	**(534)**	**109,277**	**116,339**
At 28 January 2012	4,865	905	2,228	–	99,318	107,316
Profit for the year	–	–	–	–	17,137	17,137
Other comprehensive income	–	–	–	1,127	(2,707)	(1,580)
Total comprehensive income for the year	–	–	–	1,127	14,430	15,557
Company shares purchased for use by employee benefit trusts	–	–	–	–	(2,553)	(2,553)
Proceeds on disposal of shares by employee benefit trusts	–	–	–	–	2,214	2,214
Recognition of share-based payment costs	–	–	927	–	–	927
Transfer of reserve on share award	–	–	(1,142)	–	1,142	–
Deferred tax on items taken direct to reserves	–	–	(152)	–	–	(152)
Payment in respect of LTIP award	–	–	–	–	(1,217)	(1,217)
Dividends paid	–	–	–	–	(19,398)	(19,398)
At 26 January 2013	4,865	905	1,861	1,127	93,936	102,694

Statements of Financial Position

As at 26 January 2014

		Group		Company	
	Note	2014 £000	2013 £000	2014 £000	2013 £000
Non-current assets					
Intangible assets	11	74,107	74,360	8,902	8,902
Property, plant and equipment	12	76,314	69,495	75,096	68,059
Pension prepayments	13	–	–	19,151	–
Investment in subsidiary undertakings	15	–	–	62,341	61,041
		150,421	143,855	165,490	138,002
Current assets					
Inventories	17	16,046	20,812	13,925	17,851
Trade and other receivables	18	47,475	47,798	49,788	48,975
Derivative financial instruments	14	–	1,463	–	1,463
Cash and cash equivalents	16	12,932	910	12,930	908
		76,453	70,983	76,643	69,197
Total assets		226,874	214,838	242,133	207,199
Current liabilities					
Loans and other borrowings	19	–	11,462	1,126	11,462
Trade and other payables	20	40,964	38,789	85,352	71,846
Derivative financial instruments	14	667	–	667	–
Provisions	21	396	–	396	–
Current tax		3,122	3,838	151	1,375
		45,149	54,089	87,692	84,683
Non-current liabilities					
Loans and other borrowings	19	15,000	15,000	35,474	15,000
Deferred tax liabilities	22	11,378	11,700	2,517	1,421
Retirement benefit obligations	25	111	3,401	111	3,401
		26,489	30,101	38,102	19,822
Capital and reserves attributable to equity holders					
Share capital	26	4,865	4,865	4,865	4,865
Share premium account		905	905	905	905
Share options reserve		1,826	1,861	1,826	1,861
Cash flow hedge reserve		(534)	1,127	(534)	1,127
Retained earnings		148,174	121,890	109,277	93,936
		155,236	130,648	116,339	102,694
Total equity and liabilities		226,874	214,838	242,133	207,199

Company Number: SC005653

The financial statements on pages 84 to 130 were approved by the Board of directors and authorised for issue on 25 March 2014 and were signed on its behalf by:

Alex DC Short

R.G. Hanna
Chairman

A.B.C. Short
Finance Director

Cash Flow Statements

For the year ended 26 January 2014

		Group		Company	
			2013 Restated (note 1)		2013 Restated (note 1)
	Note	2014 £000	£000	2014 £000	£000
Operating activities					
Profit before tax		34,294	31,592	21,759	21,841
Adjustments for:					
Interest receivable	7	(159)	(160)	(418)	(160)
Interest payable	7	545	356	821	356
Depreciation of property, plant and equipment	12	6,445	6,519	6,195	6,188
Amortisation of intangible assets	11	253	253	–	–
Share-based payment costs		595	927	595	927
Gain on sale of property, plant and equipment		(86)	(187)	(104)	(178)
Payment in respect of LTIP award		–	(1,217)	–	(1,217)
Operating cash flows before movements in working capital		41,887	38,083	28,848	27,757
Decrease/(increase) in inventories		4,766	(1,841)	3,926	(1,675)
Decrease/(increase) in receivables		323	(8,470)	(20,079)	(8,474)
Increase in payables		2,680	2,356	14,009	11,398
Difference between employer pension contributions and amounts recognised in the income statement		(172)	39	(172)	39
Cash generated by operations		49,484	30,167	26,532	29,045
Tax on profit paid		(7,696)	(8,267)	(5,194)	(6,054)
Net cash from operating activities		41,788	21,900	21,338	22,991
Investing activities					
Acquisition of subsidiary		–	–	(1,300)	–
Purchase of property, plant and equipment		(13,423)	(21,166)	(13,356)	(21,128)
Proceeds on sale of property, plant and equipment		142	324	125	244
Interest received		44	30	44	30
Net cash used in investing activities		(13,237)	(20,812)	(14,487)	(20,854)
Financing activities					
New loans received		10,000	25,000	10,000	25,000
Loans repaid		(20,000)	(15,000)	(20,000)	(15,000)
Bank arrangement fees paid		(40)	–	(40)	–
Movement in finance lease		–	–	21,976	–
Purchase of Company shares by employee benefit trusts		(2,290)	(2,553)	(2,290)	(2,553)
Proceeds from disposal of Company shares by employee benefit trusts		1,079	2,214	1,079	2,214
Dividends paid		(3,304)	(19,398)	(3,304)	(19,398)
Interest paid		(461)	(243)	(737)	(243)
Net cash (used in)/generated by financing activities		(15,016)	(9,980)	6,684	(9,980)
Net increase/(decrease) in cash and cash equivalents		13,535	(8,892)	13,535	(7,843)
Cash and cash equivalents at beginning of year		(603)	8,289	(605)	7,238
Cash and cash equivalents at end of year	16	12,932	(603)	12,930	(605)

Notes to the Accounts

1 Accounting policies

General information

A.G. BARR p.l.c. ('the Company') and its subsidiaries (together 'the Group') manufacture, distribute and sell soft drinks. The Group has manufacturing sites in the U.K. and sells mainly to customers in the U.K. with some international sales.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in Scotland. The address of its registered office is Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated and parent Company financial statements of A.G. BARR p.l.c. have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. They have been prepared under the historical cost accounting rules except for the derivative financial instruments and the assets of the Group pension scheme which are stated at fair value and the liabilities of the Group pension scheme which are valued using the projected unit credit method. The directors have adopted the going concern basis in preparing these accounts for the reasons set out in note 29.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on page 98.

The directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented an income statement for the Company.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning 27 January 2013 and have had an impact on the previously reported results of the Group:

- **Amendment to IAS 1 Financial statement presentation regarding other comprehensive income**
  The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The statement of comprehensive income has been re-presented accordingly for all periods shown.

- **IAS 19 Employee benefits**
  IAS 19 Employee benefits was revised in June 2011 ('IAS 19R'). The change to the Group's accounting policies has been to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. Prior year comparatives have been restated to take account of this change.

This net interest expense or income replaces the finance charge on scheme liabilities and the expected return on scheme assets and is expected to result in a higher annual expense. The effect of IAS 19R for the year ended 26 January 2013 is to reduce the net finance income relating to defined benefit plans (notes 7 and 25) to nil and create a net finance charge relating to defined benefit plans of £21,000. Under IAS 19R the plan administration costs relating to managing the assets should be included within operating profit. As the plan administration costs are met by the Group (note 28) and as all plan administration costs not in connection with managing plan assets were previously charged as operating expenses, IAS 19R has no effect on the operating profit. In the current year, the implementation of IAS 19R has had a similar effect as in the prior year. Had IAS 19R been applied to the Group's financial statements for the year ended 26 January 2013 the consolidated statement of financial position would have been the same as that reported. The effect on the consolidated income statement, statements of comprehensive income and the cash flow statements is summarised as follows:

Extract of Consolidated Income Statement	2013 £000	Effect of applying IAS 19 Revised £000	2013 Restated £000
Operating profit	**31,788**	–	**31,788**
Finance income	**369**	(209)	**160**
Finance costs	**(335)**	(21)	**(356)**
Profit before tax	**31,822**	(230)	**31,592**
Tax on profit	**(6,258)**	53	**(6,205)**
Profit attributable to equity holders	**25,564**	(177)	**25,387**

	Group			Company		
Extract of Statement of Comprehensive Income	2013 £000	Effect of applying IAS 19 Revised £000	2013 Restated £000	2013 £000	Effect of applying IAS 19 Revised £000	2013 Restated £000
Profit after tax	**25,564**	(177)	**25,387**	**17,314**	(177)	**17,137**
Other comprehensive income						
Actuarial loss on defined benefit pension plans	**(3,184)**	230	**(2,954)**	**(3,184)**	230	**(2,954)**
Effective portion of changes in fair value of cash flow hedges	**1,463**	–	**1,463**	**1,463**	–	**1,463**
Deferred tax movements on items taken direct to equity	**(36)**	(53)	**(89)**	**(36)**	(53)	**(89)**
Other comprehensive income for the year, net of tax	**(1,757)**	177	**(1,580)**	**(1,757)**	177	**(1,580)**
Total comprehensive income attributable to equity holders of the parent	**23,807**	–	**23,807**	**15,557**	–	**15,557**

	Group			Company		
Extract of Cash Flow Statement	2013 £000	Effect of applying IAS 19 Revised £000	2013 Restated £000	2013 £000	Effect of applying IAS 19 Revised £000	2013 Restated £000
Operating activities						
Profit on ordinary activities before tax	**31,822**	(230)	**31,592**	**22,071**	(230)	**21,841**
Interest receivable	**(369)**	209	**(160)**	**(369)**	209	**(160)**
Interest payable	**335**	21	**356**	**335**	21	**356**

IAS 19R has no impact on any further line items in the cash flow statements.

1 Accounting policies (continued)

- **IFRS 13**
  IFRS 13 measurement and disclosure requirements are applicable to financial statements commencing 27 January 2013. As a result of this the Group has included additional disclosures in its financial statements in relation to financial instruments (see notes 14 and 19).

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 27 January 2013 and not adopted early

A number of new standards and amendments to standards and interpretations are effective for future year ends, and have not been applied in preparing these consolidated financial statements. These standards and amendments are listed in the table below:

International Accounting Standards and Interpretations	Effective date
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint arrangements	1 January 2014
IFRS 12 Disclosures of interests in other entities	1 January 2014
IAS 32 Financial instruments: Presentation (amended 2011)	1 January 2014

The Directors have reviewed the requirements of the new standards and interpretations listed above, and they are not expected to have a material impact on the Group's financial statements in the period of initial application.

Consolidation – subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group (and for acquisitions prior to 1 July 2009 costs directly attributable to the acquisition). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Currently, there are no non-controlling interests in any of the entities within the Group.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired less liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as a credit in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in net assets are also eliminated. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Revenue recognition

Revenue is the net invoiced sales value, after deducting promotional costs invoiced by customers, including brand support costs, and exclusive of value added tax of goods and services supplied to external customers during the year. Sales are recorded based on the price specified in the sales invoices, net of any agreed discounts and rebates.

Revenue is recognised when the goods have passed to the buyer and the amount can be measured reliably. Sales related discounts and rebates are calculated based on the expected amounts necessary to meet the claims of the Group's customers in respect of these discounts and rebates. Brand support accruals are included in the statement of financial position in respect of these.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. Segment results that are reported to the management committee (as chief operating decision maker) include items directly attributable to a segment as well as those which can be allocated on a consistent basis.

Foreign currency translation

(a) Functional and presentation currency

Functional and presentation currency items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in £ Sterling which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the same line in which the transaction is recorded.

Exceptional items

As permitted by IAS 1 Presentation of financial statements, an item is treated as exceptional if it is considered unusual by its nature and scale and is of such significance that separate disclosure is required for the financial statements to be properly understood.

Intangible assets

Goodwill

Goodwill represents the excess of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment charges. Impairment charges on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Brands

Separately acquired brands are recognised at cost at the date of purchase. Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands acquired separately or through a business combination are assessed at the date of acquisition as to whether they have an indefinite life. The assessment includes whether the brand name will continue to trade, and the expected lifetime of the brand. All brands acquired to date have been assessed as having an indefinite life as they are expected to continue to contribute to the long term future of the Group. The brands are reviewed annually for impairment, being carried at cost less accumulated impairment charges.

The fair value of a brand at the date of acquisition is based on the Relief from Royalties method, which is a valuation model based on discounted cash flows.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

The closing balance in the current year represents the carrying value of the customer relationships acquired during the acquisitions of the Strathmore Water business and Groupe Rubicon Limited.

The fair value of the customer relationships at the acquisition date was based on the Multiple Excess Earnings Method ('MEEM') which is a valuation model based on discounted cash flows. The useful lives of customer relationships are based on the churn rate of the acquired portfolio and are up to 10 years corresponding to a yearly amortisation of between 10% and 33%. The useful lives of all intangible assets are reviewed annually and amended, as required, on a prospective basis.

1 Accounting policies (continued)

Water rights
Water rights represent the cost of purchasing the water rights at Pitcox. This is the source of Findlays Mineral Water. As the land rights give indefinite access to the water source at no cost, the rights have been given an indefinite life and are tested annually for impairment and carried at cost less accumulated impairment losses.

Property, plant and equipment
Land and buildings comprise mainly factories, distribution sites and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. The purchase price of an asset will include the fair value of the consideration paid to acquire the asset. Borrowing costs directly attributable to acquisition, construction and or production of assets that take a substantial time to complete are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation is charged from the date that assets, other than land, are available for use. It is calculated using the straight-line method to allocate the cost to the residual values of the related assets using the following rates:

Buildings – 1%
Leasehold buildings – Term of lease
Plant, equipment and vehicles – 10% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the recoverable amount may be less than the carrying value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised on disposal or where no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within administration costs in the income statement.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has two heritable properties held under operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that is based on current market assessments of the time value of money and risks specific to the asset for which the future cash flow estimates have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised although any reversal cannot result in a carrying amount that would exceed the carrying amount that would have been recognised, net of depreciation, had no impairment loss been recognised in prior years.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated cash flows. The carrying amount of the asset is reduced through the use of a bad debt provision account and the amount of the loss is recognised in the income statement within administration costs. When a trade receivable becomes uncollectable it is written off against the bad debt provision.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments

Investments in subsidiaries are carried at cost less impairment in the parent company accounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative instrument used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as non-current when the remaining maturity of the hedged item is more than 12 months from the statement of financial position date and as current when the remaining maturity of the hedged item is less than 12 months from the statement of financial position date.

1 Accounting policies (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within administration costs.

Amounts accumulated in equity are recycled through the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward foreign currency contracts hedging overseas purchases is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the income statement within administration costs. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised within the income statement when the forecast transaction is ultimately recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completing production and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their primary distribution location and condition. This includes direct labour costs and an appropriate share of overheads based on normal operating activity.

Company shares held by employee benefit trusts

Company shares are purchased on behalf of employee benefit trusts to satisfy the liability of various employee share schemes. The amount of the consideration paid, including directly attributable costs, is recognised as a charge in equity. Purchased shares are classified as Company shares held by employee benefit trusts, and presented as a deduction from retained earnings.

Current and deferred income tax

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is charged in the income statement except where it relates to tax on items recognised directly in equity, in which case it is charged to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the consolidated financial statements.

The following temporary differences are not provided for:

- the initial recognition of goodwill; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Where the carrying value of an asset is to be recovered through both use and subsequent disposal, a single tax base is attributed to that asset resulting in a single temporary difference being recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Retirement benefit plans

The Group operates two pension schemes as detailed in note 25. The schemes are generally funded through payments to trustee-administered funds. The Group has both defined benefit and defined contribution plans.

Defined contribution pension plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Obligations for contributions are recognised as an expense in the income statement as they fall due. The Group has no further payment obligations once the contributions have been paid.

Defined benefit pension plans
A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability/surplus recognised in the statement of financial position in respect of defined benefit pension plans is the present value of plan assets less the fair value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, changes in the present value of the defined benefit obligation and any related actuarial gains and losses and past service costs that had not previously been recognised.

Share-based compensation
The Group grants equity settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non market-based vesting conditions) at the grant date. The fair value of the equity settled share-based payment determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model.

The Group also provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value through payroll.

The Group records as an expense the fair value of the discount on the shares purchased by the employee as a charge to the income statement and a credit to the share options reserve.

At each year end date, the entity revises its estimates of the number of options that are expected to vest based on the non market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the share options reserve.

Profit-sharing and bonus plans
The Group recognises a liability and an expense for various bonuses based on formulae that take into consideration the profit attributable to the Company's shareholders after certain adjustments.

The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Provisions
A provision is recognised if, as the result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan which has been either announced or has commenced. Future operating costs are not provided for.

1 Accounting policies (continued)

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Key judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. Due to the nature of estimation, the actual outcomes may well differ from these estimates.

The principal estimates and judgements that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Valuation of inventory

Inventory is a significant balance in the consolidated statement of financial position. The Group purchases commodities for use in the manufacture of soft drinks and these purchases are subject to price volatility. As the Group uses standard costing to value its inventory, management review price variances arising from the purchases of commodities to ensure that the closing inventory correctly reflects the costs incurred in bringing the inventory to its current state and location.

Carrying value of brand support accruals

The Group incurs significant costs in the support and development of the Group's brands. Judgement is required in determining the level of closing accrual required at a year end for promotions and brand support campaigns that either span two financial years or where the costs have not been fully settled by the year end date. This includes sales related discounts which are included within revenue as disclosed in the revenue recognition policy above. At 26 January 2014 the closing brand support accrual was £12,412,000 (26 January 2013: £10,850,000).

Costs capitalised within property, plant and equipment

The Group has significant property, plant and equipment additions in the year, much of this in relation to the commissioning of the new production and warehouse facility at Milton Keynes. Judgement is required in assessing what expenditure should be capitalised as property, plant and equipment and in assessing the appropriate depreciation rates and estimated useful lives of such assets. Judgement is also required in assessing the accounting treatment for a lease entered into by the Group for the plant at the Milton Keynes production facility.

In addition the following area of judgement had an effect of the carrying value of assets and liabilities:

Retirement benefit obligations

The determination of any defined benefit pension scheme surplus/obligation is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. In addition, this year, judgement was required in relation to reviewing the impact of and accounting for an error identified in relation to the net assets figure reported by the actuary in relation to the balances reported at January 2013. Further detail on this matter is included within note 25.

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 led to the operating segments identified in the table below: there has been no change to the segments during the year (after aggregation). The performance of the operating segments is assessed by reference to their gross profit before exceptional items. Exceptional items are reported separately in note 6.

Year ended 26 January 2014

	Carbonates £000	Still drinks and water £000	Other (including ice-cream) £000	Total £000
Total revenue	197,868	55,097	1,120	254,085
Gross profit before exceptional items	99,153	16,363	640	116,156

Year ended 26 January 2013

	Carbonates £000	Still drinks and water £000	Other (including ice- cream) £000	Total £000
Total revenue	182,921	53,639	1,035	237,595
Gross profit before exceptional items	92,519	14,827	658	108,004

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, the sale of Rubicon ice-cream and other soft drink related items such as water cups.

The gross profit from the segment reporting is stated before exceptional costs as the Milton Keynes related exceptional costs allocated to cost of sales in the consolidated income statement relate to Carbonates only.

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

All of the assets and liabilities 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 statement of financial position has been disclosed for either of the periods presented.

Each of the following items are included in the reportable segments results and balances, and no adjustments are required in arriving at the costs included in the consolidated primary statements:

	2014 £000	2013 £000
Capital expenditure	**13,423**	21,166
Depreciation and amortisation	**6,698**	6,772

Capital expenditure comprises cash additions to property, plant and equipment (note 12).

All of the segments included within Carbonates and Still drinks and water meet the aggregation criteria set out in IFRS 8 Operating Segments.

Geographical information
The Group operates predominately in the U.K. with some worldwide sales. All of the operations of the Group are based in the U.K.

Revenue	**2014 £000**	2013 £000
U.K.	**247,433**	231,565
Rest of the world	**6,652**	6,030
	254,085	237,595

The Rest of the world revenue includes sales to Ireland and wholesale export houses.

All of the assets of the Group are located in the U.K.

Major customers
No single customer accounted for 10% or more of the Group's revenue in either of the years presented.

Notes to the Accounts

Continued

3 Profit before tax

The following items have been included in arriving at profit before tax:

	2014 £000	2013 £000
Depreciation of property, plant and equipment	6,445	6,519
Profit on disposal of property, plant and equipment	(86)	(187)
Fair value movements in financial instruments	–	(133)
Research and development costs	967	779
Impairment of inventories	142	348
Amortisation of intangible assets	253	253
Cost of inventories charged in cost of sales	138,968	129,591
Operating lease rentals payable – property	606	564
Operating lease rentals payable – motor vehicles	1,199	1,152
Operating lease rentals payable – plant	887	–
Trade receivables impairment movement	(187)	(284)
Share-based payment costs	595	927

Included within administration costs (note 5) is the auditor's remuneration, including expenses for audit and non-audit services. The cost includes services from the Company's auditor and its associates:

	2014 £000	2013 £000
Statutory audit services		
Fees payable to the auditor of the parent Company and consolidated accounts	78	77
Fees payable to the auditor for other services:		
Audit of the Company's subsidiaries pursuant to legislation	7	5
Non-audit services		
Audit related assurance services	27	20
Other assurance services	–	569
Pension advisory services	130	–
Tax compliance services	22	21
Tax advisory services	61	48
Fees in respect of the Group's pension plans		
Audit	13	13

In the year to 26 January 2014, £130,000 of fees within other services related to an asset backed funding implementation and tax work.

In the year to 26 January 2013, £566,000 of the fees within other services related to reporting accountants' work performed on the proposed merger with Britvic plc. These costs have been included within the exceptional merger related costs as part of the exceptional costs (refer to note 6).

4 Employees and directors

	2014	2013
Average monthly number of people employed by the Group (including executive directors)		
Production and distribution	808	789
Administration	191	187
	999	976

Staff costs for the Group for the year

	2014 £000	2013 Restated (note 1) £000
Wages and salaries	34,604	32,583
Social security costs	3,623	3,280
Share-based payments	595	927
Pension costs – defined contribution plans	2,066	1,685
Pension costs – defined benefit plans	1,315	1,382
Pension costs – defined benefit plans past service credit	–	(200)
	42,203	39,657

5 Net operating expenses before exceptional items

	2014 £000	2013 £000
Distribution costs (including selling costs)	50,232	47,398
Administration costs	27,443	25,660
	77,675	73,058

6 Exceptional items

	2014 £000	2013 £000
Milton Keynes development	1,039	–
Total cost of sales	1,039	–
Merger related costs	2,098	2,866
Milton Keynes development	–	122
ERP project	–	45
Redundancy costs for finance, telesales, distribution, demand and supply planning reorganisation	664	125
Total operating costs	2,762	3,158
Total exceptional costs	3,801	3,158

6 Exceptional items (continued)

Construction of a new production site at Crossley in Milton Keynes commenced in July 2012 with plant commissioning and associated training costs treated as exceptional items in the year to 26 January 2014. In the year to 26 January 2013, project set up and recruitment costs were treated as exceptional costs. The site commenced manufacturing in July 2013.

During the year to 26 January 2013, A.G. BARR p.l.c. and Britvic plc worked together on a proposed all-share merger which was subsequently referred to the Competition Commission and following clearance, aborted. Professional, legal fees and certain employee related costs incurred in relation to the proposed merger and related Competition Commission enquiry have been treated as exceptional for the periods presented.

Redundancy, recruitment and training costs in relation to the reorganisation of the finance, telesales, demand and supply planning operations within England were incurred during the year and treated as exceptional. During the year to 26 January 2013, redundancy costs in relation to the reorganisation of the distribution operations within England were incurred.

During the year to 26 January 2013 preliminary work in relation to the replacement of the existing Enterprise Resource Planning (ERP) system was undertaken.

7 Finance income and Finance costs

Finance income

	2014 £000	2013 Restated (note 1) £000
Interest receivable	43	27
Net finance income relating to defined benefit pension plans	116	–
Fair value movements in financial instruments	–	133
	159	160

Finance costs

	2014 £000	2013 Restated (note 1) £000
Interest payable	(458)	(235)
Amortisation of loan arrangement fees	(87)	(100)
Net finance cost relating to defined benefit pension plans	–	(21)
	(545)	(356)

8 Taxation

Group	2014 Before exceptional items £000	2014 Exceptional items £000	2014 Total £000	2013 Before exceptional items Restated (note 1) £000	2013 Exceptional items £000	2013 Total Restated (note 1) £000
Current tax						
Current tax on profits for the year	9,124	(563)	8,561	8,304	(72)	8,232
Adjustments in respect of prior years	(35)	(247)	(282)	(322)	–	(322)
Total current tax expense/(credit)	9,089	(810)	8,279	7,982	(72)	7,910
Deferred tax						
Origination and reversal of:						
Temporary differences	(19)	–	(19)	(92)	(28)	(120)
Adjustment for change in deferred tax rate	(2,272)	–	(2,272)	(1,579)	–	(1,579)
Adjustments in respect of prior years	127	–	127	(6)	–	(6)
Total deferred tax credit (note 22)	(2,164)	–	(2,164)	(1,677)	(28)	(1,705)
Total tax expense/(credit)	6,925	(810)	6,115	6,305	(100)	6,205

In addition to the above movements in deferred tax, a deferred tax charge of £1,899,000 (2013 Restated (note 1): £89,000 charge) has been recognised in other comprehensive income and a credit of £57,000 (2013: a charge of £152,000) has been taken direct to reserves (note 22).

A current tax credit of £1,181,000 (2013: £nil) has been recognised in other comprehensive income and a charge of £118,000 (2013: £nil) has been taken direct to reserves.

The tax on the Group's profit before tax differs from the amount that would arise using the tax rate applicable to the consolidated profits of the Group as follows:

	2014 £000	2014 %	2013 Restated (note 1) £000	2013 Restated (note 1) %
Profit before tax	34,294		31,592	
Tax at 23.2% (2013: 24.3%)	7,944	23.2	7,686	24.3
Tax effects of:				
Items that are not deductible in determining taxable profit	291	0.8	330	1.0
Exceptional items that are not deductible in determining taxable profit	314	0.9	640	2.0
Current tax adjustment in respect of prior years	(282)	(0.8)	(322)	(1.0)
Deferred tax adjustment in respect of prior years	127	0.4	(6)	–
Deferred tax adjustment in respect of change of deferred tax rate	(2,272)	(6.6)	(1,579)	(5.0)
Current year impact of change in deferred tax rate	3	–	10	–
Share options permanent difference	(5)	–	(244)	(0.8)
Tax deduction available in respect of cash settlement of LTIP awards	–	–	(296)	(0.9)
Other differences	(5)	–	(14)	–
Total tax expense	6,115	17.8	6,205	19.6

The weighted average tax rate was 17.8% (2013 restated: 19.6%).

8 Taxation (continued)

The 2013 Finance Act enacted in July 2013 announced that the U.K. corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 3 July 2013 and substantive enactment of the rate of 20% with effect from 1 April 2015 also took place on 3 July 2013.

The deferred tax liability at 26 January 2014 has therefore been calculated having regard to the rate of 20% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction in the corporation tax rate from 21% to 20%, although this will further reduce the company's future current tax charge accordingly.

9 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.

	2014	2013 Restated (note 1)
Profit attributable to equity holders of the Company (£000)	28,179	25,387
Weighted average number of ordinary shares in issue	115,351,493	115,883,733
Basic earnings per share (pence)	24.43	21.91

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.

	2014	2013 Restated (note 1)
Profit attributable to equity holders of the Company (£000)	28,179	25,387
Weighted average number of ordinary shares in issue	115,351,493	115,883,733
Adjustment for dilutive effect of share options	399,418	96,007
Diluted weighted average number of ordinary shares in issue	115,750,911	115,979,740
Diluted earnings per share (pence)	24.34	21.89

The underlying EPS figure is calculated by using Profit attributable to equity holders before exceptional items:

	2014	2013 Restated (note 1)
Profit attributable to equity holders of the Company before exceptional items (£000)	31,170	28,445
Weighted average number of ordinary shares in issue	115,351,493	115,883,733
Underlying earnings per share (pence)	27.02	24.55

This measure has been included in the financial statements as it provides a closer guide to the underlying financial performance as the calculation excludes the effect of exceptional items.

10 Dividends

	2014 per share	2013 per share	2014 £000	2013 £000
Paid final dividend	–p	6.88p	–	7,872
Paid first interim dividend	2.83p	2.62p	3,304	3,009
Paid second interim dividend – in lieu of final dividend for the year ended 26 January 2013	–p	7.40p	–	8,517
	2.83p	16.90p	3,304	19,398

The directors have proposed a final dividend in respect of the year ended 26 January 2014 of 8.19p per share, amounting to a dividend of £9,563,000. It will be paid on 6 June 2014 to all shareholders who are on the Register of Members on 9 May 2014.

A second interim dividend was paid to shareholders on 18 January 2013 in lieu of the final dividend for the year ended 26 January 2013.

11 Intangible assets

Group	Goodwill £000	Brands £000	Customer relationships £000	Water rights £000	Total £000
Cost					
At 26 January 2013 and at 26 January 2014	23,274	50,276	3,532	742	77,824
Amortisation and impairment losses					
At 28 January 2012	336	290	1,843	742	3,211
Amortisation for the year	–	–	253	–	253
At 26 January 2013	336	290	2,096	742	3,464
Amortisation for the year	–	–	253	–	253
At 26 January 2014	336	290	2,349	742	3,717
Carrying amounts					
At 26 January 2014	**22,938**	**49,986**	**1,183**	**–**	**74,107**
At 26 January 2013	22,938	49,986	1,436	–	74,360

Customer relationships were intangible assets recognised on the acquisition of the Strathmore Water business and Groupe Rubicon Limited. The amortisation charge represents the spreading of the cost over the assets' expected useful lives: the Strathmore customer relationships were fully amortised in the year to 28 January 2012 and the Rubicon asset has five years remaining. This period has been reviewed at the statement of financial position date and remains appropriate.

The amortisation costs for the year to 26 January 2014 have been included in the income statement as administration costs.

Notes to the Accounts
Continued

11 Intangible assets (continued)

Company	Goodwill £000	Brands £000	Customer relationships £000	Water rights £000	Total £000
Cost					
At 26 January 2013 and at 26 January 2014	1,920	7,290	1,000	742	10,952
Amortisation and impairment losses					
At 28 January 2012 and 26 January 2013	18	290	1,000	742	2,050
Amortisation for the year	–	–	–	–	–
At 26 January 2013 and 26 January 2014	18	290	1,000	742	2,050
Carrying amounts					
At 26 January 2014	**1,902**	**7,000**	**–**	**–**	**8,902**
At 26 January 2013	1,902	7,000	–	–	8,902

All intangible assets noted above were recognised on the acquisition of the Strathmore Water business.

Impairment tests for goodwill and brands

For impairment testing, goodwill and brands are allocated to the cash-generating unit (CGU) representing the lowest level at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each CGU are:

At 26 January 2014	**Goodwill** **£000**	**Brands** **£000**	**Customer relationships** **£000**	**Total** **£000**
Rubicon operating unit	**21,036**	**42,986**	**1,183**	**65,205**
Strathmore operating unit	**1,902**	**7,000**	**–**	**8,902**
Total	**22,938**	**49,986**	**1,183**	**74,107**

At 26 January 2013	Goodwill £000	Brands £000	Customer relationships £000	Total £000
Rubicon operating unit	21,036	42,986	1,436	65,458
Strathmore operating unit	1,902	7,000	–	8,902
Total	22,938	49,986	1,436	74,360

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management which cover a three year period.

Cash flows beyond the three years are extrapolated using the growth rates and other key assumptions as stated below:

Key assumptions

	2014			2013		
	Gross margin %	Growth rate %	Discount rate %	Gross margin %	Growth rate %	Discount rate %
Rubicon operating unit	31.20	2.25	8.40	32.85	2.25	9.85
Strathmore operating unit	26.40	2.25	8.40	31.98	2.25	9.85

The Rubicon operating unit can be further allocated across carbonates and still drinks when determining the CGU required for impairment testing. No impairment was identified through this allocation.

The budgeted gross margin is based on past performance and management's expectation of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax.

The discount rate reflects management's estimate of pre-tax cost of capital adjusted for the specific risks impacting on each operating unit. The estimated pre-tax cost of capital is a benchmark for the Group provided by an independent third party.

Advertising and promotional costs are included in the analysis, using latest annual budgets for the year to 25 January 2015 and projected costs thereafter.

Sensitivity analysis was carried out on the above calculations to review possible levels of impairment after adjusting discount rates. At a pre-tax rate of 12%, neither of the CGUs were impaired. Whilst cash flow projections used within the impairment reviews are subject to inherent uncertainty, changes within reason to the key assumptions applied in assessing the value in use calculation would not result in a change in the impairment conclusions reached.

12 Property, plant and equipment

	Land and buildings				
Group	Freehold £000	Long leasehold £000	Plant, equipment and vehicles £000	Assets under construction £000	Total £000
Cost or deemed cost					
At 28 January 2012	29,870	545	77,021	1,264	108,700
Additions	931	–	2,836	17,511	21,278
Transfer from assets under construction	7,128	–	1,601	(8,729)	–
Disposals	(3)	(7)	(11,283)	–	(11,293)
At 26 January 2013	37,926	538	70,175	10,046	118,685
Additions	2,823	–	4,185	6,312	13,320
Transfer from assets under construction	14,376	–	1,042	(15,418)	–
Disposals	–	–	(2,492)	–	(2,492)
At 26 January 2014	**55,125**	**538**	**72,910**	**940**	**129,513**
Depreciation					
At 28 January 2012	3,185	514	50,128	–	53,827
Amount charged for year	379	9	6,131	–	6,519
Disposals	(3)	(7)	(11,146)	–	(11,156)
At 26 January 2013	3,561	516	45,113	–	49,190
Amount charged for year	535	4	5,906	–	6,445
Disposals	–	–	(2,436)	–	(2,436)
At 26 January 2014	**4,096**	**520**	**48,583**	**–**	**53,199**
Net book value					
As at 26 January 2014	**51,029**	**18**	**24,327**	**940**	**76,314**
As at 26 January 2013	34,365	22	25,062	10,046	69,495

Included within the additions for the year to 26 January 2014 for both the Group and the Company is £85,000 (2013: £25,910) of interest in respect of the £15,000,000 facility arranged and drawn down in the year for the building work at Crossley, Milton Keynes.

Company	Land and buildings Freehold £000	 Long leasehold £000	Plant, equipment and vehicles £000	Assets under construction £000	Total £000
Cost or deemed cost					
At 28 January 2012	29,373	394	73,622	1,156	104,545
Additions	931	–	2,804	17,532	21,267
Transfer from assets under construction	7,128	–	1,563	(8,691)	–
Disposals	(2)	–	(10,236)	–	(10,238)
At 26 January 2013	37,430	394	67,753	9,997	115,574
Additions	2,823	–	4,103	6,327	13,253
Transfer from assets under construction	14,376	–	1,042	(15,418)	–
Disposals	–	–	(1,983)	–	(1,983)
At 26 January 2014	**54,629**	**394**	**70,915**	**906**	**126,844**
Depreciation					
At 28 January 2012	2,918	373	48,208	–	51,499
Amount charged for year	357	2	5,829	–	6,188
Disposals	(2)	–	(10,170)	–	(10,172)
At 26 January 2013	3,273	375	43,867	–	47,515
Amount charged for year	519	2	5,674	–	6,195
Disposals	–	–	(1,962)	–	(1,962)
At 26 January 2014	**3,792**	**377**	**47,579**	**–**	**51,748**
Net book value					
As at 26 January 2014	**50,837**	**17**	**23,336**	**906**	**75,096**
As at 26 January 2013	34,157	19	23,886	9,997	68,059

At 26 January 2014, the Group and the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,451,675 (2013: £20,789,526).

12 Property, plant and equipment (continued)

Freehold land and buildings includes the following amounts where the company is a lessee under a finance lease:

	2014 £000	2013 £000
Cost-capitalised finance lease	25,486	–
Accumulated depreciation	(2,349)	–
Net book value	**23,137**	–

13 Pension prepayment

During September 2013 the Company established the A.G. BARR Scottish Limited Partnership (the Partnership) and through the Partnership has entered into a long term pension funding arrangement with the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme.

The Partnership is controlled by A.G. BARR p.l.c. and its results are consolidated by the Group. The carrying value of the properties sold to the Partnership and leased back to the Company remain included on the Group's balance sheet and continued to be depreciated in line with the Group's accounting policies with the Group retaining full operational control over these properties.

The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the Partnership are not required to be, and have not been, filed at U.K. Companies House.

As part of the funding arrangement the Company made a one off payment to the Pension Scheme of £20.4m to allow it to invest in the Partnership and this is treated as a prepayment of pension contributions. Further information on the asset backed funding arrangement is included within note 25. As the Partnership results are consolidated within the Group results no prepayment is recognised in the consolidated statement of financial position.

	Company	
	2014 £000	2013 £000
Non-current	19,151	–
Current	1,134	–
Prepayment of pension contributions	**20,285**	–

The element of the prepayment classified as current is included within the prepayments figure of £3,590,000, as set out in note 18.

14 Derivative financial instruments

Group and company

Fair value hierarchy

IFRS 7 requires all financial instruments carried at fair value to be analysed under the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of the forward foreign exchange contracts is determined using forward exchange rates at the date of the statement of financial position, with the resulting value discounted accordingly as relevant.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value
Group At 26 January 2014	Fair value – hedging instruments £000	Loans and receivables £000	Other financial liabilities at amortised cost £000	Total £000	Level 2 £000
Financial assets not measured at fair value					
Trade receivables	–	45,004	–	45,004	45,004
Cash and cash equivalents	–	12,932	–	12,932	12,932
	–	57,936	–	57,936	57,936
Financial liabilities measured at fair value					
Foreign exchange contracts used for hedging	667	–	–	667	667
	667	–	–	667	667
Financial liabilities not measured at fair value					
Unsecured bank borrowings	–	–	15,000	15,000	15,000
Trade payables	–	–	9,399	9,399	9,399
	–	–	24,399	24,399	24,399

	Carrying amount				Fair value
Group At 26 January 2013	Fair value – hedging instruments £000	Loans and receivables £000	Other financial liabilities at amortised cost £000	Total £000	Level 2 £000
Financial assets measured at fair value					
Foreign exchange contracts used for hedging	1,463	–	–	1,463	1,463
	1,463	–	–	1,463	1,463
Financial assets not measured at fair value					
Trade and other receivables	–	42,226	–	42,226	42,226
Cash and cash equivalents	–	910	–	910	910
	–	43,136	–	43,136	43,136
Financial liabilities not measured at fair value					
Bank overdraft	–	–	1,513	1,513	1,513
Secured bank borrowings – current	–	–	10,000	10,000	10,000
Unsecured bank borrowings – non current	–	–	15,000	15,000	14,503
Trade payables	–	–	12,545	12,545	12,545
	–	–	39,058	39,058	38,561

14 Derivative financial instruments (continued)

	Carrying amount				Fair value
Company At 26 January 2014	Fair value – hedging instruments £000	Loans and receivables £000	Other financial liabilities at amortised cost £000	Total £000	Level 2 £000
Financial assets not measured at fair value					
Trade and other receivables and amounts due from subsidiary companies	–	46,198	–	46,198	46,198
Cash and cash equivalents	–	12,930	–	12,930	12,930
	–	59,128	–	59,128	59,128
Financial liabilities measured at fair value					
Foreign exchange contracts used for hedging	667	–	–	667	667
	667	–	–	667	667
Financial liabilities not measured at fair value					
Unsecured bank borrowings	–	–	15,000	15,000	15,000
Finance lease liabilities	–	–	21,600	21,600	20,191
Trade payables and amounts due to other subsidiary companies	–	–	53,822	53,822	53,822
	–	–	90,422	90,422	89,013

	Carrying amount				Fair value
Company At 26 January 2013	Fair value – hedging instruments £000	Loans and receivables £000	Other financial liabilities at amortised cost £000	Total £000	Level 2 £000
Financial assets measured at fair value					
Foreign exchange contracts used for hedging	1,463	–	–	1,463	1,463
	1,463	–	–	1,463	1,463
Financial assets not measured at fair value					
Trade and other receivables and amounts due from subsidiary companies	–	43,420	–	43,420	43,420
Cash and cash equivalents	–	908	–	908	908
	–	44,328	–	44,328	44,328
Financial liabilities not measured at fair value					
Bank overdraft	–	–	1,513	1,513	1,513
Secured bank borrowings – current	–	–	10,000	10,000	10,000
Unsecured bank borrowings – non current	–	–	15,000	15,000	14,503
Trade payables and amounts due to other subsidiary companies	–	–	45,634	45,634	45,634
	–	–	72,147	72,147	71,650

Cash and cash equivalents held by the Group have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

The fair value of the current trade and other receivables and the current trade and other payables approximates to their book value as none of the balances are interest bearing.

For the current borrowings, the impact of discounting is not significant as the borrowings will be paid within 12 months of the year end date. The carrying amount approximates their fair value.

The fair values of the non-current borrowings are based on cash flows discounted using the current variable interest rate charged on the borrowings of 1.5% and a discount rate of 1.5% and are within level 2 of the fair value hierarchy.

15 Investment in subsidiaries

	2014 £000	2013 £000
Opening investment in subsidiaries	61,041	61,041
Investment in year	1,300	–
Closing investment in subsidiaries	62,341	61,041

The investment made by the company in the year was a capital contribution to the A.G. BARR Capital Partner Limited, a partner in the A.G. BARR Scottish Limited Partnership (see note 13).

The carrying value of the investment represents the fair value of the consideration paid at the date the investments were acquired.

The principal subsidiaries are as follows:

Principal subsidiaries	Principal activity	Country of incorporation	Country of principal operations
Findlays Limited	Natural mineral water bottler	Scotland	U.K.
Rubicon Drinks Limited	Manufacture and distribution of soft drinks	England	U.K.

A.G. BARR p.l.c. holds 100% of the equity and votes of the subsidiaries. All of the subsidiaries have the same year end as A.G. BARR p.l.c. and have been included in the Group consolidation. The companies listed are those which materially affect the profit and assets of the Group. A full list of the subsidiaries will be annexed to the next annual return of A.G. BARR p.l.c. to be filed with the Registrar of Companies.

16 Cash and cash equivalents

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Cash and cash equivalents (excluding bank overdrafts)	12,932	910	12,930	908

Cash and cash equivalents include the following for the purposes of the cash flow statements:

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Cash and cash equivalents	12,932	910	12,930	908
Bank overdrafts (note 19)	–	(1,513)	–	(1,513)
	12,932	(603)	12,930	(605)

The credit quality of the holder of the Cash at bank is AA(-) rated (2013: AA(-) rated).

17 Inventories

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Returnable containers	414	485	367	441
Materials	4,679	6,463	2,915	4,247
Finished goods	10,953	13,864	10,643	13,163
	16,046	20,812	13,925	17,851

18 Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade receivables	45,248	42,659	45,248	42,659
Less: provision for impairment of receivables	(268)	(455)	(268)	(455)
Trade receivables – net	44,980	42,204	44,980	42,204
Other receivables	24	22	24	22
Prepayments	2,471	5,572	3,590	5,555
Amounts due by subsidiary companies	–	–	1,194	1,194
	47,475	47,798	49,788	48,975

The fair values of the trade and other receivables are taken to be their book values less any provision for impairment, as there are no interest bearing receivables. The amounts due from subsidiary companies are considered to be fully recoverable.

The Company is the only company in the Group with trade receivables from third parties. As a result, the following disclosure tables apply to both the Group and the Company.

0.9% (2013: 1.2%) of the trade receivables are overdue in excess of 30 days.

The maximum exposure for both the Group and the Company to credit risk for trade receivables at the reporting date by type of customer was:

Group and Company	2014 £000	2013 £000
Major customers	41,231	39,142
Direct to store customers	4,017	3,517
Total	45,248	42,659

The Group's and Company's most significant customer, a U.K. major customer, accounts for £2,999,000 of the trade receivables carrying amount at 26 January 2014 (26 January 2013: £2,532,000).

The ageing of the Group and Company's trade receivables and their related impairment at the reporting date for the Group was:

Group and Company	Gross 2014 £000	Impairment 2014 £000	Gross 2013 £000	Impairment 2013 £000
Not past due	44,326	(137)	41,571	(120)
Past due 1 to 30 days	522	(9)	566	(158)
Past due 31 to 60 days	177	(47)	140	(51)
Past due 61 + days	223	(75)	382	(126)
Total	45,248	(268)	42,659	(455)

The carrying amount of the Group and Company's external trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
U.K. Sterling	47,074	47,473	48,193	47,456
US Dollars	66	56	66	56
Euro	335	269	335	269
	47,475	47,798	48,594	47,781

Movements in the Group and Company provisions for impairment of trade receivables were as follows:

Group and Company	2014 £000	2013 £000
At start of year	455	739
Net provision utilised during the year	(187)	(284)
At end of year	268	455

The provision allowance in respect of trade receivables is used to record impairment losses unless the Group and Company are satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the trade receivable directly, with a corresponding charge being recorded in administration costs. Where trade receivables are past due, an assessment is made of individual customers and the outstanding balance. No provision is required in respect of amounts owed by subsidiary companies.

The creation and release of the trade receivables provision has been included within administration costs in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

19 Borrowings

All of the Group's borrowings are denominated in U.K. Sterling.

	Group		Company	
Group and Company	2014 £000	2013 £000	2014 £000	2013 £000
Current				
Bank borrowings	–	11,513	–	11,513
Finance lease liabilities	–	–	1,126	–
Non-current				
Bank borrowings	15,000	15,000	15,000	15,000
Finance lease liabilities	–	–	20,474	–
Total borrowings	15,000	26,513	36,600	26,513

In the year to 26 January 2013 the current borrowings consisted of a £10,000,000 term loan and a bank overdraft of £1,513,000. The final term loan instalment was paid in July 2013.

During the year to 26 January 2013, a revolving credit facility of £15,000,000 was negotiated to fund the building of the new manufacturing site at Milton Keynes. The facility has been fully drawn down as at 26 January 2014 and is repayable in June 2015. The arrangement fee of £98,000 has been capitalised as part of the construction costs.

During the year to 26 January 2014 the Group negotiated a one year £20,000,000 revolving credit facility. A bank arrangement fee of £40,000 was incurred in arranging the facility and will be amortised over the life of the loan. The revolving credit facility is due to expire in March 2014.

Certain property assets were transferred into the A.G. BARR Scottish Limited Partnership and are being leased back to the Company under a 21 year lease agreement. Further details are included within note 25.

The amortisation charge is included in the finance costs line in the consolidated income statement.

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Current bank borrowings	–	11,513	–	11,513
Unamortised arrangement fee	–	(51)	–	(51)
Finance lease liability payable within one year	–	–	1,126	–
Current loans and other borrowings disclosed in the statement of financial position	–	11,462	1,126	11,462

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Non-current bank borrowings	15,000	15,000	15,000	15,000
Unamortised arrangement fee	–	–	–	–
Finance lease liability payable after more than one year	–	–	20,474	–
Non-current loans and other borrowings disclosed in the statement of financial position	15,000	15,000	35,474	15,000

Bank borrowings were secured on the entire net assets of the Group with security removed in July 2013 on fulfilment of certain conditions being met.

The movements in the borrowings are analysed as follows:

	2014 £000	2013 £000
Opening loan balance	26,513	15,000
Borrowings made	10,000	25,000
Repayments of borrowings	(20,000)	(15,000)
Bank overdrafts (repaid)/drawn	(1,513)	1,513
Closing loan balance	15,000	26,513

Reconciliation to net debt:

	2014 £000	2013 £000
Closing loan balance	15,000	26,513
Cash and cash equivalents (note 16)	12,932	910
Net debt	2,068	25,603

The undrawn facilities at 26 January 2014 are as follows:

	Total facility £000	Drawn £000	Undrawn £000
Revolving credit facility – three years, expiries March 2014	10,000	–	10,000
Revolving credit facility – one year, expires March 2014	20,000	–	20,000
Revolving credit facility for Crossley	15,000	15,000	–
Overdraft	5,000	–	5,000
	50,000	15,000	35,000

The maturity profile of the borrowings are as follows:

	2014 £000	2013 £000
Less than one year	–	11,513
One to two years	15,000	–
Two to five years	–	15,000
	15,000	26,513

The gross value of finance lease liabilities for the Company is as follows:

	2014 £000	2013 £000
Gross finance lease liabilities – minimum lease payments:		
Less than one year	1,126	–
Two to five years	6,213	–
Later than five years	25,547	–
	32,886	–
Future finance charges on finance lease liabilities	(11,286)	–
Present value of finance lease liabilities	21,600	–

19 Borrowings (continued)

The present value of finance lease liabilities for the Company is as follows:

	2014 £000	2013 £000
Less than one year	1,126	–
Two to five years	4,238	–
Later than five years	16,236	–
Present value of finance lease liabilities	21,600	–

20 Trade and other payables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade payables	9,399	12,545	9,399	12,545
Other taxes and social security costs	3,846	2,009	3,833	2,001
Accruals	27,719	24,235	27,697	24,211
Amounts due to subsidiary companies	–	–	44,423	33,089
	40,964	38,789	85,352	71,846

The tables below analyses the Group and Company's financial liabilities into the relevant maturity groupings based on the remaining period to the contractual maturity date as at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group At 26 January 2014	Borrowings £000	Finance lease liabilities £000	Trade payables £000	Financial instruments £000	Total £000
0 to 6 months	112	–	9,399	345	9,856
7 to 12 months	112	–	–	322	434
1 to 2 years	15,095	–	–	–	15,095
2 to 5 years	–	–	–	–	–
5 + years	–	–	–	–	–
	15,319	–	9,399	667	25,385

At 26 January 2013	Borrowings £000	Finance lease liabilities £000	Trade payables £000	Financial instruments £000	Total £000
0 to 6 months	6,682	–	12,545	–	19,227
7 to 12 months	5,141	–	–	–	5,141
1 to 2 years	224	–	–	–	224
2 to 5 years	15,077	–	–	–	15,077
5 + years	–	–	–	–	–
	27,124	–	12,545	–	39,669

As trade payables are not interest bearing, their fair value is taken to be the book value. Disclosures relating to borrowings are included in note 19.

Company At 26 January 2014	Borrowings £000	Finance lease liabilities £000	Trade payables £000	Financial instruments £000	Total £000
0 to 6 months	112	563	9,399	345	10,419
7 to 12 months	112	563	–	322	997
1 to 2 years	15,095	1,170	–	–	16,265
2 to 5 years	–	5,043	–	–	5,043
5 + years	–	25,547	–	–	25,547
	15,319	32,886	9,399	667	58,271

At 26 January 2013	Borrowings £000	Finance lease liabilities £000	Trade payables £000	Financial instruments £000	Total £000
0 to 6 months	6,682	–	12,545	–	19,227
7 to 12 months	5,141	–	–	–	5,141
1 to 2 years	224	–	–	–	224
2 to 5 years	15,077	–	–	–	15,077
5 + years	–	–	–	–	–
	27,124	–	12,545	–	39,669

As trade payables are not interest bearing, their fair value is taken to be the book value. Disclosures relating to borrowings are included in note 19.

21 Provisions

Group and Company	2014 £000	2013 £000
Opening provision	–	91
Provision created during the year	601	–
Provision released during the year	(33)	(2)
Provision utilised during the year	(172)	(89)
Closing provision	396	–

The provision created during the year relates to redundancy costs associated with the reorganisation of finance, telesales, demand and supply planning operations in England.

22 Deferred tax assets and liabilities

Group	Retirement benefit obligations Restated (note 1) £000	Share-based payments £000	Foreign exchange contract hedge £000	Total deferred tax asset Restated (note 1) £000	Retirement benefit obligations £000	Foreign exchange contract hedge £000	Accelerated tax depreciation £000	Total deferred tax liability £000	Net deferred tax liability £000
At 28 January 2012	97	916	–	1,013	–	–	(14,177)	(14,177)	(13,164)
Credit/(charge) to the income statement (note 8)	438	(84)	–	354	–	–	1,351	1,351	1,705
Credit/(charge) to other comprehensive income	247	–	–	247	–	(336)	–	(336)	(89)
(Charge) to other reserves	–	(152)	–	(152)	–	–	–	–	(152)
At 26 January 2013	782	680	–	1,462	–	(336)	(12,826)	(13,162)	(11,700)
Credit/(charge) to the income statement (note 8)	584	(58)	–	526	–	–	1,638	1,638	2,164
(Charge)/credit to other comprehensive income	(2,368)	–	–	(2,368)	–	469	–	469	(1,899)
Credit to other reserves	–	57	–	57	–	–	–	–	57
Transfer between asset and liability categories	1,002	–	133	1,135	(1,002)	(133)	–	(1,135)	–
At 26 January 2014	**–**	**679**	**133**	**812**	**(1,002)**	**–**	**(11,188)**	**(12,190)**	**(11,378)**

Company	Retirement benefit obligations Restated (note 1) £000	Share-based payments £000	Foreign exchange contract hedge £000	Total deferred tax asset Restated (note 1) £000	Retirement benefit obligations £000	Foreign exchange contract hedge £000	Accelerated tax depreciation £000	Total deferred tax liability £000	Net deferred tax liability £000
At 28 January 2012	97	916	–	1,013	–	–	(2,896)	(2,896)	(1,883)
Credit/(charge) to the income statement	438	(84)	–	354	–	–	349	349	703
Credit/(charge) to other comprehensive income	247	–	–	247	–	(336)	–	(336)	(89)
(Charge) to other reserves	–	(152)	–	(152)	–	–	–	–	(152)
At 26 January 2013	782	680	–	1,462	–	(336)	(2,547)	(2,883)	(1,421)
Credit/(charge) to the income statement	584	(58)	–	526	–	–	220	220	746
(Charge)/credit to other comprehensive income	(2,368)	–	–	(2,368)	–	469	–	469	(1,899)
Credit to other reserves	–	57	–	57	–	–	–	–	57
Transfer between asset and liability categories	1,002	–	133	1,135	(1,002)	(133)	–	(1,135)	–
At 26 January 2014	**–**	**679**	**133**	**812**	**(1,002)**	**–**	**(2,327)**	**(3,329)**	**(2,517)**

As disclosed in note 8, the U.K. government has introduced legislation to reduce the main rate of corporation tax from 23% to 21% from April 2014 and to 20% from April 2015. This has resulted in a £747,000 charge to equity in the year to 26 January 2014, included within the net charge for the year of £1,899,000.

No deferred tax asset is recognised in the statement of financial position for unused capital losses of £2,382,000 (2013: £2,382,000).

A further deferred tax asset of £892,000 (2013: £1,026,000) has not been recognised in respect of acquired tax losses in Taut (U.K.) Limited, a subsidiary of the Company.

23 Lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows for the Group and Company:

	2014 £000	2013 £000
No later than one year	2,936	1,222
More than one year but not more than five years	8,911	1,610
Due beyond five years	4,599	363
Total lease commitments	**16,446**	3,195

The Company has entered into an operating lease agreement for plant at its Milton Keynes site. The lease lasts for seven years.
The value of the plant leased will amount to £14,100,000.

24 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department in accordance with policies approved by the board of directors. The Group's finance department identifies, evaluates and manages financial risks in close co-operation with the Group's business units. The Board provides guidance on overall market risk management including use of derivative financial instruments and investment of excess liquidity.

In addition, treasury matters are dealt with by the Treasury Committee.

Market risk

Foreign exchange risk

The Group operates internationally. The Group primarily buys and sells in Sterling but does have some purchases and sales denominated in US Dollars and Euros. Due to the hedging arrangements that have been in place for the year ended 26 January 2014, if Sterling had weakened/strengthened by 10% against the US dollar or Euro, with all other variables held constant, there would have been an immaterial effect on post tax profit (year ended 26 January 2013: immaterial impact on post tax profit).

The Group periodically enters into forward option contracts to purchase foreign currencies for known purchases where the value and volume of trading purchases is known. The Treasury Committee assesses whether hedge accounting should be applied for each forward option contract.

Price risk

The Group is not exposed to equity securities price risk because no such investments are held by the Group other than within Pension Scheme assets.

24 Financial risk management (continued)

The Group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities, including sugar, plastic, aluminium and mango, is managed through the use of forward physical supply contracts, primarily to convert floating or indexed prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the Group's risk management policies and is continually monitored by the Treasury Committee. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the Group's overall pricing strategy.

All of the Group's commodity derivatives are treated as 'own use' contracts, which are outside the scope of IAS 39, since they are both entered into, and continue to be held, for the purposes of the Group's ordinary operations, and are not net settled (the Group takes physical delivery of the commodity concerned). 'Own use' contracts do not require accounting entries until the commodity purchase actually crystallises.

The majority of the Group's forward physical contracts and commodity derivatives have original maturities of less than one year.

As all of the commodity contracts qualify for the 'own use' treatment, no sensitivity analysis has been carried out.

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates.

For the year ended 26 January 2014, if interest rates on Sterling-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, there would have been an immaterial change in the post tax profit for the year (year ended 26 January 2013: immaterial impact).

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to major and direct to store customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If major customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control processes assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by the management committee based on internal or external ratings. The utilisation of credit limits is regularly monitored. Sales to direct to store customers are largely settled in cash in order to manage credit risk from smaller, independent stores.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining sufficient cash reserves and the availability of borrowing facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. This is carried out at a Group level and involves projecting forward cash flows and considering the level of liquid assets necessary to meet excesses of expenditure relative to income.

Capital risk management

The Group defines 'capital' as being net debt plus equity.

The Group's objective when managing capital is to maintain an appropriate capital structure to balance the needs of the Group, whilst operating within its bank covenants.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group has a number of options available to it including modifying dividend payments to shareholders, returning capital to shareholders or issuing new shares. In this way, the Group balances returns to shareholders between long term growth and current returns whilst maintaining capital discipline in relation to investing activities and taking any necessary action on costs to respond to the current environment.

The Group monitors existing equity in issuance on the basis of the net debt/EBITDA ratio. Net debt is calculated as being the net of cash and cash equivalents, interest-bearing loans and borrowings. The net debt position is discussed in the Financial Review on pages 15 to 17. The net debt/EBITDA ratio enables the Group to plan its capital requirements in the medium term. The Group uses this measure to provide useful information to financial institutions and investors. The Group believes that the current net debt/EBITDA ratio together with existing shares in issuance provides an efficient capital structure and an acceptable level of financial flexibility.

For the year ended 26 January 2014, the net debt/EBITDA ratio was 0.05 times (year ended 26 January 2013: 0.61 times).

The Group monitors capital efficiency on the basis of the return on capital employed ratio ('ROCE'). In the financial year ended 26 January 2014, ROCE increased to 22.4% from 20.5% (restated).

25 Retirement benefit obligations

During the year the Company operated two pension schemes, the A.G. BARR p.l.c. (2005) Defined Contribution Scheme and the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme. The latter is a funded defined benefit scheme based on final salary which also includes a defined contribution section for the pension provision of new executive entrants. Under the defined benefit scheme, the employees are entitled to retirement benefits based on final pensionable pay. No other post-retirement benefits are provided.

Defined benefit scheme: actuarial valuation

The assets of the schemes are held separately from those of the Company and are invested in managed funds. A full valuation of the defined benefit scheme was conducted as at 5 April 2011 using the attained age method.

A surplus of £2,300,000 was determined at the valuation date with total assets valued at £81,825,000.

The defined benefit scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and market investment risk.

Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the board of trustees. The board of trustees is composed of representatives from the company scheme members as set out in the plan's rules.

Defined benefit scheme: IAS 19 information

The full actuarial valuation carried out at 5 April 2011 was updated to 26 January 2014 by a qualified independent actuary.

The valuation used for the defined benefit schemes has been based on market conditions as at the Company year end.

The amounts recognised in the statement of financial position are as follows:

Group and Company	2014 £000	2013 £000
Present value of funded obligations	(97,278)	(90,295)
Fair value of scheme assets	97,167	86,894
Deficit recognised in the statement of financial position	**(111)**	(3,401)

25 Retirement benefit obligations (continued)

The movement in the defined benefit obligation over the year is as follows:

Group and Company	Fair value of plan assets £000	Present value of obligation £000	Total £000
As at 26 January 2013	86,894	(90,295)	(3,401)
Current service cost	–	(1,431)	(1,431)
Interest income/(expense)	4,190	(4,074)	116
Total cost recognised in income statement	4,190	(5,505)	(1,315)
Remeasurements			
– changes in financial assumptions	–	(4,269)	(4,269)
– actuarial return on assets excluding amounts recognised in net interest	7,271	–	7,271
Total remeasurements recognised in other comprehensive income	7,271	(4,269)	3,002
Cashflows			
Employer contributions	1,603	–	1,603
Plan participants' contributions	57	(57)	–
Benefits paid	(2,789)	2,789	–
Premiums paid	(59)	59	–
Total cash outflow	(1,188)	2,791	1,603
As at 26 January 2014	**97,167**	**(97,278)**	**(111)**

The movement in the defined benefit obligation in the year to 26 January 2013 was as follows:

Group and Company	Fair value of plan assets £000	Present value of obligation £000	Total £000
At 28 January 2012	82,954	(83,341)	(387)
Current service cost	–	(1,361)	(1,361)
Curtailment gain	–	200	200
Interest income/(expense)	3,946	(3,967)	(21)
Total cost recognised in income statement	3,946	(5,128)	(1,182)
Remeasurements			
– changes in financial assumptions	–	(4,102)	(4,102)
– actuarial return on assets excluding amounts recognised in net interest	1,148	–	1,148
Total remeasurements recognised in other comprehensive income	1,148	(4,102)	(2,954)
Cashflows			
Employer contributions	1,122	–	1,122
Plan participants' contributions	55	(55)	–
Benefits paid	(2,263)	2,263	–
Premiums paid	(68)	68	–
Total cash outflow	(1,154)	2,276	1,122
As at 26 January 2013	86,894	(90,295)	(3,401)

Whilst updating the valuation of the Group's retirement benefit obligation for the interim financial statements, the independent qualified actuary, who advises the Company, identified an error in the model used to calculate the retirement benefit deficit as at 26 January 2013.

The impact of this was to understate the retirement benefit assets by £5.0m at 26 January 2013. The effect on the retirement deficit would have been a movement from a balance of £3.4m, to a surplus of £1.6m at that date. There was therefore also a corresponding understatement of net deferred tax liabilities of £1.2m at that date. These misstatements combine to a net understatement of £3.8m of net assets at 26 January 2013. There has been no impact on the previously reported profit.

Within the context of the Group's balance sheet, and particularly having regard to there being no impact on retained earnings, the Board concluded, in the context of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, that the effect of this error was not sufficiently material to warrant the previously reported comparative figures being restated. Accordingly, the £5.0m understatement of the retirement benefit asset at 26 January 2013 has been dealt with through the statement of comprehensive income as an addition to the actuarial gain recognised for the year to 26 January 2014.

Asset backed funding arrangement
During September 2013 the Company established the A.G. BARR Scottish Limited Partnership ('the Partnership') and through the Partnership has entered into a long term pension funding arrangement with the Pension Scheme.

Under this arrangement certain property assets were transferred into the Partnership and are being leased back to A.G. BARR p.l.c. under a 21 year lease agreement, generating an income stream of £1.125 million per annum for the pension scheme, increasing annually in line with inflation.

This arrangement fully removes the requirement for any future deficit reduction contributions, which will effectively be replaced by the agreed income stream payments.

The Partnership is controlled by A.G. BARR p.l.c. and its results are consolidated by the Group. The value of the properties transferred into the Partnership remains included on the Group's balance sheet at their present carrying values with the Group retaining full operational control over these properties.

At the end of the term of the relevant lease, or earlier if the Scheme becomes fully funded to the extent that the members' benefits can be secured with an insurance company, the Company has the option to repurchase the properties in the Partnership for an agreed fixed price.

Financial assumptions	2014	2013
Discount rate	4.30%	4.60%
Future salary increases	4.30%	4.30%
Inflation assumption	3.30%	3.30%

Mortality assumptions in years	2014	2013
Average future life expectancy for a male pensioner aged 65 at 26 January	22	22
Average future life expectancy for a female pensioner aged 65 at 26 January	24	24
Average future life expectancy at age 65 for a male non-pensioner aged 45 at 26 January	23	23
Average future life expectancy at age 65 for a female non-pensioner aged 45 at 26 January	26	26

The mortality tables adopted in finalising the fair value of the liabilities are S1NMA and S1NFA based on the member's year of birth. This assumes that the expected age at death for males is 87 to 89 and for females is 89 to 91 depending on their age at 26 January 2014.

25 Retirement benefit obligations (continued)

The fair value of scheme assets at the year end dates is analysed as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Equities	49,445	56,829	53,595	55,247	42,521
Bonds	43,137	25,894	24,256	22,087	21,739
Cash	4,585	4,171	4,833	2,172	4,102
Total market value of scheme assets	97,167	86,894	82,954	79,506	68,362

Sensitivity review

The sensitivity of the overall pension liability to changes in the weighted principle assumptions is:

		Impact on overall liabilities	
	Change in assumption	Year to 26 January 2014	Year to 26 January 2013
Discount rate	Increase/decrease by 0.1%	Decreases/increases liabilities by £1.9m	Decreases/increases liabilities by £1.7m
Rate of inflation	Increase/decrease by 0.1%	Increases/decreases liabilities by £1.1m	Increases/decreases liabilities by £1.4m
Life expectancy	Increase/decrease by 1 year	Increases/decreases liabilities by £2.9m	Increases/decreases liabilities by £2.7m

Methods and assumptions used in preparing the sensitivity analyses

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Scheme's liabilities. They have been calculated consistently with last period's disclosures, however these change over time with financial conditions and assumptions.

Risks to which the Scheme exposes the Company

The nature of the Scheme exposes the Company to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

– Asset volatility

The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields in line with the requirements of IAS 19R. If the Scheme assets underperform this yield, this will create a deficit. The plan holds investments in a portfolio of equity and bonds which are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.

The Trustees have made a number of steps to control the level of investment risk within the Scheme over the last 12 months including reducing the overall exposure to equities and diversifying the growth asset mix. As disclosed above, the Group entered into an asset backed funding arrangement during the year, helping to manage the risk of asset returns through a secure income stream. The Trustees will continue to review the risk exposures in light of the longer term objectives of the Scheme.

– Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities. In the event of a reduction in the corporate bond yields there will be an increase in the value of the Scheme's bond holdings.

– Inflation risk

Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the Scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.

– Life expectancy

The Scheme's obligation is to provide benefits for the life of the members. An increase in life expectancy will result in an increase in the Scheme's liabilities.

Policy for recognising gains and losses

The Company recognises actuarial gains and losses immediately, through the remeasurement of the net defined benefit liability.

Asset-liability matching strategies used by the Scheme or the Company

The Scheme does not currently use any specific asset-liability matching strategies. The Trustees' current investment strategy, having consulted with the Company, is to invest circa 60% of the Scheme's assets in a mix of equities and diversifying return seeking assets, with the balance in long dated gilts and corporate bonds, in order to strike a balance between:

- maximising the returns on the Scheme's assets; and
- minimising the risks associated with the lower than expected returns on the Scheme's assets.

The Trustees are required to regularly review their investment strategy in light of the revised term and nature of the Scheme's liabilities and will be next considering this as part of the triennial actuarial valuation process commencing later this year. As part of this process the Trustees will be assessing the impact of interest rate and inflation risk and the potential inclusion of asset-liability matching strategies.

Description of funding arrangements and funding policy that affect future contributions

The interim Schedule of Contributions dated 1 February 2012 sets out the current contributions payable by the Company to the Scheme.

The Trustees are currently carrying out their next formal valuation, which will be as at 5 April 2014. As part of that valuation process the Trustees and Company will agree a long term funding strategy, which may include a revision to the Schedule of Contributions to take into account any additional contributions to meet any funding shortfall between the value of the Scheme's assets and liabilities. It is expected that the Trustees' Schedule of Contributions will be revised to allow for the rental income stream from the asset backed funding arrangement effectively being a commitment which will offset the requirement for future deficit contributions.

Expected contributions over the next accounting period

A.G. BARR p.l.c. expects to contribute approximately £1.2m to the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme in the period ending 25 January 2015, and the Scheme expects to receive further contributions of approximately £1.1m from the asset backed funding arrangement which the Scheme holds an interest in.

The weighted average duration of the defined benefit obligation is 20 years.

The expected maturity analysis of the undiscounted defined benefit pension benefit, estimated on the Scheme's funding basis as at 5 April 2011, is as follows:

	Less than one year	1 to 2 years	2 to 5 years	Greater than 5 years
Proportion of total pension benefits to be paid	1%	1%	3%	95%

Defined contribution scheme

The pension costs for the defined contribution schemes are as follows:

	2014 £000	2013 £000
Defined contribution costs	2,066	1,685

26 Share capital

	2014		2013	
Group and Company	Shares	£	Shares	£
Issued and fully paid	116,768,778	4,865,366	116,768,778	4,865,366

The Company has one class of ordinary shares which carry no right to fixed income.

During the year to 26 January 2014 the Company's employee benefit trusts purchased 422,130 (2013: 600,491) shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 26 January 2014 the shares held by the Company's employee benefit trusts represented 1,312,318 (2013: 1,336,531) shares at a purchased cost of £6,797,544 (2013: £6,424,258).

27 Share-based payments

As disclosed in the Directors' Remuneration Report the Group runs a number of share award plans and share option plans:

- Savings Related Share Option Scheme which is open to all employees
- LTIP options which are granted to executive directors
- AESOP awards that are available to all employees

Savings Related Share Option Scheme ('SAYE')

All SAYEs outstanding at 26 January 2013 and 26 January 2014 have no performance criteria attached other than the requirement for the employee to remain in the employment of the Company and to continue contributing to the plan. Options granted under the SAYE must be exercised within six months of the relevant award vesting date.

The SAYE is open to all qualifying employees in employment at the date of inception of the scheme. Options are normally exercisable after five years from the date of grant. The price at which options are offered is not less than 80% of the average of the middle-market price of the five dealing days immediately preceding the date of invitation.

The movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Options	Average exercise price in pence per share	Options	Average exercise price in pence per share
At start of the year	1,699,371	305p	1,628,145	213p
Granted in the year	–	–p	845,678	358p
Forfeited	(100,120)	309p	(46,517)	262p
Exercised	(11,390)	167p	(727,935)	163p
At end of the year	1,587,861	306p	1,699,371	305p

None of the options listed above were exercisable at the respective year end dates. The outstanding options at the year end had exercise prices of £2.54 and £3.58 (2013: £1.63, £2.54 and £3.58).

The weighted average share price on the dates that options were exercised in the year to 26 January 2014 was £5.11.

The weighted average remaining contractual life of the outstanding share options at the year end is 2 years (2013: 3 years).

LTIP

During the year, an award of shares was made to the executive directors as disclosed in the Directors' Remuneration Report.

The weighted average fair value of the share awards made during the period was determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

Date of grant	9 April 2013
Number of share awards granted	196,769
Share price at date of grant	542p
Contractual life in years	3
Dividend yield	1.85%
Expected outcome of meeting performance criteria (at grant date)	68%
Fair value determined at grant date	513p

AESOP

As described in the Directors' Remuneration Report, there are two elements to the AESOP.

The partnership share element provides that for every three shares that a participant purchases in A.G. BARR p.l.c., up to a maximum contribution of £125 per month, the Company will purchase one matching share. The matching shares purchased are held in trust in the name of the individual. There are various rules as to the period of time that the shares must be held in trust but after five years, the shares can be released tax free to the participant.

The second element of free shares allows participants to receive shares to the value of a common percentage of their earnings, related to the performance of the Group. The maximum value of the annual award is £3,000, and the shares awarded are held in trust for five years.

28 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and related parties are as follows:

	Sales of goods and services		Purchase of goods and services	
	2014 £000	2013 £000	2014 £000	2013 £000
Rubicon Drinks Limited	37,268	38,197	52,692	51,590
Findlays Limited	–	–	148	235

The amounts disclosed in the table below are the amounts owed to and due from subsidiary companies that are trading subsidiaries. The difference between the total of these balances and the amounts disclosed as amounts due by (note 18) and to subsidiary companies (note 20) are balances due by and due to dormant subsidiary companies.

	Amounts owed by related parties		Amounts due to related parties	
	2014 £000	2013 £000	2014 £000	2013 £000
Rubicon Drinks Limited	–	–	40,948	29,736
Findlays Limited	–	–	2,476	2,084

28 Related party transactions (continued)

Compensation of key management personnel

The remuneration of the executive directors and other members of key management (the management committee) during the year was as follows:

	2014 £000	2013 £000
Salaries and short term benefits	2,601	2,308
Payment in respect of LTIP award	–	1,217
Pension and other costs	339	290
Share-based payments	30	30
	2,970	3,845

Retirement benefit plans

The Group's retirement benefit plans are administered by an independent third party service provider. During the year the service provider charged the Group £393,886 (2013: £365,741) for administration services in respect of the retirement benefit plans. At the year end £nil (2013: £10,600) was outstanding to the service provider on behalf of the retirement benefit plans.

29 Going concern

The directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements. The statement of financial position shows consolidated net assets of £155,236,000 (2013: £130,648,000) and the Company has sufficient reserves to continue making dividend payments. The Group's net debt position has decreased from £25,603,000 at 26 January 2013 to £2,068,000 at 26 January 2014, and there is borrowing headroom of £47,932,000 at the year end.

Subsequent to the year end a new revolving credit facility arrangement was signed by the Company. On 3 March 2014 the Company entered into a three year £20m revolving credit facility with two banks to replace the facility expiring in March 2014.

30 Subsequent events

Further redundancies in relation to the reorganisation of the telesales, demand and supply planning operations within England were announced after the balance sheet date.

As disclosed within note 29, a new revolving credit facility arrangement was signed by the Company subsequent to the year end. On 3 March 2014 the Company entered into a three year £20m revolving credit facility with two banks to replace the facility expiring in March 2014.

Review of Trading Results

	2014 £000	2013 £000 Restated	2012 £000 Restated	2011 £000 Restated	2010 £000 Restated
Revenue	**254,085**	237,595	222,896	209,320	190,043
Cost of sales	**(137,929)**	(129,591)	(117,825)	(109,298)	(99,140)
Gross profit	**116,156**	108,004	105,071	100,022	90,903
Distribution costs (including selling costs)	**(50,232)**	(47,398)	(46,070)	(42,803)	(37,339)
Administration costs	**(27,443)**	(25,660)	(25,288)	(24,743)	(23,804)
Operating expenses	**(77,675)**	(73,058)	(71,358)	(67,546)	(61,143)
Operating profit before exceptional items	**38,481**	34,946	33,713	32,476	29,760
Exceptional items	**(3,801)**	(3,158)	1,864	(1,156)	(3,432)
Operating profit after exceptional items	**34,680**	31,788	35,577	31,320	26,328
Finance income	**159**	160	264	295	117
Finance expense	**(545)**	(356)	(1,096)	(1,678)	(1,850)
Net finance (expense)	**(386)**	(196)	(832)	(1,383)	(1,733)
Profit before tax	**34,294**	31,592	34,745	29,937	24,595
Tax on profit	**(6,115)**	(6,205)	(7,271)	(7,851)	(6,502)
Profit after tax	**28,179**	25,387	27,474	22,086	18,093

		Restated	Restated	Restated	Restated
Earnings per share on issued share capital (pence)	**24.13**	21.74	23.53	18.91	15.49
Dividends recognised as an appropriation in the year (pence)	**2.83**	16.90	8.65	7.87	7.15

The figures for 2013 to 2010 have been restated to the reflect the change in accounting for defined benefit pension costs following the introduction of IAS 19 Revised in the year to 26 January 2014.

Notice of Annual General Meeting

THE FOLLOWING INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any matter referred to in this report or as to the action you should take, you should seek your own personal financial advice from a stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you are not resident in the United Kingdom, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in A.G. BARR p.l.c., please pass this report, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the one hundred and tenth annual general meeting of A.G. BARR p.l.c. (the "**Company**") will be held at the offices of KPMG LLP, 191 West George Street, Glasgow G2 2LJ on Tuesday, 27 May 2014 at 9.30 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions and Resolutions 17 and 18 will be proposed as special resolutions.

1. To receive and approve the audited accounts of the group and the Company for the year ended 26 January 2014 together with the directors' and auditor's reports thereon.

2. To approve the directors' remuneration policy set out on pages 51 to 62 of the Company's annual report and accounts for the year ended 26 January 2014.

3. To receive and approve the annual statement by the chairman of the remuneration committee and the directors' remuneration report as set out on pages 49 and 50 and pages 63 to 76 of the Company's annual report and accounts for the year ended 26 January 2014.

4. To re-elect Mr Ronald George Hanna as a director of the Company.

5. To re-elect Mr Roger Alexander White as a director of the Company.

6. To re-elect Mr Alexander Brian Cooper Short as a director of the Company.

7. To re-elect Mr Jonathan David Kemp as a director of the Company.

8. To re-elect Mr Andrew Lewis Memmott as a director of the Company.

9. To re-elect Mr William Robin Graham Barr as a director of the Company.

10. To re-elect Mr Martin Andrew Griffiths as a director of the Company.

11. To re-elect Mr John Ross Nicolson as a director of the Company.

12. To elect Ms Pamela Powell as a director of the Company.

13. To appoint KPMG LLP as the Company's auditor, to hold office until the conclusion of the next general meeting at which accounts are laid, and to authorise the audit committee of the board of directors of the Company to fix their remuneration.

14. THAT the draft new Share Savings Scheme (the "**2014 SAYE**") produced at the meeting (and, for the purposes of identification, initialled by the Chairman) be and hereby is approved and adopted subject to the condition that the Finance Bill 2014 is enacted substantially in the form currently before Parliament (insofar as it relates to Save As You Earn ("**SAYE**") scheme matters) and provided that the directors be and are hereby authorised to make any minor amendments to the 2014 SAYE if necessary to ensure it complies with the Finance Act 2014 (insofar as it relates to SAYE scheme matters), and further that (once the condition regarding its adoption has been satisfied) the Company be and hereby is authorised to grant options under and otherwise operate the 2014 SAYE in accordance with its terms until the date which is ten years from the date it is adopted, and it is further resolved that no further options shall be granted under the A.G. BARR p.l.c. Share Savings Scheme 2005.

15. THAT the draft new Long Term Incentive Plan (the "**2014 LTIP**") produced at the meeting (and, for the purposes of identification, initialled by the Chairman) be and hereby is adopted, and further that the Company be and hereby is authorised to grant options and make conditional share awards under and otherwise operate the 2014 LTIP in accordance with its terms until the date which is ten years from the date it is adopted.

16. THAT the board of directors of the Company (the "**Board**") be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

(a) up to an aggregate nominal amount of £1,621,788.50; and

(b) up to a further aggregate nominal amount of £1,621,788.50 provided that (i) they are equity securities (within the meaning of section 560 of the 2006 Act); and (ii) they are offered by way of a rights issue in favour of the holders of shares (excluding the Company in its capacity as a holder of treasury shares) on the register of members of the Company on a date fixed by the Board where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective numbers of shares held by them on that date subject to such exclusions or other arrangements as the Board deem necessary or expedient to deal with (a) equity securities representing fractional entitlements; (b) treasury shares; or (c) legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange or any other matter whatsoever,

provided that this authority shall expire on the earlier of 31 July 2015 or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

17. THAT, subject to the passing of resolution 16 set out in the notice of the annual general meeting of the Company convened for 27 May 2014 ("**Resolution 16**"), the board of directors of the Company (the "**Board**") be and is hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "**2006 Act**"), to allot equity securities (within the meaning of section 560 of the 2006 Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 4 1/6 pence each in the capital of the Company ("**Ordinary Shares**")), wholly for cash either pursuant to the authority conferred on them by Resolution 16 or by way of a sale of treasury shares (within the meaning of section 560(3) of the 2006 Act) as if section 561(1) of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(a) the allotment of equity securities, for cash, in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares (excluding the Company in its capacity as a holder of treasury shares) on the register of members of the Company on a date fixed by the Board where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective numbers of Ordinary Shares held by them on that date subject to such exclusions or other arrangements in connection with the rights issue, open offer or other offer as the Board deem necessary or expedient to deal with (i) equity securities representing fractional entitlements; (ii) treasury shares; or (iii) legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange or any other matter whatsoever; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £243,268,

provided that this authority shall expire on the earlier of 31 July 2015 or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of this authority and the Board may allot equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

18. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "**2006 Act**") to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 4 1/6 pence each in the capital of the Company ("**Ordinary Shares**"), on such terms and in such manner that the directors think fit, provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 11,676,877;

(b) the maximum price which may be paid for an Ordinary Share is an amount equal to the higher of (i)105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, and the minimum price which may be paid for an Ordinary Share is an amount equal to its nominal value (in each case exclusive of associated expenses);

(c) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of 31 July 2015 or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, but a contract to purchase Ordinary Shares may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract; and

(d) an Ordinary Share so purchased shall be cancelled or, if the directors so determine and subject to the provisions of applicable laws or regulations of the United Kingdom Listing Authority, held as a treasury share.

By order of the Board

J AB

Julie A. Barr
Company Secretary

23 April 2014

Registered Office
A.G. BARR p.l.c.
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD

Registered in Scotland SC005653

Shareholders should also read the notes to this Notice of Annual General Meeting which are set out on pages 135 to 144 of this report. Those notes provide further information about shareholders' entitlement to attend, speak and vote at the Annual General Meeting (or appoint another person to do so on their behalf).

Explanatory Notes

The following notes provide an explanation of the resolutions to be considered at the one hundred and tenth annual general meeting (the "AGM") of A.G. BARR p.l.c. (the "Company").

Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 17 and 18 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Receive and approve the reports and accounts

Shareholders are being asked to receive and approve the audited accounts of the group and the Company (as audited by KPMG Audit Plc) for the year ended 26 January 2014 together with the associated reports of the directors and auditor.

Resolutions 2 and 3 – Directors' remuneration

Following changes to the Companies Act 2006 (the "2006 Act") which took effect on 1 October 2013, the directors' remuneration report is now divided into three parts: the annual statement by the chairman of the remuneration committee, the directors' remuneration policy and the directors' remuneration report.

- The annual statement by the chairman of the remuneration committee (which is set out on pages 49 and 50 of this report) provides a summary of the directors' remuneration policy and the directors' remuneration report.
- The directors' remuneration policy (which is set out on pages 51 to 62 of this report) sets out the Company's future policy on directors' remuneration.
- The directors' remuneration report (which is set out on pages 63 to 76 of this report) gives details of the payments and share awards made to the directors in connection with their and the Company's performance during the year ended 26 January 2014. It also details how the Company's policy on directors' remuneration will be operated in 2014.

Resolution 2 invites shareholders to approve the directors' remuneration policy. This is a binding policy and, after it takes effect, the directors will not be entitled to remuneration unless such remuneration is consistent with the approved policy or shareholders otherwise approve the remuneration. If Resolution 2 is approved, the policy will take effect from the conclusion of the AGM. Shareholders will be given a binding vote on the directors' remuneration policy at least every three years.

Resolution 3 invites shareholders to approve the annual statement by the chairman of the remuneration committee and the directors' remuneration report (other than the directors' remuneration policy) for the year ended 26 January 2014. Resolution 3 is an advisory vote and will not affect the way in which the Company's pay policy has been implemented. Each year, shareholders will be given an advisory vote on the implementation of the directors' remuneration policy in relation to the payments and share awards made to directors during the year under review.

Resolutions 4 to 12 inclusive – Re-election and election of directors

The Company's articles of association require that all newly appointed directors retire at the first annual general meeting following their appointment. Consequently, Ms Pamela Powell will retire and offer herself for election.

The board of directors of the Company (the "**Board**") complies with the provisions of the U.K. Corporate Governance Code whereby all directors are subject to annual re-election. Accordingly, all other directors of the Company are retiring and offering themselves for re-election.

Biographical details of the directors are set out on pages 32 and 33 of this report. The Board has confirmed that, following formal performance evaluation, all of the directors continue to perform effectively and demonstrate commitment to their roles. The Board therefore unanimously recommends the proposed re-election (or election in the case of Ms Pamela Powell) of the directors.

Resolution 13 – Appointment of auditor

KPMG Audit Plc has informed the Company that it has initiated a process to streamline its two registered audit firms, KPMG Audit Plc and its parent entity KPMG LLP, with the result that KPMG Audit Plc will no longer carry out audit services. As a result, KPMG Audit Plc has notified the Company that it is not seeking re-appointment. Consequently, the audit committee of the board of directors of the Company (the "**Board**") has recommended, and the Board has approved, the resolution to appoint KPMG LLP as auditor of the Company. Accordingly, shareholders are being asked to approve the appointment of KPMG LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the audit committee of the Board to fix their remuneration.

In connection with the resignation of KPMG Audit Plc, the Company is required to send shareholders a copy of the statement of the circumstances connected with its resignation. That statement is set out on page 145 of this report.

Explanatory Notes
Continued

Resolutions 14 and 15 – Adoption of new share schemes

Under the terms of the A.G. BARR p.l.c. Share Savings Scheme 2005 (the "**2005 SAYE**"), which was approved by the Company in general meeting on 24 May 2005, the Company can grant options to employees and executive directors who enter into a savings arrangement over a number of years, with the savings eventually used to fund the option exercise price. No further options may be granted under the 2005 SAYE after 23 May 2015 and in addition there have been numerous recent and proposed legislative changes affecting Save As You Earn ("**SAYE**") schemes. For these reasons, the Board has recommended that a new SAYE (the "**2014 SAYE**") be adopted this year. The 2014 SAYE would replace the 2005 SAYE for any future options granted.

The Board has also recommended that a new Long Term Incentive Plan (the "**2014 LTIP**") be adopted. The 2014 LTIP would replace the existing A.G. BARR p.l.c. Long Term Incentive Plan 2003 (the "**2003 LTIP**"), which was approved by the Company in general meeting on 19 May 2003.

Resolutions 14 and 15, which, respectively, approve the adoption of the 2014 SAYE and the adoption of the 2014 LTIP, are proposed as ordinary resolutions. The terms of the 2014 SAYE and the 2014 LTIP are summarised in pages 140 to 144 of this report.

Resolution 16 – Authority to allot shares

The directors may not allot shares in the Company unless authorised to do so by shareholders in general meeting. Sub-paragraph (a) of Resolution 16, if passed, will authorise the directors to allot shares having an aggregate nominal value of up to £1,621,788.50, representing approximately one third of the Company's issued share capital as at 22 April 2014 (being the latest practicable date prior to the publication of this report). The directors have no present intention to exercise this authority.

In line with guidance issued by the Association of British Insurers, sub-paragraph (b) of Resolution 16, if passed, will authorise the directors to allot additional shares in connection with a rights issue having an aggregate nominal value of up to £1,621,788.50, representing approximately one third of the Company's issued share capital as at 22 April 2014 (being the latest practicable date prior to the publication of this report). The directors have no present intention to exercise the authority sought under sub-paragraph (b) of Resolution 16, however, if such authority is obtained, it will give the Company greater flexibility to allot additional shares for the purpose of a pre-emptive rights issue. This authority will be used when the directors consider it to be in the best interests of shareholders.

The authorities sought under Resolution 16 will expire on the earlier of 31 July 2015 (being the latest date by which the Company must hold its annual general meeting in 2015) and the conclusion of the annual general meeting of the Company held in 2015.

Resolution 17 – Disapplication of statutory pre-emption rights

If the directors wish to allot new shares for cash, the Companies Act 2006 states that the shares must be offered first to existing shareholders in proportion to their existing shareholdings. For legal, regulatory and practical reasons, however, it might not be possible or desirable for shares allotted by means of a pre-emptive offer to be offered to certain shareholders, particularly those resident overseas. Furthermore, it might in some circumstances be in the Company's interests for the directors to be able to allot some shares for cash without having to offer them first to existing shareholders. To enable this to be done, shareholders' statutory pre-emption rights must be disapplied. Accordingly, Resolution 17, if passed, will empower the directors to allot a limited number of new equity securities without shareholders' statutory pre-emption rights applying to such allotment. The authority conferred by Resolution 17 would also cover the sale of treasury shares for cash.

Sub-paragraph (a) of Resolution 17 would confer authority on the directors to make any arrangements which may be necessary to deal with any legal, regulatory or practical problems arising on a rights issue, an open offer or any other pre-emptive offer in favour of ordinary shareholders, for example, by excluding certain overseas shareholders from such issue or offer.

Sub-paragraph (b) of Resolution 17 would disapply shareholders' statutory pre-emption rights by empowering the directors to allot equity securities for cash on a non pre-emptive basis but only new equity securities having a maximum aggregate nominal value of £243,268, representing approximately 5% of the Company's issued share capital as at 22 April 2014 (being the latest practicable date prior to the publication of this report).

The authority sought under Resolution 17 will expire on the earlier of 31 July 2015 (being the latest date by which the Company must hold an annual general meeting in 2015) and the conclusion of the annual general meeting of the Company held in 2015.

Resolution 18 – Purchase of own shares

The Companies Act 2006 permits a company to purchase its own shares provided the purchase has been authorised by shareholders in general meeting.

Resolution 18, if passed, would give the Company the authority to purchase any of its own issued ordinary shares at a price of not less than an amount equal to the nominal value of an ordinary share and not more than the higher of: (i) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five dealing days before any purchase is made; and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange plc.

The authority will enable the purchase of up to a maximum of 11,676,877 ordinary shares, representing 10% of the Company's issued ordinary share capital as at the date of the AGM, and will expire on the earlier of 31 July 2015 (being the latest date by which the Company must hold an annual general meeting in 2015) and the conclusion of the annual general meeting of the Company held in 2015.

The directors will only exercise this buy back authority after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall position of the Company. Purchases would be financed out of distributable profits and shares purchased would either be cancelled (and the number of shares in issue reduced accordingly) or held as treasury shares.

The Company operates two share option schemes under which awards may be satisfied by the allotment or transfer of ordinary shares to a scheme participant. However, in practice, the Company has always satisfied awards to participants by the transfer of ordinary shares from the trustee of each of the schemes.

As at 1 April 2014 (being the latest practicable date prior to the publication of this report), options had been granted over 2,215,484 ordinary shares (the "**Option Shares**") representing approximately 1.90% of the Company's issued share capital at that date. If the authority to purchase the Company's ordinary shares (as described in Resolution 18) were exercised in full, the Option Shares would represent approximately 2.11% of the Company's issued share capital as at 1 April 2014. As at 1 April 2014, the Company did not hold any treasury shares.

Notes

1. Attending the annual general meeting (the "AGM") in person

If you wish to attend the AGM in person, you should arrive at the venue for the AGM in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the "**Registrar**"), prior to being admitted to the AGM.

2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If a member wishes a proxy to speak on their behalf at the AGM, the member will need to appoint their own choice of proxy (not the Chairman of the AGM) and give their instructions directly to them. Such an appointment can be made using the proxy form accompanying this notice of AGM or through CREST.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

A member may instruct their proxy to abstain from voting on a particular resolution to be considered at the AGM by marking the "Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the resolution.

The appointment of a proxy will not prevent a member from attending the AGM and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

Explanatory Notes
Continued

3. Appointment of a proxy using a proxy form
A proxy form for use in connection with the AGM is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA at least 48 hours before the time of the AGM or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

4. Appointment of a proxy through CREST
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours before the time of the AGM or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Appointment of a proxy by joint holders
In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6. Corporate representatives
Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7. Entitlement to attend and vote
To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 p.m. on 25 May 2014 (or, if the AGM is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). Changes to the Company's register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

8. Nominated persons
Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "**2006 Act**") to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9. Website giving information regarding the AGM

Information regarding the AGM, including information required by section 311A of the 2006 Act, and a copy of this notice of AGM is available from www.agbarr.co.uk.

10. Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

11. Voting rights

As at 22 April 2014 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 116,768,778 ordinary shares of 4 1/6 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 22 April 2014 were 116,768,778 votes.

12. Notification of shareholdings

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the AGM as his/her proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure Rules and Transparency Rules.

13. Further questions and communication

Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members who have any general queries about the AGM should contact the Company Secretarial Department by email to: companysecretarialdepartment@agbarr.co.uk.

Members may not use any electronic address provided in this report or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

14. Documents available for inspection

The following documents will be available for inspection from the date of publication of this report until the conclusion of the AGM at the offices of Dickson Minto W.S., Broadgate Tower, London EC2A 2EW and on the date of the AGM at the offices of KPMG LLP, 191 West George Street, Glasgow G2 2LJ from 9.15 a.m. until the conclusion of the AGM:

14.1 a copy of the terms of the 2014 SAYE;
14.2 a copy of the terms of the 2014 LTIP;
14.3 copies of the service contracts of the Company's executive directors; and
14.4 copies of the letters of appointment of the Company's non-executive directors.

Explanatory Note on Adoption of Two New Share Schemes

The principal terms of the 2014 SAYE and the 2014 LTIP are summarised below. A copy of the proposed share schemes may be inspected at the addresses specified in note 14 to the Notice of Annual General Meeting.

2014 SAYE

Adopting a new Save As You Earn ("**SAYE**") scheme gives the Company an opportunity to ensure the rules are consistent with changes to the governing tax legislation which have been made by Finance Act 2013 and which are expected to be made by Finance Act 2014. The proposed new scheme rules (the "**2014 SAYE**") reflect these changes. However, the Finance Bill 2014 is currently before Parliament and is not expected to be enacted until July 2014; for that reason the resolution to adopt the 2014 SAYE is conditional on the Finance Act 2014 making the expected changes to the law governing SAYE schemes.

Background and operation

The 2014 SAYE will replace (for new options granted) the Company's current scheme (the A.G. BARR p.l.c. Share Savings Scheme 2005) (the "**2005 SAYE**"). The last share options granted under the 2005 SAYE were granted on 1 January 2013, and become exercisable on 1 January 2018. The board of directors of the Company (the "**Board**") has recommended that this is an appropriate time for a new scheme, which will run for ten years, to be adopted.

The Board will supervise the operation of the 2014 SAYE. It is intended that any future option grants will be made under the 2014 SAYE (and not under the 2005 SAYE).

The 2014 SAYE allows the Company to grant U.K. tax-advantaged options under the SAYE legislation. In broad terms, a SAYE scheme allows the Company to grant options to employees and executive directors who enter into a savings arrangement over a number of years (either three or five), with the savings eventually used to fund the option exercise price (which may be set at a permitted discount with no income tax on the gain, provided the terms of the legislation and the scheme are complied with).

Previously, the approval of HM Revenue and Customs ("**HMRC**") to a SAYE scheme would have been required, however the HMRC approval process no longer exists for schemes adopted on or after 6 April 2014. Any reference in this note or in the 2014 SAYE to "approval" is a reference to approval by the shareholders (and the "approval date" occurs when both of the following have occurred (i) the shareholders have approved the adoption of the 2014 LTIP and (ii) any conditions to which that approval was subject have been met).

Eligibility

Any employee or executive director of the Company (subject to meeting any qualifying period of service set by the Board, not to exceed 5 years) will be eligible to participate in the 2014 SAYE.

Grant of options

The Board may issue invitations to apply for options to acquire ordinary shares in the Company within six weeks following the Company's announcement of its results for any period. The Board may also issue invitations to apply for options within six weeks of the approval date of the 2014 SAYE.

If at any such time as mentioned above, the Board would be prohibited from granting options due to any statute, regulation or directive, the Company may issue invitations within six weeks of that prohibition ceasing.

In the case of applications exceeding the number of shares the Board has determined will be available shares, the Board will scale back applications following the process in the 2014 SAYE rules before granting options.

Options may not be granted more than 10 years after the approval date of the 2014 SAYE.

No payment is required for the grant of an option. Options are not transferable or pensionable.

Individual participation

An individual's maximum monthly contribution to all savings contracts cannot exceed the maximum permitted by SAYE legislation from time to time (£500 once Finance Act 2014 is in force) and an individual's proposed contributions may be scaled back by the Board in the case of applications exceeding available shares.

Option price

The price per ordinary share payable upon exercise of an option is to be set by the Board when invitations are issued and must not be less than 80% of the market value of a share (determined from the average of the middle market quotations of a share on the five dealing days immediately before the invitation date, as derived from the London Stock Exchange Daily Official List). If the option is to be satisfied by way of issue of shares, the exercise price cannot be set at less than the nominal value of a share.

Exercise of options

Options will normally become capable of exercise within six months of the maturity of the three or five year savings contract, and provided the participant remains employed in the Company's group. Options will usually lapse six months after the maturity of the savings contract, or sooner on the occurrence of certain corporate events or in the event that the participant ceases to hold employment within the Company's group (subject to certain exceptions, details of which are set out in the following paragraphs). Options will lapse if a person ceases to (or fails on seven occasions to) make the monthly contributions under the savings contract or is adjudicated bankrupt.

Leaving employment

As a general rule, an option will lapse upon a participant ceasing to hold employment within the Company's group. However, if, after holding the option for at least three years, a participant ceases (for any reason) to be an employee in the Company's group, the participant may exercise the option within six months. If, regardless of how long the option has been held, employment ceases by reason of injury, disability, redundancy, retirement or his or her employing company or the business for which he or she works being sold out of the Company's group, then the option becomes exercisable for a period of six months.

A difference between the 2014 SAYE and the 2005 SAYE is that the 2005 SAYE allowed exercise upon a participant reaching the "specified age". This is no longer permissible under the legislation governing SAYE schemes, instead schemes must provide that retirement (at whatever age) is an exercise trigger.

If the cessation of employment is due to a participant's death, the legal personal representatives of the participant may exercise the option within either (i) twelve months of the date of death or (ii) twelve months of the maturity date of the savings contract (if the savings contract has matured as at the date of death).

Corporate events

On a takeover by way of general offer or scheme of arrangement, reconstruction or amalgamation or voluntary winding up of the Company, options will be exercisable for a period of six months.

The six month period for exercise will be shortened if during the process of a take-over by general offer, a person becomes bound or entitled to acquire shares in the Company; in such a case the option will only be exercisable for the period that the person is so bound or entitled.

An option may be exercised up to seven days before a change of control by way of a general offer occurs. This is a new permitted exercise trigger to be brought in by Finance Act 2014, and therefore the 2005 SAYE does not include this exercise right. Similarly, there is a new permitted exercise trigger which has been included in the 2014 SAYE which allows an option to be exercised if as a result of the change of control of the Company, the shares under option will cease to meet the SAYE legislative requirements; a seven day exercise window is allowed in such cases.

In the event of a takeover by way of general offer or a court-sanctioned scheme of arrangement, reconstruction or amalgamation, options may (at the choice of the option holder and with the agreement of the acquiring company) be replaced by equivalent options over shares in the acquiring company provided this is done within six months.

Any option not exercised (or replaced) on the occurrence of such corporate events will lapse.

Adjustment of options

On a variation in the Company's share capital, the Board may adjust the number or description of shares under option and the price payable per share. Previously, such adjustments to a SAYE scheme would have required the prior approval of HMRC, however the HMRC approval process has now been removed and instead the legislation (under changes to be brought in by the Finance Act 2014) requires the adjustments must be such that the total amount to be paid under the option and the value of the shares to be acquired (judged as at the time of adjustment) is the same before and after the adjustments.

Overall 2014 SAYE limits

The 2014 SAYE may operate over newly issued ordinary shares, treasury shares or ordinary shares purchased in the market or transferred from one of the Company's employee benefit trusts. In practice, the Board currently anticipates that the shares required to satisfy the options will be transferred from a trust.

Explanatory Note on Adoption of Two New Share Schemes
Continued

In any 10 year period, the Company may not grant options giving a right to subscribe for shares which would exceed 10% of the issued shares of the Company (as at the date of option grant) when the total number of shares under those options and under all other share option or share acquisition schemes operated by the Company which have been granted (other than any which have lapsed) are taken into account.

Adjustments to the 2014 SAYE

The Board may amend the rules of the 2014 SAYE, or, as necessary, make regulations for the administration of the 2014 SAYE.

Shareholders in general meeting must give prior approval to amendments to the 2014 SAYE if the amendment would be to the advantage of existing or future participants. However, no such approval is needed for amendments to benefit the administration of the 2014 SAYE, to take account of a change in law or to obtain or maintain favourable tax or regulatory treatment.

Prior consent or sanction of the participants who hold options is required (applying the provisions in the Articles regarding the alteration of class rights to determine the form of the consent or sanction required) for any amendments to the 2014 SAYE if the amendment would materially prejudice their interests.

No consent (of shareholders or participants) is required if the amendment is necessary or desirable to comply with or take account of legislation, a take-over, reconstruction or winding up.

No amendments can be made if they are to key features of the 2014 SAYE and the effect of such amendment would be to cause the 2014 SAYE to cease to qualify under the legislation governing SAYE schemes.

The Board has discretion to decide not to issue any further invitations or options or to terminate the 2014 SAYE at any time, without prejudice to existing options.

2014 LTIP

The Company's previous LTIP (the "**2003 LTIP**") was approved by shareholders in May 2003, and had a ten year life-span for the granting of awards and therefore no further awards can now be granted under it. The Remuneration Committee (the "**Committee**") has undertaken a review of the remuneration policy for the executive directors, and it and the Board recommends the adoption of a new LTIP ("**the 2014 LTIP**").

Background and operation

The 2014 LTIP will have a ten year life-span from the date of adoption (for awards and options to be granted under it).

The Committee will supervise the operation of the 2014 LTIP.

An award may be granted under the 2014 LTIP in conjunction with an option under the Company's tax approved 2010 Executive Share Option Scheme ("**ESOS**") on terms that the 2014 LTIP award will be scaled back at exercise to reflect any gain made on the exercise of the ESOS option. These "**Approved LTIP**" awards enable the participant and the Company to benefit from the favourable tax treatment associated with tax approved options.

Eligibility

Any employee or executive director of the Company or any company in its group is eligible if selected by the Committee.

Grant of awards

The Company (acting on the directions of the Committee) may grant awards as conditional share awards or as options (either of these being an "**Award**"). The Committee anticipates that any such option would usually have a nil (or nominal) exercise price.

Awards may be granted within six weeks following the Company's adoption of the 2014 LTIP, announcement of its results for any period or implementation of a new remuneration policy. The Committee may also grant Awards at any other time when it considers there are exceptional circumstances which justify the granting of Awards.

Awards may not be granted more than 10 years after the date of adoption of the 2014 LTIP.

Awards are not transferable or pensionable.

Individual limit

Ordinarily, Awards will not be granted to a participant in respect of any financial year under the 2014 LTIP over shares with a market value in excess of 125% of the participant's annual base salary. In exceptional circumstances, as determined by the Committee, this limit may be increased to 200% of annual base salary. Where an "Approved LTIP" award is granted as described above, any shares subject to the tax approved option granted under the ESOS will not count towards these limits at grant; at exercise the extent to which the 2014 LTIP Award can be exercised shall be scaled back to reflect any gain made on exercise of the ESOS option so that the total pre-tax value delivered to the participant does not exceed the value of an ordinary 2014 LTIP award granted to him at the relevant level. The limits will not take into account any dividend equivalents awarded (see below as to "dividend equivalents").

Vesting of awards

Awards are to be subject to performance conditions which will be tested in respect of a performance period. The performance conditions shall be determined (together with the respective weighting of each condition if more than one condition applies) by the Committee based on the Company's strategic priorities at the time of grant. The performance conditions for Awards to be granted in 2014 are described in the Company's Directors' Remuneration Report for the year to 26 January 2014.

The performance period will normally be a period of at least three years. Once the performance period has passed, the extent to which an Award vests will be determined by the Committee. Ordinarily, awards will vest on the third anniversary of the date of grant, or such earlier date as the Committee shall determine. Vesting may also occur earlier on certain events such as the individual leaving employment or certain corporate events (as described further under the relevant headings below).

Any performance condition may be amended or substituted if one or more events occur which cause the Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

Awards granted in the form of options will usually be capable of exercise from the date on which they vest until the tenth anniversary of the date of grant (or such earlier date as the Committee shall determine). Awards may also lapse on certain events such as the individual leaving employment or certain corporate events (as described further under the relevant headings below).

Dividend equivalents

The Committee may decide that participants will receive additional shares on vesting/exercise which have a value equivalent to the dividends that have been paid on vested shares over the period from grant until the vesting date.

Cash alternative

The Committee may determine (in its discretion) that participants will receive an amount of cash on the vesting of their Awards which is equivalent to the value of the vested shares and/or equivalent to the value of any dividend equivalents (rather than satisfying either or both of these in shares).

Leaving employment

Awards will normally lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee and/or director (as applicable) because of their death, ill-health, injury, disability, their employing company or the business for which they work being sold out of the Company's group or any other reason determined by the Committee in its discretion as being relevant, then their Award may vest if the Committee so decides. The Committee will decide whether an Award will vest at the date of cessation or will continue and vest on the originally anticipated vesting date. In either case, the number of shares in respect of which the Award vests will ordinarily be determined taking into account the extent to which the performance condition is satisfied (at termination or the end of the performance period as appropriate) and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the date of termination. The Committee retains discretion in exceptional circumstances to determine the number of shares in respect of which an Award vests on another basis which it considers reasonable in all the circumstances. If a participant ceases employment as a "good leaver" after an award granted in the form of an option has vested but before it has been exercised, the option may be exercised in the period of six months after the participant ceases employment (or 12 months in the event of death).

Corporate events

In the event of a reconstruction or takeover before the performance period is complete, the Committee will determine the extent to which Awards vest, taking into account the extent to which the performance condition has been met and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed. Alternatively, the Committee may decide to allow or require Awards to be replaced by new awards (which are equivalent in the Committee's opinion) over shares in another company or companies.

Explanatory Note on Adoption of Two New Share Schemes

Continued

Any Award which has not (or to the extent it has not) vested or been replaced on such corporate events will lapse. Any option which has vested but not been exercised (or to the extent it has not) will lapse at the expiry of the time-frame set by the Committee for the participant to exercise their option or accept a replacement award.

If there is a reconstruction or takeover after an award granted in the form of an option has vested but before it has been exercised, the option may be exercised during the period set by the Committee.

If a variation to the share capital of the Company, a demerger, special dividend or other similar corporate event occurs which might affect the current or future value of an Award the Committee may adjust the Award.

Malus

The Committee may decide, up until the Awards have been satisfied (the "**Payment Date**"), that an Award shall be reduced or cancelled or made subject to additional conditions (including amending performance conditions or performance periods or deferring the vesting date) if (i) there has been a material misstatement of the Company's financial results which has resulted in an overpayment or award to participants (whether under the LTIP or not) or (ii) if the participant has engaged in misconduct between the date of the Award and the Payment Date.

Overall 2014 LTIP limits

The 2014 LTIP may operate over newly issued ordinary shares, treasury shares or ordinary shares purchased in the market or transferred from one of the Company's employee benefit trusts.

The 2014 LTIP shall be operated so that, in any 10 year period, the Company does not issue (or grant options or other rights to be issued with) shares which (ignoring any options or rights which have lapsed) exceed (i) 10% of the issued ordinary share capital of the Company under all the Company's share plans; or (ii) 5% of the issued ordinary share capital of the Company under discretionary share plans adopted by the Company. For these purposes, treasury shares shall be counted as newly issued when they are transferred from treasury for so long as the Committee considers it best practice to do so.

Participants' rights

Awards will not confer any shareholder rights until the Awards have vested (and in the case of options been exercised) and the participants have received their shares. Neither the grant of an Award nor vesting of it will confer any entitlement to dividend equivalents (as this is at the Committee's discretion).

Amendments to the 2014 LTIP

The Committee may, in its discretion, amend, vary or add to the rules of the 2014 LTIP in any way.

However, shareholders in general meeting must approve proposed changes which are to the advantage of participants and which relate to eligibility, individual and plan limits, the rights attaching to Awards and shares and the amendment powers.

The Committee can, without shareholder approval, make minor changes to benefit the administration of the plan, to comply with or take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

The Committee may also amend, vary or add to the provisions of the rules of the 2014 LTIP as it considers necessary to take account of overseas taxation, securities or exchange control laws.

The Committee has discretion to terminate the 2014 LTIP at any time, without prejudice to subsisting Awards.

Section 519 of the Companies Act 2006 – Statement from KPMG Audit Plc in connection with its ceasing to hold office as auditor

The Directors
A.G. BARR p.l.c.
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD

11 April 2014

Dear Sirs

Statement to A.G. BARR p.l.c. (No SC005653) on ceasing to hold office as auditor pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office from 27 May 2014 are that our company, KPMG Audit Plc, has instigated an orderly wind down of its business. KPMG LLP, our intermediate parent entity, will accept appointment as statutory auditor subject to, and with effect from, the passing of Resolution 13 at the A.G. BARR p.l.c annual general meeting to be held on 27 May 2014.

We request that any correspondence in relation to this statement be sent to our registered office, 15 Canada Square, London E14 5GL, marked for the attention of the Audit Regulation Department.

Yours faithfully

KPMG Audit Plc.

KPMG Audit Plc

Notes

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A.G. BARR p.l.c.
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD
01236 852 400
www.agbarr.co.uk

Registered Office
Westfield House
4 Mollins Road
Cumbernauld
G68 9HD

Secretary
Julie A. Barr, M.A. (Hons.),
L.L.B. (Dip.), M.B.A.

Auditors
KPMG Audit Plc
191 West George Street
Glasgow
G2 2LJ

Registrars
Equiniti Ltd
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Registered Number
SC005653