BARR

# BUILDING BRANDS THAT PEOPLE LOVE

A.G. BARR P.L.C. ANNUAL REPORT AND ACCOUNTS JANUARY 2015

# WE ARE A BRANDED SOFT DRINKS BUSINESS MAKING, MARKETING AND SELLING SOME OF THE U.K.'S BEST LOVED SOFT DRINKS BRANDS.

**Strategic Report**

I am pleased to present the Group's Strategic Report for the year ended 25 January 2015, which is set out on pages 1 to 37, 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. Chief Executive's Operational Review
5. Financial Review
6. Principal Risks and Uncertainties
7. Corporate Responsibility

**Roger White**
Chief Executive
24 March 2015


**STRATEGIC REPORT**
**01-37**



**CORPORATE GOVERNANCE**
**38-78**



**ACCOUNTS**
**79-134**

# Highlights of the year

## Building Britain's best loved brands

WE HAVE DELIVERED AN EXCELLENT FINANCIAL PERFORMANCE IN DIFFICULT MARKET CONDITIONS OVER THE PAST 12 MONTHS, WHILST CONTINUING TO BUILD THE PLATFORM REQUIRED FOR SUSTAINED AND PROFITABLE LONG-TERM GROWTH.


| Turnover | Increased underlying earnings per share | Free cash flow | Profit before tax (pre-exceptional items) |
|---|---|---|---|
| £260.9m | 28.25p | £40.6m | £41.9m |
| +2.7% | +4.6% | +7.7% | +10.0% |

See page 13 and page 100 for the definitions of these measures.

IRN-BRU

# IRN-BRU AT THE GLASGOW 2014 COMMONWEALTH GAMES

Over 9.5m U.K. viewers watched the Glasgow 2014 Commonwealth Games Opening Ceremony on 23 July 2014, which featured a giant Forth Road Bridge made from IRN-BRU cans.


SUGAR FREE IRN-BRU

# NEW IRN-BRU SUGAR FREE DESIGN

IRN-BRU Sugar Free was redesigned in February 2014 to bring it much closer into line with IRN-BRU.

STRATHMORE

# DO MORE WITH STRATHMORE

As official water of the Glasgow 2014 Commonwealth Games, Strathmore was visible on the field of play at all venues and was widely used by athletes, games staff and supporters.


RUBICON

# DEVELOPING MASS APPEAL FOR A NICHE PRODUCT

Rubicon delivered a solid performance in the year with growth of 3.4%, benefiting from increased brand investment as we continue to drive the brand into mainstream customer repertoires.


BARR FLAVOURS

# FIZZING WITH FLAVOUR

The Barr range of flavoured carbonates grew by over 6% in the year, driven by a combination of innovation, quality and value for money. This year saw the successful launch of Barr Xtra Cola.

ROCKSTAR & SNAPPLE

# DEVELOPING AND ENHANCING OUR PARTNERSHIPS

Rockstar continues to lead the way in new concepts in addition to new flavours, with the launch of Rockstar Energy Waters.

We announced a new partnership with Dr Pepper Snapple Group during the year to develop the Snapple brand in the U.K. and into Europe.

# OUR RESULTS REFLECT THE BENEFITS OF A CLEAR STRATEGY, EXCELLENT EXECUTION, DIFFERENTIATED BRANDS AND A COMMITTED AND TALENTED MANAGEMENT TEAM.

**JOHN R. NICOLSON, CHAIRMAN**

# Chairman's Statement
## John R. Nicolson

**In my first statement as Chairman I am pleased to report a further year of excellent business performance, with double digit, before tax, profit growth and sales revenue growth well ahead of the total soft drinks market performance. These results reflect the benefits of a clear strategy, excellent execution, differentiated brands and a committed and talented management team.**

Over the course of the last 12 months, the business has continued to make significant progress. As you can see from the financial highlights the business has had a strong year, driving growth through its well supported brands, improving margins and building assets, while improving systems and processes to ensure long-term success. In addition, we have developed our portfolio into areas where we believe there is real long-term strategic value, such as our move into the cocktail mixer sector with the recent acquisition of Funkin Limited and our newly forged Snapple brand partnership with Dr Pepper Snapple Group.

There continues to be a considerable amount of change and improvement across the business as we strive to stay ahead in what has been, and continues to be, a fiercely competitive marketplace.

### DIVIDEND

The Board is pleased to recommend a final dividend of 9.01p per share to give a total dividend for the year of 12.12p per share, a full year increase of 10.0% on the prior year.

### BOARD

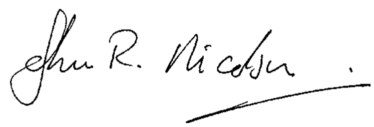
Ronnie Hanna stepped down on 31 December 2014 after serving 11 years on the Board, with over 5 years as Chairman. I would like to take this opportunity to record our sincere thanks to Ronnie for his stewardship of the Board over this period of significant progress and success.

I am pleased to confirm that David Ritchie, CEO of Bovis Homes Group PLC, will join the Board from April 2015. David is an experienced and successful CEO who will bring a new and valuable perspective to our already strong Board. We will continue to strengthen our Board over the course of the next 12 months and expect to bring further capability, competence and experience to our Boardroom.

In addition, I would like to recognise the commitment and contribution from all our employees, and thank them on behalf of the Board for delivering such a strong set of financial results.

### PROSPECTS

Whilst we continue to operate in a challenging environment, I am confident that we have the strategy and the executional ability to continue to deliver long-term sustainable shareholder value and I look forward to reporting on our Company's progress to our shareholders and wider stakeholder group.



**John R. Nicolson**
Chairman

# DELIVERING LONG TERM SUSTAINABLE VALUE

**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.**

**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.

## GROWING OUR BRANDS ACROSS THE U.K.

**Head Office**
01 Cumbernauld

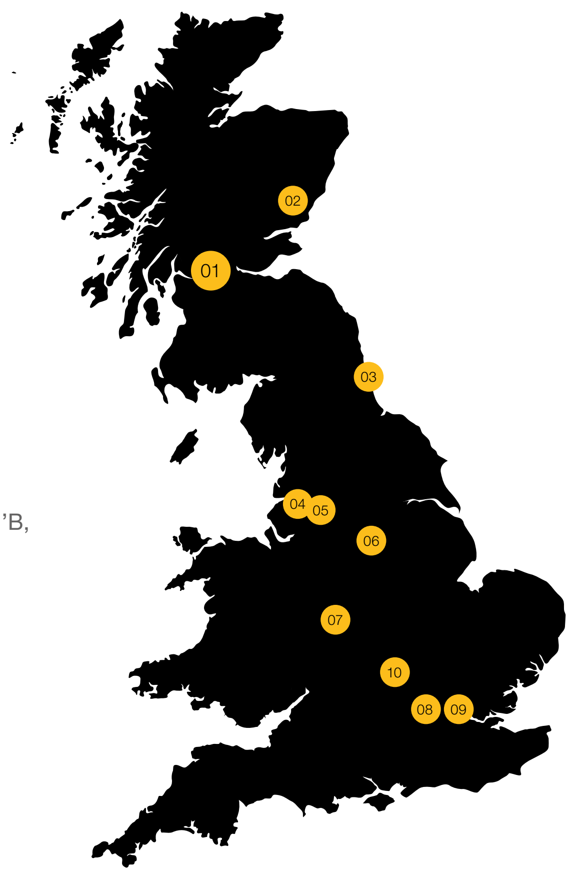
**Sales and Administration Offices**
01 Cumbernauld
04 Middlebrook
08 Wembley

**Sales Branches**
03 Newcastle
05 Moston
06 Sheffield
07 Wednesbury
09 Walthamstow

**Supply Chain Sites**
01 Cumbernauld
02 Forfar
10 Milton Keynes

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

**Partnership Brands**
Rockstar, Snapple.



## 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, Strathmore, our exotic brands Rubicon and KA and our franchise partner brands Rockstar and Snapple.

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 of 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.

## 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.

## 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.

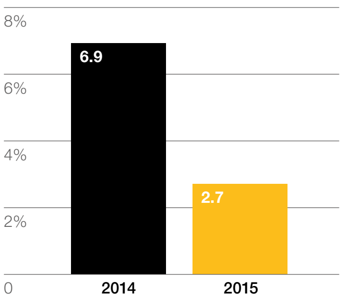
We are providing support and guidance but also autonomy to individuals, teams and sites across the business to ensure they can 'Do the Right Thing' every day.

# CREATING AND MAXIMISING OUR BRAND EQUITY

THE PRINCIPAL KEY PERFORMANCE INDICATORS USED BY MANAGEMENT IN ASSESSING THE PERFORMANCE OF THE GROUP ARE AS FOLLOWS:

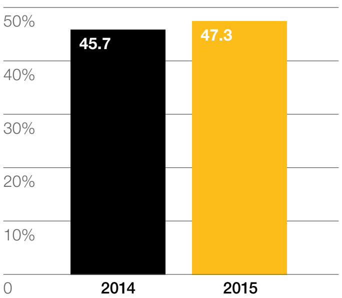
### Turnover Growth

**2.7%**



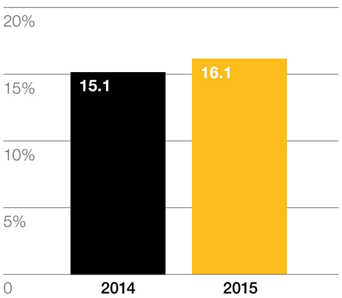

### Gross Margin

**47.3%**



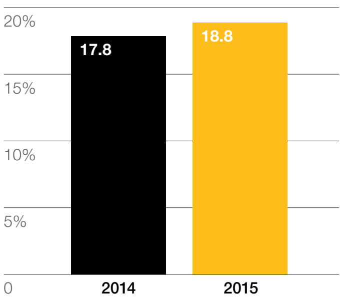

### Operating Profit Margin

**16.1%**




### EBITDA Margin

**18.8%**



## PERFORMANCE HIGHLIGHTS

### 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.

### 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 25.

### 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 provisions, 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.

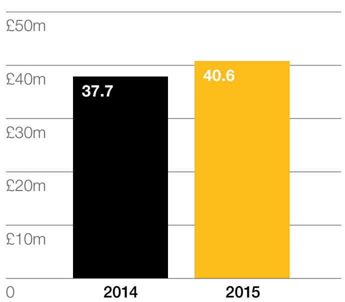
### Market Growth
Nielsen market growth summaries reported in terms of volume and value by major product category and geography.

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

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

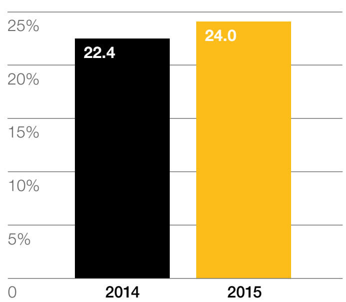
### Free Cash Flow

**£40.6m**



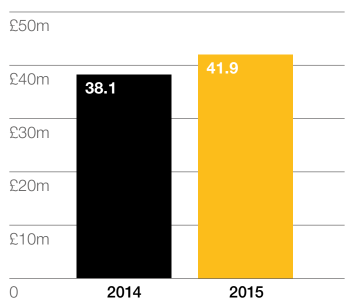

### Return on Capital Employed

**24.0%**




### Profit Before Tax and Exceptional Items

**£41.9m**



# Chief Executive's Operational Review

## Roger White

**Over the past 12 months we have successfully executed our proven strategy and business model, delivering against our consistent objective of creating sustainable shareholder value.**

Our revenue growth in the 12 months to 25 January 2015 was 2.7%, comfortably out-performing a more lacklustre total soft drinks market.

Pre-tax profit, before exceptional items, increased by 10.0% with enhanced operating margins as we benefited from the structural operating improvements which we have made in our supply chain and further overhead cost control, as well as a more benign cost of goods environment. Alongside our cost control actions, we have continued to invest in our long-term success with significant capital investments in our operating infrastructure and continued high levels of investment in our core brand equities, innovation and executional capability.

### MARKET PERFORMANCE

The U.K. soft drinks market, as measured by Nielsen, entered a deflationary phase towards the end of the year, however across our full reporting period the market experienced 0.2% volume decline and 0.4% value growth. The market has seen a number of important developments over the past 12 months, with year-on-year comparative figures impacted, in part, by exceptionally warm weather in the prior year. In volume terms, carbonates declined by 1.3% following strong growth in the previous year, however carbonates grew value by 1.0%. The still category experienced volume growth of 0.8% with marginal decline in value of 0.2%.

Once again the overall market was driven by the performance of the water category which has overtaken cola to become the largest single category by volume for the first time. The energy sub-category continued to grow value at 4.1% and the fruit drinks category also grew, however significant declines continued in fruit juice, dilutes and sports drinks categories.

There is no doubt that consumer preferences are changing within the total soft drinks category. Areas where traditional growth has been available are now proving more difficult to generate growth making differentiated brands and appealing to consumers more important than ever.

Against this market backdrop, we are pleased to report that all of our core brands have grown in the period. The still category has delivered a particularly strong performance with growth of 5.7%, driven by over 20% growth in the Strathmore brand and Snapple which, although relatively small in total revenue terms, grew by 35%. Our carbonates performance was robust, with growth well ahead of the market in IRN-BRU Sugar Free, Rubicon and Barr. This year Rockstar grew more in line with the energy market at 5.2%, following the very significant growth of 60% in the prior year.

### OUR STRATEGY

We have further developed our strategy during the period, focusing on growth opportunities within the market, however our business model remains firmly underpinned by our overriding objective to create value for shareholders. Our key areas of strategic focus remain:

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

During the year we have continued to develop our internal "Fit for the Future" programme with the clear aim of supporting our overall growth ambitions through the prioritisation and execution of key business improvement and development projects. Multiple initiatives and projects have been successfully delivered over the past 12 months across our areas of strategic focus and there is now significant momentum in terms of change across all areas of the business as we continue this targeted development activity.

# WE HAVE SUCCESSFULLY EXECUTED OUR PROVEN STRATEGY AND BUSINESS MODEL, DELIVERING AGAINST OUR CONSISTENT OBJECTIVE OF CREATING SUSTAINABLE SHAREHOLDER VALUE.

ROGER WHITE, CHIEF EXECUTIVE

WE SET OUT IN 2014 TO GROW OUR SUGAR FREE BRANDS AHEAD OF OUR TOTAL GROWTH AND WE HAVE SUCCESSFULLY DELIVERED AGAINST THIS OBJECTIVE.

## CORE BRANDS, MARKETS AND INNOVATION

Our portfolio performance was well balanced last year, with growth across all of our core brands. This balanced performance continued across our geographical development platform, with growth across all of our core operating markets – Scotland, the "rest of the U.K." and internationally. Sales in England and Wales, which now account for almost 60% of our business's total revenues, grew by 3.5% and international sales grew by 7.9%. Our position in Scotland remains extremely strong and we grew sales by 1.2%, however our significant future growth potential lies in the "rest of the U.K." and increasingly in the high potential international segment of our business.

## IRN-BRU

Total IRN-BRU invoiced sales grew by 1.6% (including frozen) with Sugar Free contributing strongly to this growth. The IRN-BRU brand benefited significantly from our successful sponsorship of the Glasgow 2014 Commonwealth Games, where we directed much of our brand activity, promotion and consumer communication. The Games activity created very positive consumer engagement, with the role of social media and consumer-driven contact playing an increasingly important part in the ongoing development of our brand equity.

In the period, we sold just under £1m of IRN-BRU ice cream, further strengthening the link between the brand and core consumers.

**IRN-BRU ice cream**

In January 2014, IRN-BRU ice cream was launched with phenomenal success. Almost £1m of IRN-BRU ice cream has been sold in its first year.

Of particular note was the performance of IRN-BRU in England and Wales, specifically in the North East, Lancashire and Yorkshire regions. Sales across England and Wales in total increased by 5.6%, with Sugar Free growing by over 20% in this market. We have been successful in our strategy to develop IRN-BRU in the north of England and now plan to target increased levels of distribution and brand awareness further into England and Wales in 2015.

We set out in 2014 to grow our Sugar Free brands ahead of our total growth and we have successfully delivered against this objective. In addition, we have reduced the total sugar content per 100ml of our Company-owned brands at a rate in excess of our Government Responsibility Deal pledge. We will continue to drive our innovation, product and portfolio development plans such that we continue to deliver against our Responsibility Deal targets going forward.

### Exotics – Rubicon and KA

The market performance of fruit juice has been poor across the last 12 months, with significant declines in the biggest brands leading to intense promotional activity and pricing.

Within this context Rubicon has delivered a further solid performance in the year with growth of 3.4%. Across the Rubicon portfolio, carbonates have delivered a more robust performance, growing by 8.1%, with a 1.5% growth in stills reflecting the challenges of the total juice market. Rubicon has benefited from increased brand investment as we continue to drive the brand into mainstream consumer repertoires. Innovation is also a key platform for Rubicon's long-term growth potential – in the period we launched Coconut Water, which continues to develop as a sub-category/flavour, and in January 2015 we launched the Rubicon brand into the chilled category.

This move into chilled broadens our Rubicon brand appeal into wider shopping occasions and attracts new consumers, some of whom only drink chilled juice and juice drinks. Our chilled Rubicon offering is available in Mango, Guava and Lychee and will be supported by specific brand and market facing consumer activity.

### 'Cheer We Go'

In the Spring we ran our major on pack promotion activity behind the Glasgow 2014 Commonwealth Games. Over 160,000 entries were received, of which a third came from outside of Scotland. There were over 15,000 winners, including 500 lucky consumers who won VIP tickets to some of the events.

Team Scotland athletes were presented with IRN-BRU Lucky Socks to help them on their way. Medal winning athletes were presented to the crowds in Glasgow from the roof of the IRN-BRU shop.


## Barr and Strathmore

The Barr range of flavoured carbonates continues to grow steadily year-on-year, driven by a combination of innovation, quality and value for money. With sales growth of over 6%, it remains comfortably ahead of the carbonates market growth. In the period, the successful launch of Xtra Cola, and the further development of new flavours and formats, all helped to underpin a strong performance.

Strathmore had an outstanding year with growth of over 20%. The development of the brand was supported by the huge level of awareness driven by our Glasgow 2014 Commonwealth Games sponsorship, in particular the availability of Strathmore in the "field of play", with athletes from around the Commonwealth enjoying and interacting with the brand across the whole event. Subsequently, we have strengthened the Strathmore brand's association with sport through our new partnership with Scottish Rugby, driving even greater brand awareness. In combination with this, we successfully launched Strathmore Twist into the growing flavoured water category and expect this element of the brand mix to show strong future growth.

## PARTNERSHIPS

During the last year we have further developed and enhanced our partnerships. Rockstar continued to grow in line with the market following the prior year's outstanding growth performance. Innovation remains the lifeblood of growth in this fast moving and fashion-conscious category. Rockstar continues to lead the way with new concepts, such as the recently launched Rockstar Energy Waters, combining the two key growth categories of flavoured water and energy. We have also recently extended our partnership with Rockstar on a territory basis into Scandinavia. We will combine our brands with Rockstar in these smaller, high potential markets, applying our successful partnership approach to build this portfolio.

### Rockstar Energy Water

Rockstar launched the U.K.'s first energy water in January 2015, which delivers a full hit of energy from natural sources, but with a lighter taste and lower calorie content.

DURING THE LAST YEAR WE HAVE FURTHER DEVELOPED AND ENHANCED OUR PARTNERSHIPS.

As previously reported, the Orangina brand exited our brand portfolio in July 2014.

In September 2014, we were delighted to announce a new partnership with Dr Pepper Snapple Group (DPSG) to develop the Snapple brand in the U.K. and on a wider European basis. The brand management transferred to A.G. BARR in January 2015 and we are very positive regarding its potential. Last year, A.G. BARR's Snapple sales in the U.K. grew by 35%, albeit from a small base. The Snapple brand represents an opportunity to drive profitable growth across a number of markets and this, combined with our existing portfolio of brands focussed outside the U.K., provides us with exciting opportunities for new growth.

**ROUTE TO MARKET**

The U.K. retail market is going through significant change, with competition between outlets and channels growing and increasingly overlapping. We have focused on driving our "go to market" strategy across a wide platform and we continue to develop our capability and competence to ensure we can manage multiple channels and the increasingly diverse routes to market required to be successful in our marketplace. We are investing in flexibility, technology, assets and people to allow us to compete successfully on as broad a front as possible. We continue to believe that, above all, in-market execution is vitally important in ensuring we deliver sustainable growth.


**Strathmore**

**Inspiring the nation to 'Do More'**

Strathmore inspired the nation to get active with its 'Do More' campaign. The brand worked together with three Team Scotland ambassadors, all of whom were medal winners.

## EFFICIENT OPERATIONS

It has been an exciting and challenging year for A.G. BARR, with significant internal change to manage. The investment in carton packaging facilities at our Milton Keynes site, and the consequential impact on our Tredegar site, have been well handled. Our new carton facilities at Milton Keynes are well into the commissioning phase and the project has been delivered on time and to budget. As a result, the Tredegar site closed in the first week of February 2015. The team at Tredegar performed exceptionally well over the last few months of 2014/15, delivering strong operating performance right up to the closure date. We are very grateful to the entire Tredegar team for their efforts during this difficult period. Milton Keynes is now growing strongly, with a combination of packaging formats and processes combining with an expanding team to give us an efficient platform for future growth. The Milton Keynes facility, in combination with the strong operating performance of our other sites, will allow us to improve our overall operating cost base and efficiency even further.

It is also worth noting that we exited our non-core water cooler business in the second half of the year, which was sold to Eden Springs UK Ltd, realising a small gain on the sale of the business. We have subsequently exited the Findlays bottling site at Pitcox, East Lothian.

We have continued to drive improvement in our core supply chain, with the recent relocation and redevelopment of our supply chain planning team to our Cumbernauld site, and we expect to see further inventory and service improvements in the coming year.

Our net capital investment expenditure in the period was £18.0m and we expect to continue to invest in growth related capital projects to support our existing business development plans.

## PEOPLE, SUSTAINABILITY AND RESPONSIBILITY

The entire team at A.G. BARR has responded positively to the challenges of our dynamic marketplace. We continue to invest in development across our organisation, promoting from within where possible, as well as building competence with new team members from outside the business to ensure we are fit to meet the challenges of the future.

A significant amount of our internal management effort has been focused on our Business Process Redesign (BPR) project. This will provide a system and process platform to allow the business to efficiently and sustainably grow for the long-term. This project has involved many key individuals seconded to the project for 12 to 18 months and we are now reaching the important delivery phase with a June 2015 go-live plan. Providing a quality solution is paramount but de-risking is fundamental to the project's success and, as we enter the next phase of this important project, we will ensure risk minimisation is at the forefront of our plans.

**Barr Xtra Cola**

Barr Xtra Cola launched in Spring 2014 and was the Official Cola of the Glasgow 2014 Commonwealth Games. The event was used to promote and sample the brands 'Big on Taste, No Sugar' message.

Safety remains at the heart of all of our operations and we have made significant progress in improving our overall management reporting and the direction of our longer-term safety planning and performance within the Group. We have integrated the management of safety, quality and environment under one team to ensure higher levels of management control and support across our operations in the future. As previously mentioned, we have made excellent progress across 2014/15 towards our Responsibility Deal goals. In addition we have now moved to the non-mandatory traffic light front of pack labelling system to ensure consumers are provided with the clearest possible guidance as to the nutritional content of our drinks. We believe in being responsible across all fronts of our business and will continue our development with this at the heart of all of our plans.

**FUNKIN ACQUISITION**

We announced the acquisition of Funkin Limited on 2 February 2015 for an initial cash consideration of £16.5m plus up to a further £4.5m subject to the achievement of certain financial performance targets. The Funkin acquisition broadens and strengthens the A.G. BARR brand portfolio and moves the Group into a new segment of cocktail mixers. This is a small but significant step into a new, high growth sub-category of the drinks sector. It also provides further incremental growth potential for the Group, both in the U.K. and internationally, as well as the opportunity to enhance our position in the on-trade and hotel, restaurant and café hospitality market segments.


**SUMMARY**

We have delivered an excellent financial performance in difficult market conditions over the past 12 months, whilst continuing to build the platform required for sustained and profitable long-term growth. Looking forward, we will continue our dual track approach of tight cost control, rigorous cash management and focus on execution at the same time as we invest for the long-term in our brands, assets and people.

Overall market conditions are expected to remain challenging. The U.K. soft drinks market is currently experiencing a period of price deflation which will, if sustained, make it more difficult for many businesses to deliver the top line growth of recent years. Whilst our year has started slowly, reflecting tough comparative trading and promotional phasing, we are confident that our management actions, combined with our proven business model, will enable us to further unlock the significant potential that A.G. BARR offers its shareholders this year and into the future.

**Roger A. White**
**Chief Executive**

**Rubicon**

A new Rubicon advertising campaign was launched in March 2014. The national campaign ran on ethnic TV channels and on digital, celebrating the unique role of Rubicon in Asian family life.

Over the summer Rubicon was present at a number of the major city Melas, giving out over 120,000 samples to consumers.

# TWELVE CONSECUTIVE YEARS OF PROFIT GROWTH DEMONSTRATES THE SUCCESS OF A SIMPLE, WELL EXECUTED BUSINESS MODEL.

**STUART LORIMER, FINANCE DIRECTOR**

# DELIVERING GROWTH IN REVENUE AND PROFIT

The Group's track record of performance delivery and reputation for strong financial governance continues, with all key financial measures reporting improvement relative to the prior year:

- Revenue increased 2.7% to £260.9m;
- Net margin up 100bp to 16.1%;
- Profit before tax (pre-exceptional items) up 10.0% to £41.9m;
- Free cash flow up £2.9m to £40.6m;
- Return on assets up 155bp to 24%; and
- Underlying Earnings per Share (EPS) increasing to 28.25p.

The year to 25 January 2015 was an eventful one in which a well-executed Glasgow 2014 Commonwealth Games campaign delivered brand equity gains and enabled us to lap the performance of the hot summer in the prior year. The Group has now achieved 12 consecutive years of profit growth and five year top and bottom line compound annual growth of 6.5% (turnover) and 8.4% (profit before tax).

These results demonstrate a well executed simple business model – we aim to sell more, for more, while making it for less, resulting in strong, sustainable financial results.

## SEGMENT PERFORMANCE

The Group's strategy remains unchanged – to drive distribution and market share growth across all segments of the business. The success of this strategy in the year has resulted in volume increases (up 2.1% to over 53m cases) and an overall £6.8m increase in total turnover.

In a highly competitive market, our overall carbonates segment delivered modest year-on-year turnover growth of 0.2% (£0.4m), with volume growing by 0.4% and value decreasing by 0.2%. All of the A.G. BARR core brands grew volume, however our portfolio brands (Orangina, KA, D'N'B) did experience some declines. Removing the impact of the Orangina contract, our carbonates grew 0.8% in volume, 2.3% in revenue and delivered strong gross margin gains supported by lower material costs and supply chain efficiencies.

The stills (still drinks and water) segment delivered year-on-year turnover growth of 5.7%, with volume growing by 8%. Value decreased by 2.2%, a combination of market pricing pressure and adverse category/product mix (water growing faster than stills and PET growing faster than glass). In absolute terms, the increase in stills equated to additional turnover of £3.1m.

The others segment is distorted this year with the inclusion of Orangina contract packaging.

All subsequent comparisons exclude the effect of exceptional items.

## MARGINS

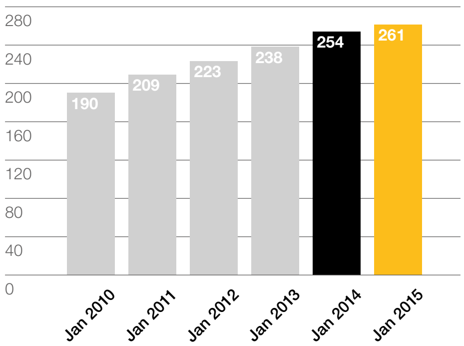
We continue to offset intense competitor promotional activity by the combination of operational gains, tight cost control, capital investment driven efficiency and favourable commodity markets.

Carbonates gross margins improved by 1.5pp to 51.6% as the benefits of mix and lower input costs came through, with cash margins increasing by 2.7%. Within stills, the benefits were more modest, with gross margins broadly flat at 29.8% (prior year 29.7%). Overall gross profit increased by £7.2m (6.2%) versus 2013/14 and by £7.4m on a like-for-like basis (excluding Orangina), delivering an impressive 1.6pp increase in gross margins to 47.3%.

As we look ahead, we consistently review the outlook on commodity costs, locking in pricing when we consider it optimal.

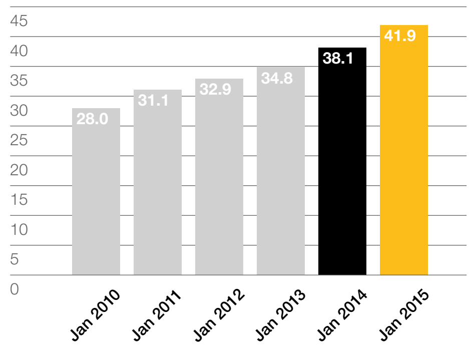
**Sales CAGR* (£'m)**

**+6.5%**




**PBT CAGR* (£'m)**

**+8.4%**




* CAGR –Compound Annual Growth Rate.

Below gross profit, administration and distribution costs increased by £4.3m (5.5%), reflecting our commitment to marketing investment, increased auto enrolment and other pension associated expenditure and higher employee related costs as our business has grown.

Profit improved at every level. EBITDA of £49.1m (up 8.7%) was generated in the period, representing an EBITDA margin of 18.8% while operating profit of £42.1m represented an increase of 9.5% on the prior year. Operating margins increased from 15.1% to 16.1%. Profit before tax increased by £3.8m, reflecting slightly lower average borrowing costs associated with the transition from a net debt to net cash position.

## INTEREST

Net finance charges, which amounted to £0.2m, were £0.2m lower than in the prior year as operating net debt was eliminated. The constituent elements of the charge comprised:

| | £000 |
|---|---|
| Finance income | **59** |
| Finance costs | **(322)** |
| Interest related to Group borrowings | **(263)** |
| Finance income related to pension plans | **44** |
| Net finance costs | **(219)** |

## TAXATION

The tax charge of £8.6m, after exceptional items, is £2.5m higher than the prior year and represents an effective tax rate of 22.3%. This is an increase of 4.5pp from the prior year and reflects the absence of adjustments in relation to deferred tax rates that benefited prior years.

## EARNINGS PER SHARE (EPS)

Underlying EPS, at 28.25p, improved by 4.6% as the strong operational performance (PBIT up 9.5%) was diluted by the impact of the increased tax charge in relation to deferred tax as previously described.

## BALANCE SHEET

The Group's balance sheet strengthened marginally over the 12 month period to 25 January 2015 with overall net assets growth of 1% to £156.5m. Significant expansionary capital expenditure was offset by the recognition of an IAS 19 pension adjustment.

The key balance sheet highlights can be summarised as:

- ROCE increased to 24.0%, an increase of 155bp relative to the prior year;
- Non-current assets increased by £10m as we near completion of both Milton Keynes Phase II and the implementation of our new ERP system;
- Inventory increased by 4.5%, with average inventory days increasing from 42.5 to 44.5 in advance of the Tredegar site closure;
- Trade receivable days increased by 4 days to 69 days;
- Trade payable days increased from 25 days to 47 days, distorted by large capital creditors related to the installation of our new Tetrapak line at Milton Keynes;
- Total capital investment of £18.0m at 6.9% of revenue;
- Recognition of the triennial pension valuation – a £18.5m deficit reflecting the impact of historically low bond yields; and
- A net cash position at year-end.

In the year ahead, expansion related capital expenditure is anticipated to continue, with the focus being on the further investment at Milton Keynes and the implementation of our new ERP system in June 2015 as well as the continued development of our asset base.

The post year-end acquisition of Funkin Limited was financed from an extension of existing bank facilities. We are well financed with significant facility headroom.

## CASH FLOW

We generated £40.6m of free cash in 2014/15 – up nearly £3m on the prior period, which itself was a record year. The increase was primarily attributable to the strong underlying EBITDA and lower exceptional cash outflows.

Inventories increased marginally due to increased sales and the decision to build stocks to mitigate risk ahead of the Tredegar site closure. Phasing of promotions and the success of the new IRN-BRU Tartan pack promotion contributed to a strong trading position at the end of the financial year and an unusually high trade debt and debtor days – aged debt is low. This increase in receivables was more than compensated for by the large increase in trade creditors driven by significant capital expenditure in the final quarter.

The Group utilises its cash appropriately and with care – more than £14m was invested in long-term assets (both infrastructure investment and the new ERP system) and £13m was distributed in dividends to our shareholders. The dividend paid in the prior year was significantly lower than the current year due to a £8.5m early distribution in 2012, paid in lieu of the final dividend. On a normalised basis the dividend payment was up 10%.

Shares with a net value of £1m were purchased on behalf of various employee benefit trusts to satisfy the ongoing requirements of the Group's employee share schemes.

The Group closed the year with a net cash balance of £10.4m – £25.4m of cash offset by £15.1m of bank borrowings including overdrafts. The Group has sufficient banking facilities at its disposal to meet the expected future needs of the Group, including the post balance sheet acquisition of Funkin Limited.

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

| Free Cash flow Statement | Year to 25 Jan 15 £000 | Year to 26 Jan 14 £000 |
|---|---|---|
| Operating profit | **42,133** | 38,481 |
| Depreciation | **6,739** | 6,445 |
| Amortisation | **253** | 253 |
| EBITDA | **49,125** | 45,179 |
| (Increase)/decrease in inventories | **(715)** | 4,766 |
| (Increase)/decrease in receivables | **(4,424)** | 323 |
| Increase in payables | **9,596** | 3,924 |
| Movement in pension liability | **(845)** | (172) |
| Share options costs | **893** | 595 |
| Exceptional cash items | **(1,714)** | (5,045) |
| Gain on sale of property, plant and equipment | **(119)** | (86) |
| Net operating cash flow | **51,797** | 49,484 |
| Net interest | **(223)** | (417) |
| Taxation | **(7,031)** | (7,696) |
| Cash flow from operations | **44,543** | 41,371 |
| Maintenance capex | **(3,928)** | (3,646) |
| Free cash flow | **40,615** | 37,725 |
| Expansionary capex | **(6,980)** | (9,635) |
| Dividends | **(13,051)** | (3,304) |
| Acquisition of intangible assets | **(7,063)** | – |
| Net purchases of shares held in trust | **(1,009)** | (1,211) |
| Loans repaid (including arrangement fees) | **(80)** | (10,040) |
| Cash flow absorbed by financing | **(28,183)** | (24,190) |
| Increase in cash | **12,432** | 13,535 |
| Opening cash and cash equivalents | **12,932** | (603) |
| Closing cash and cash equivalents | **25,364** | 12,932 |
| Borrowings | **(15,000)** | (15,000) |
| **Closing net surplus/(debt)** | **10,364** | (2,068) |

## EXCEPTIONAL ITEMS

The Group incurred £3.3m of exceptional net charges before tax during the period. The majority relates to the reorganisation costs and asset impairment charges for the transfer of carton production to our new Milton Keynes site and the closure of our Tredegar operations. In addition, these charges include a number of smaller reorganisational projects implemented during the year.

## 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 for pension provision to senior managers.

The defined benefit scheme is closed to new entrants but remains open to future accrual. As at the end of January 2015 the IAS 19 deficit was valued at £18.5m, an £18.4m adverse movement from the prior year. The deficit has arisen from a significant increase in liabilities (£33.7m), more than offsetting continued growth in the asset base (£15.4m). The increase in liabilities is a result of a lower net discount rate being applied and an updating of demographic assumptions. The pension scheme commitments and risk position are under continual review as part of the Group's ongoing strategic risk management framework and the Group believes that the overall pension deficit is supportable given the historically low gilt yields which underlie the liabilities valuation.

## SUMMARY

A robust financial performance with increased distribution and market share gains delivering growth in all our key financial metrics during the period and further cementing an already strong balance sheet. A net cash surplus and a strong free cash flow enabled us to continue our investment plans and at the same time increase dividends by 10%.

## SHARE PRICE AND MARKET CAPITALISATION

At 25 January 2015 the closing share price for A.G. BARR p.l.c. was £6.25, an increase of 3% on the closing January 2014 position. The Group is a member of the FTSE 250, with a market capitalisation of £730m at the year end.

**Stuart Lorimer**
**Finance Director**

# IDENTIFYING, EVALUATING AND MANAGING RISK

**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. The Group's risk management framework is designed to support this process, giving visibility and control of both financial and non-financial risks. This process involves review 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 internal audit work. This has included assessment of the general control environment, identification of control weaknesses and 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 directors confirm that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

The 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.

THE GROUP'S RISK MANAGEMENT FRAMEWORK IS DESIGNED TO SUPPORT THIS PROCESS, GIVING VISIBILITY AND CONTROL OF BOTH FINANCIAL AND NON-FINANCIAL RISKS.

## 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 we 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 ISO 9001 and 14001 systems which are subject to annual external audits with any non-conformances actioned in a timely manner.<br><br>Within the Group there is a clearly defined and communicated Corporate Social Responsibility Policy. Quality standards are well defined, implemented and measured.<br><br>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. |
| **Failure or non-availability 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.<br><br>Contingency measures exist and are tested regularly.<br><br>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.<br><br>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. |

## RISKS RELATING TO THE GROUP CONTINUED

| Risk | Impact | Mitigating Actions |
|---|---|---|
| **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. | 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.<br><br>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. |
| **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.<br><br>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. |

## RISKS RELATING TO THE MARKET

| Risk | Impact | Mitigating Actions |
|---|---|---|
| **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.<br><br>Sensitivity analysis of the key value drivers is also undertaken.<br><br>A dedicated integration and project management team is established pre-completion and a 100 day plan established against which progress is actively monitored.<br><br>Finally, a six monthly review of performance relative to the acquisition model is undertaken. |
| **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.<br><br>The Group focuses on delivering high quality products and invests heavily in building brand equity. 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.<br><br>Changing consumer preferences are reviewed annually by the Board with reference to qualitative and quantitative research.<br><br>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.<br><br>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.<br><br>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.<br><br>The Group will seek to remain commercially competitive by passing on any resulting cost differential through price amendments to customers. |

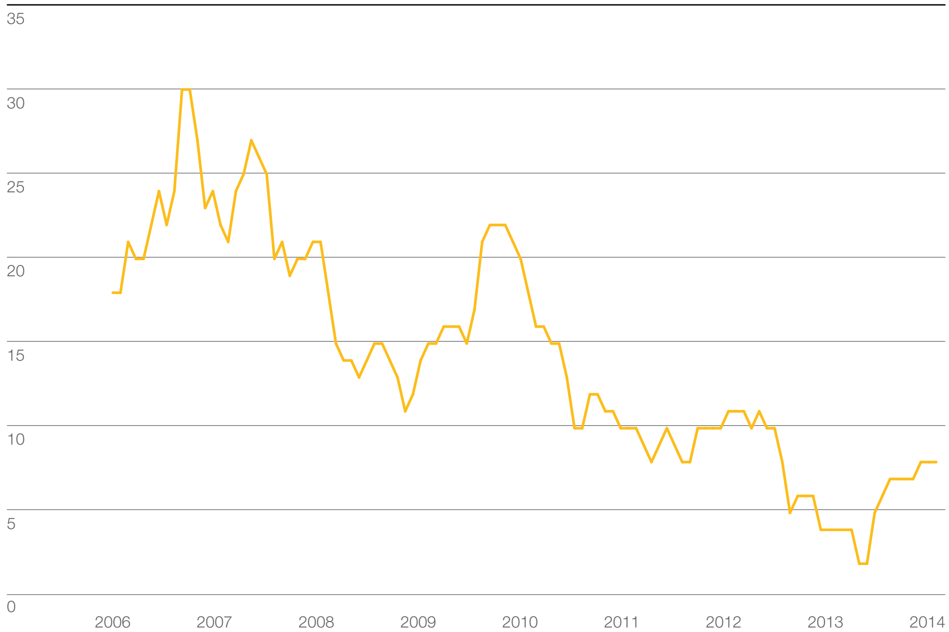
# STRONG ENVIRONMENTAL RESPONSIBILITY

**As a company with a history going back almost 140 years, we know how important Corporate Social Responsibility (CSR) is in business.**

Since the business was first established in 1875, we have played a crucial part in the lives of many thousands of employees, as well as supporting local communities and charities. We have also led the way on environmental initiatives: recycling, reusing and driving down our impact on the environment.

The world has of course moved on since 1875, but as a company that started out as a family business, we still put people first – whether those people are our employees, our consumers or our customers.

**Moving Annual Total for RIDDOR Accidents 2006 – 2014**




Our activities around the CSR agenda are co-ordinated by the Corporate Social Responsibility Committee. It brings together skills and knowledge from across the business to make sure we keep CSR high on our agenda, as well as keeping our employees up to date with what the business does as a responsible employer.

As a business, our CSR programme is broken down into four key areas:
– Our people;
– Our Environment;
– Our Consumers; and
– Our Communities.

## HIGHLIGHTS

This year we have:
– Taken the lead in improving how we inform consumers by implementing the Government's new voluntary traffic light Front of Pack Nutrition labelling scheme across all A.G. BARR owned brands.
– Made significant operating improvements in our factories at Cumbernauld and Milton Keynes, where we are reducing the impact of our transport and water consumption.
– Focused on employee engagement and communication, in particular using the valuable insights from our employee survey 'Your Voice Matters' and our successful sponsorship of the Glasgow 2014 Commonwealth Games.
– Celebrated as sales from the BRU store, a unique pop-up shop in Glasgow's Merchant City, enabled us to donate £20,000 to the Prince and Princess of Wales Hospice, just one demonstration of the Company's broader commitment to charity work.

## OUR PEOPLE

Managing the safety of our employees is our top priority. Investing in our employees is a vital part of what makes A.G. BARR a successful business, whether that's offering opportunities to develop skills or engaging in programmes to enhance what we deliver as a business.

Safety management is at the centre of all we do and this year has been about building on key safety programmes introduced in 2013. This included:
– Ensuring our near miss reporting initiative makes further progress across our total workforce;
– Building-in behavioural safety training and initiatives through our 'safety conversations'; and
– Maintaining a safety and quality audit programme.

# SAFETY MANAGEMENT IS AT THE CENTRE OF ALL WE DO.

**ANDREW MEMMOTT, SUPPLY CHAIN DIRECTOR**

## Safety performance

There has been a slight increase in reportable (RIDDOR) accidents in the year to January 2015 and in particular in our English Direct Sales Delivery (DSD) operation involving manual handling related injuries. As a result we carried out corrective action through retraining and we have also installed a trial 'back-of-vehicle' camera system. This will give us better visibility of safety practices when the delivery team works off-site, which we hope will help us reduce future manual handling injuries.

The 'lost days' measure has also increased marginally, in line with the increase in the reportable incidents across our entire operation.

The chart on page 30 shows the moving annual total for RIDDOR since 2006.

## The near miss reporting initiative (NMR) and safety conversations

The near miss initiative continues to enable our workforce to:
– Highlight and record safety hazards;
– Act on them if appropriate; and
– Map trends in safety to ensure progress is being made.

Slips, trips and low level falls form the main types of near miss categories reported and, as a result, we have taken action through a variety of safety briefings, new equipment and workplace re-designs.

We have introduced a near miss 'close-out rate' to ensure that action is taken within an agreed timescale corresponding with the level of risk. The red near miss reports (more serious safety concerns) are acted on immediately, while we have set a close-out time scale of up to 20 days for amber near miss reports (safety concerns) and up to 30 days for green near miss reports (safety observations).

We have also tried to ensure consistent standards of reporting by holding monthly meetings where we sample the quality of near misses reported. Most significantly, we have seen the level of red near miss reporting drop from 333 last year to 180 this year.

Our safety conversations initiative observes tasks and people behaviour and discusses the observed behaviour in the workplace. All our sites now carry out these safety conversations and it has had a significant effect in raising safety awareness.

During 2014/15, a total of 1,259 safety conversations have been carried out.

## Training safety

An internal training programme was delivered to 21 employees, which included participants carrying out a safety improvement project.

Each employee was asked to complete a safety report for their site, using the skills learned in their training. The improvements were then implemented by the sites concerned.

Half day training sessions were also rolled out across all our operations as part of our ongoing safety programme.

## Audit standards

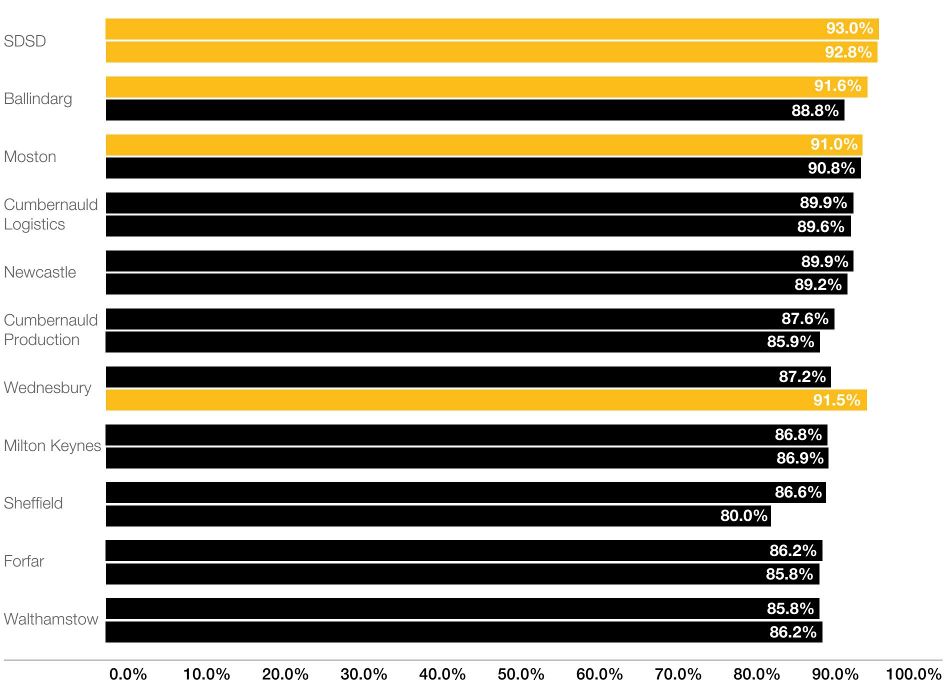
The internal safety audit programme measures how our sites are performing in all areas of safety management. The audit score is a measure of each site's overall level of safety management.

As the graph shows, three sites are now in the yellow category as opposed to two last year. Yellow is the highest performing category, showing a high degree of management control, and sites that are pro-active in communicating safety initiatives and improvements. Our Scottish DSD operation came first in the audit for the fourth year running and represents the benchmark for all other functions and sites.

The remaining sites are in the black category, which represents a good degree of management control and compliance with health and safety requirements.

None of our sites were in the bottom two categories which are associated with poor to reasonable safety performance.

### H&S Annual Audit Scores 2014/15 (vs 2013/14)



**CASE STUDY:**

## THE COMMONWEALTH GAMES – A ONCE IN A LIFETIME OPPORTUNITY

A.G. BARR was an Official Supporter of the Glasgow 2014 Commonwealth Games held in the summer.

We were determined to try to help employees across the U.K. engage and interact with the Commonwealth Games experience as much as possible.

**Become a Clyde-sider**
All A.G. BARR employees were invited to become Games volunteers – or Clyde-siders as they were known. A total of 18 Clyde-siders from A.G. BARR were chosen by the Commonwealth Games organisers to work in a selection of roles at the Games.

**Nominate a Baton Bearer**
All employees were invited to nominate someone from the business for their charity or community work to become a Baton Bearer and carry the Queen's Baton as it toured the U.K. Happily nine of our employees were chosen by the Games' organisers to take part.

**The Barr Family Day**
We were delighted to be able to organise a Family Day on 26 July where 1,200 of our employees from across the U.K., their families and friends, attended the Rugby 7s event at Ibrox before spending time at our Cumbernauld HQ. A total of £3,003 was raised for The Prince and Princess of Wales Hospice in Glasgow on the day.

While this was taking place, 100 more colleagues attended the 'Mini Commonwealth Games' fun day which was held in Milton Keynes.

**The Queen's Baton Relay Visits Cumbernauld, June 2014**
We were honoured to receive the Queen's Baton to our Cumbernauld HQ on 23 June 2014. Chief Executive Roger White and more than 200 employees welcomed the baton when it visited. The Queen's Baton visited 70 countries on a 248 day global journey across the Commonwealth and our factory became one of the stops made on its final leg, touring Scotland.

Chief Executive Roger White alongside four A.G. BARR Baton Bearers: Tracy Wilson, Claire Dalgleish, Valerie Gibson and Liz Ross.

### 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 employees 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 Performance Review Development Plan to help them deliver their personal, team and business goals.
- In 2014/15, 229 internal, external and e-learning courses were delivered and 1,137 employees trained, covering over 4,846 hours of learning.

### Aspiring managers programme
The Aspiring Managers Programme is a leadership development programme that aims to help employees develop the knowledge, skills and confidence to enable them to move into a team leader role if and when an opportunity arises.

The programme is recognised and accredited by the Institute of Leadership and Management (ILM), a widely recognised external accreditation body.

### Healthy staff
As a signatory of the Government's Public Health Responsibility Deal, we have Physical Activity Champions (PACs) among our workforce whose role it is to encourage our people to stay active.

The Cycle, Swim, Run Challenge – Do More in 2014 – proved to be a particularly popular initiative with employees across all our U.K. sites. Encouraged by their PACs, employees were asked to record online the number of miles they clocked-up in these specific sporting activities for the year. In total, employees completed 27,789 miles, which is the distance from Cumbernauld to the Gold Coast in Australia.

### Gender diversity

We recognise the benefits and importance of diversity for our business, including the significant value it adds to the quality of discussion and decision-making.

A.G. BARR is committed to equality on all levels and is striving to improve diversity balance in all areas of our workforce.

The table below shows the gender split at different levels within the organisation, as at 26 January 2015:

**Board members and company secretary**

| | |
|---|---|
| Male | 7 |
| Female | 2 |
| **Total** | **9** |

**Senior managers**

| | |
|---|---|
| Male | 70 |
| Female | 16 |
| **Total** | **86** |

**Other employees**

| | |
|---|---|
| Male | 755 |
| Female | 276 |
| **Total** | **1,031** |

### Human rights

We respect all human rights and are committed to conducting business in an open 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 & 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 our policies and has not been made aware of any incident where the Group's activities have resulted in an abuse of human rights.

## OUR ENVIRONMENT

Our environmental performance is of great importance to us as a business and as such we have held certification to the Environmental Standard ISO 14001 since 2003. With this certification, we have developed comprehensive environmental procedures and monitoring systems and ensured legal compliance. The last few years have seen A.G. BARR work to reduce emissions and increase our commitment to sustainability.

We continually monitor our processes to make sure we're meeting our environmental obligations as well as looking for areas where we can improve and use fewer resources.

Some of the areas we measure are:
- Energy use across all our factories and distribution depots;
- Water use by our factories so we can reduce both the water we use and the waste water that we put to drain;
- Fuel use so we can optimise our deliveries which reduces our greenhouse gas emissions and pollution; and
- Waste quantities and how we can best recycle our waste streams.

**CASE STUDY:**

## SUGAR DISSOLVER AT CUMBERNAULD

Our Cumbernauld factory has installed a sugar dissolver, taking crystal sugar and dissolving it to produce the liquid sugar that goes into some of our products. By changing from deliveries of liquid sugar to dry sugar, we can obtain more sugar per delivery, which has reduced the number of deliveries by a third, thus reducing transport based emissions.

The sugar dissolver silo is installed.

### Energy use and carbon emissions

In 2014/15 we continued to meet our climate-change target in our energy use across all our manufacturing sites. This can be seen as an endorsement of the decision taken in 2013 to install new energy monitoring systems at our Forfar and Tredegar sites and to update the existing system at Cumbernauld.

A.G. BARR has reduced its energy consumption per tonne of product by 23% since 2007.

**A.G. BARR p.l.c. GHG Emissions in tonnes $CO_2e$**

| | 2013-14 | 2014-15 |
|---|---|---|
| Scope 1 | 5,432 | 5,421 |
| Scope 2 | 11,096 | 11,698 |
| Intensity Ratio* | 38.16 | 37.22 |

* Intensity ratio is kg of $CO_2e$ per 1,000 litres of product produced.

Scope 1 has remained level with the last financial year, the increased energy usage by higher factory production output being offset by better sales delivery fuel efficiency. Scope 2 has increased in line with the increase in production volume. The Intensity Ratio has decreased by 2.5% which is on track with our Climate Change Agreement commitments.

### Water consumption and disposal

Management of water as a resource is a key activity of our site teams.

A.G. BARR is a signatory to the Federation House Commitment. This 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. However, now that this site has been up and running for more than a full year with improvements implemented during 2014/15, we are back on track to meet our 2020 target.

Improvements include:

- Optimising our rinsing water process to increase efficiency;
- Rainwater harvesting; and
- Installation of additional water recovery systems.

### Transport and logistics

Careful logistical planning has paid off in the area of fuel efficiency. We are continually reviewing our delivery routes, and by making subtle changes on an ongoing basis, we have increased the number of cases of product delivered per litre of fuel by 20% over the past five years. We continue to invest in new fleet and the latest engine technology means we can reduce emissions.

### Waste

In 2015 A.G. BARR expects to achieve its aim of putting zero waste to landfill. At present 99% of our waste streams are recycled.

All of our packaging has industry-recognised logos which state which type of material it is made from, making it easier for our consumers to recycle their product containers.

## OUR CONSUMERS

We have an important role to play in helping our consumers choose products that are right for them. By making our packaging clear and transparent, all consumers can exercise choice, in particular in relation to calorie consumption.

Our soft drinks provide hydration, refreshment and enjoyment for millions of consumers daily and can be enjoyed as part of a varied, balanced diet and a healthy, active lifestyle. We have developed a wide choice of soft drinks from 'regular' and 'low/no' sugar drinks, energy drinks, juice drinks, plain and sugar free flavoured water, to sugar-free squashes and fruit juices to meet our consumers' different drinking requirements and occasions.

### Public Health Responsibility Deal

In support of the U.K. Government's Public Health Responsibility Deal we are taking a number of practical actions to help secure progress against a number of public health objectives where we have:

- Pledged to reduce calories;
- Implemented the new voluntary Front of Pack Nutrition Labelling Scheme; and
- Continued to offer our employees healthier choices when purchasing food at our sites and encouraged them to increase their physical activity.

**CASE STUDY:**

## WATER SAVINGS AT MILTON KEYNES

Our Milton Keynes site uses reverse osmosis (RO) to purify its water for use in our products. The RO process results in around 25% of the concentrated filtration water being put to drain. By installing a secondary RO water plant, we have halved the amount of wasted water, which will save the site two million litres of water a year. Milton Keynes also has a rainwater harvesting system, which collects rainwater in a large storage tank and this water is used for toilet flushing, saving mains water.

The secondary Reverse Osmosis Water Plant.

**CASE STUDY:**

## THE IRN-BRU STORE RAISES OVER £20,000

Our first ever IRN-BRU Store, located in Glasgow's Merchant City, was launched during last summer's Glasgow Commonwealth Games.

The 'BRU Store' – made entirely from seven 'BRU-coloured' shipping containers – provided a unique brand and retail experience. Merchandise on sale included everything from key rings to hoodies and posters to onesies, with prices ranging from £1 to £35.

Over 150,000 IRN-BRU fans visited the store during its four-week residency. Not only was it one of the most engaging and exciting activities running during the Games, we also donated all post operation profits, a sum of £20,000, to the Prince and Princess of Wales Hospice Brick By Brick appeal.


Opening ceremony star Jock the Scottie Dog outside the BRU store.

Overall, soft drinks contribute 3% of calories in the average diet (National Diet and Nutrition Survey, 2014 – including fruit juice). Through our calorie reduction pledge, our commitment was to reduce the average calorific content per 100ml of our drinks portfolio by 5%* by 2016.

We are pleased to report that we have achieved this target.

* By 'our portfolio of drinks' we are referring to the brands that we own and are in control of. A small % of our business is in franchised brands which we do not own and therefore these are not included in our pledge.

### Responsible advertising and marketing

We take our responsibility to children in relation to how we market, promote and advertise our products very seriously.

We follow Ofcom regulations, which provide a clear set of responsible guidelines relating to the advertisement of food and drinks to children. We also apply these same principles to all of our other marketing activities beyond TV, for example online and cinema.

We also follow the industry's CAP and BCAP codes and fully comply with both the letter and the spirit of the Ofcom regulations in all of our other marketing, promotion, sponsorship and on-line activities.

### Labelling

We provide clear calorie and content guidelines on all of our product packaging to enable our consumers to make an informed choice.

This year we also adopted and implemented the Government's new voluntary traffic light Front of Pack Nutrition labelling scheme (FoPL) across all A.G. BARR owned brands. The front-of-pack labelling uses colour-coded icons for fats, saturates, sugar and salt.

We believe that consumers will find it the most useful way to find the information they need about the nutritional content of products.

### Portion size

Our soft drinks are sold in a wide range of pack sizes – from family sharing 2 litre bottles to 150ml packs to assist consumers with portion control and in regulating their calorie consumption.

### Recycling and litter

We have always believed that used packaging should be treated as a resource and collected for recycling, not discarded as litter.

All of our packaging, including cans, PET, glass and cartons, are recyclable. We support Keep Britain Tidy, carrying the tidyman logo on all of our packs to encourage our consumers to act responsibly when disposing of our packaging.

We are also partners alongside Zero Waste Scotland in an out-of-home recycling scheme for aluminium cans in Scotland called Every Can Counts.

We recently announced a new partnership with Keep Scotland Beautiful where we are undertaking a number of new anti-litter initiatives in 2015 as part of their 'Clean Up Scotland' campaign.

As a signatory in 2013 to Waste and Resources Action Programme's (WRAP) Courtauld Commitment we are working on optimising our PET packaging by improving its design and recyclability and minimising our production waste. In the last 10 years our PET and glass bottle lightweighting programme has removed 27m 500ml PET and 1.69m 330ml glass bottle equivalents.

We have also signed up to DEFRA's Soft Drinks Sustainability Road Map which covers the entire soft drinks production process – from sourcing ingredients to recycling packaging – where we will be working on a range of objectives to further enhance our sustainability and improve our use of resources, which we believe will have a positive effect on reducing litter.

### Standards

The quality assurance at A.G. BARR complies with national and international standards as well as ISO guidelines. We are certified to the ISO 9001 quality standard as well as to 'Grade A' status against the British Retail Consortium's Global Food Standard, version 6.

**CASE STUDY:**

## STRATHMORE DO MORE

In 2014 Strathmore Spring Water launched its 'Do More With Strathmore' campaign which aimed to encourage everyone to take some simple steps to increase their physical activity.

The campaign ran in conjunction with the brand's game-changing sponsorship as 'Official Water' of the 2014 Glasgow Commonwealth Games, exposing the Strathmore brand to millions of consumers U.K. wide.

To communicate effectively with this wide U.K. audience the brand created 'Team Strathmore' by joining forces with three Commonwealth Games athletes: paralympic sprinter Libby Clegg, gymnast Dan Keating and swimmer Robbie Renwick, who all helped to inspire the nation to 'Do More' as brand ambassadors.

The public were invited to participate in 'come and try' days and coaching sessions hosted by Team Strathmore in the build up to and during the Commonwealth Games timetable. Alongside inspirational and encouraging videos and blogs, these events were shared and accessed by thousands of enthusiastic people online through social media sites.

Strathmore was also the 'Official Water' of Scottish Rugby and the Scottish Professional Football League throughout 2014/15, and on a continuing basis. 'Do More' is the consumer facing proposition which brings these sponsorship properties to life with a relevant message, which can inspire and encourage everyone to 'Do More' on an everyday basis.

Gold medal winning Strathmore para athlete Libby Clegg with running partner Mikhail Huggins.

**OUR COMMUNITY**

A.G. BARR has always worked closely with and provided support to the communities in which we operate by providing financial, in-kind, practical and employee volunteering support to charities, good causes and community groups.

We work with national U.K. charities such as The Princes Trust which offers support to 13 to 30 year olds who are unemployed or struggling at school. We also support international charities such as the British Asian Trust.

### Keeping it local

We support a number of local community and charity organisations who work in areas local to our sites. In 2014/15 this included working with:

- The Cumbernauld Theatre.
- 'Now You're Talking Health and Wellbeing' in Cumbernauld, a group which supports and helps people to build a balanced life.
- The Steve Prescott Foundation, which raises funds for The Christie Hospital in Manchester.
- FareShare, a unique charity fighting hunger and its underlying causes by redistributing surplus food to hundreds of local charities across Scotland, helping to feed thousands of vulnerable people every day.

Some of our key areas of community support in 2014 were in the areas of active lifestyles, helping socially excluded, disabled people and those in education.

For example, we supported a number of community and charity road races by providing more than 500,000 bottles of Strathmore spring water and continued our support of The Big Issue Scotland.

### Education partnerships

Our partnerships with local schools have always been very important to us and 2014/15 saw A.G. BARR continue to build upon these relationships. We have three Scottish-based Enterprise in Education Partners – Lenzie Academy, Our Lady's High School and Westfield Primary School (the latter two in Cumbernauld).

Across these three schools we take part in a number of events to help pupils understand more about business, as well as helping them with softer skills around career planning.

### Looking ahead

Corporate Social Responsibility will continue to be a major area of focus for A.G. BARR. As consumers become more discerning, it's more important than ever that we place great emphasis on the part we play as a company in our local, national and international communities.

Andrew Memmott

**Andrew Memmott**
**Supply Chain Director**

# I WOULD LIKE TO RECOGNISE THE COMMITMENT AND CONTRIBUTION OF ALL OUR EMPLOYEES, AND THANK THEM ON BEHALF OF THE BOARD FOR DELIVERING SUCH A STRONG SET OF FINANCIAL RESULTS.

**JOHN R. NICOLSON, CHAIRMAN**

1.
### JOHN R. NICOLSON
**B.A. (Hons)**
**Chairman**

John's career was spent with ICI, Unilever, Fosters Brewing Group, Scottish & Newcastle PLC, and latterly as President Americas for Heineken NV. He held various positions in Marketing and Sales before moving into Corporate Development and then General Management.

**Term of Office**
Joined the Company in 2013 as a Non-Executive Director. Appointed Chairman January 2015.

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

2.
### ROGER A. WHITE
**M.A. (Hons)**
**Chief Executive**

Roger is a member of the Board of Management and Executive Council and is a past President of the British Soft Drinks Association. Previously held numerous senior positions in food group Rank Hovis McDougall. Scottish PLC Chief Executive of the year in 2010. Honorary Doctorate from University of Edinburgh in 2014.

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

**External Appointments**
Non-Executive Director of Troy Income & Growth Trust.

3.
### STUART LORIMER
**BAcc. (Hons), C.A. M.C.T.**
**Finance Director**

Stuart was with Diageo for 22 years working in a range of roles and countries ultimately as the Finance Director for Diageo's Global Supply Operation.

**Term of Office**
Joined the Company as Finance Director in January 2015.

**External Appointments**
None.

4.
### JONATHAN D. KEMP
**B.A. (Hons)**
**Commercial Director**

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

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

**External Appointments**
None.

5.
### ANDREW L. MEMMOTT
**BSc, MSc.**
**Supply Chain Director**

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 Operations Director in 2008.

**External Appointments**
None.

6.
### MARTIN A. GRIFFITHS
**L.L.B. (Hons), C.A.**
**Senior Independent Non-Executive Director**

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, Co-Chairman of Virgin Rail Group Holdings Limited, Virgin Trains East Coast and Chairman of Rail Delivery Group Limited.

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

7.
### PAMELA POWELL
**B.A., M.B.A.**
**Non-Executive Director**

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.
### W. ROBIN G. BARR
**C.A.**
**Non-Executive Director**

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.

# Directors' Report

The directors present their report and the audited consolidated financial statements of the Group for the 52 weeks (2014: 52 weeks) ended 25 January 2015.

**STRATEGIC REPORT**

The Companies Act 2006 requires the directors to present a review of the business during the year to 25 January 2015 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 37 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 45 to 50 and is incorporated by reference into this Directors' Report.

**RESULTS AND DIVIDENDS**

The Group's profit after tax for the financial year ended 25 January 2015 attributable to equity shareholders amounted to £29.997m (2014: £28.179m).

An interim dividend for the current year of 3.11p (2014: 2.825p) per ordinary share was paid on 17 October 2014.

The final proposed dividend of 9.01p (2014 second interim dividend: 8.19p) per ordinary share will be paid on 5 June 2015 if approved at the Company's annual general meeting on 27 May 2015 ('AGM').

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 £20.595m (2014: £17.236m).

**DIRECTORS**

The following were directors of the Company during the financial year ended 25 January 2015:

- R.G. Hanna (retired 31 December 2014)
- R.A. White
- A.B.C. Short (resigned 29 August 2014)
- S. Lorimer (appointed 5 January 2015)
- J.D. Kemp
- A.L. Memmott
- W.R.G. Barr
- M.A. Griffiths
- J.R. Nicolson
- P. Powell

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 38 and 39 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 62. 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 25 January 2015 and 24 March 2015: S. Lorimer a decrease in non-beneficial holding of 11,769 shares, R.A. White an increase in beneficial holding of 60 shares, A.L. Memmott an increase in beneficial holding of 60 shares, J.D. Kemp an increase in beneficial holding of 60 shares and W.R.G. Barr an increase in beneficial holding of 63 shares.

## DIRECTORS' 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.

As at the date of this report, indemnities are in force between the Company and each of the directors of the corporate trustee of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred in connection with the corporate trustee's activities as a trustee of such scheme.

## 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 £1,076,000 (2014: £967,000).

## POLITICAL DONATIONS AND POLITICAL EXPENDITURE

No Group company made any political donations or incurred any political expenditure in the year (2014: £nil).

## POST BALANCE SHEET EVENTS

Relevant post balance sheet events requiring disclosure are included in Note 31 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. Regular communication meetings are held to keep employees up to date with Group performance. Consultation meetings also take place when the Company is making decisions that are likely to affect employees' interests, at which employee representatives' views are taken into account. 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 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 £150 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 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 increased from £3,000 to £3,600 with effect from 1 February 2015 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 25 January 2015, 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 |
|---|---|---|---|
| Lindsell Train Limited (discretionary clients) | 11,822,455 | 10.12 | Indirect |
| Caledonia Investments plc | 10,431,000 | 8.93 | Indirect |
| Standard Life Investments Limited | 8,202,678 | 7.03 | Direct and indirect |

The position remains the same as at 24 March 2015.

## 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 25 January 2015 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 27 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 25 January 2015 the Company had authority, pursuant to the shareholders' resolution of 27 May 2014, to purchase up to 10% of its issued ordinary share capital. This authority will expire at the conclusion of the 2015 AGM. It is proposed that this authority be renewed at the 2015 AGM, as detailed in the Notice of AGM.

At 25 January 2015 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 1.10% of the issued share capital of the Company in trust for the benefit of the executive directors and employees of the Group. As at 25 January 2015, Equiniti Share Plan Trustees Limited (the 'AESOP Trustee') held 1.43% 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. Approved Long Term Incentive Plan ('ALTIP') awards comprising both a tax-approved option granted under the ESOS and a Long Term Incentive Plan award have been granted to executive directors. ALTIP awards enable the participant and the 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. Other than to enable the grant of ALTIP awards, the Company has not granted awards to executive directors under the ESOS. Details of the ALTIP awards granted to executive directors are set out on page 59.

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 R.A. White, J.D. Kemp and A.L. Memmott 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 2015 AGM.

## 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 37. 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 25.

## 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 37. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 22 to 25.

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 is 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.

The auditor, KPMG LLP, has indicated its willingness to continue in office and a resolution to appoint KPMG LLP as auditor of the Company and its subsidiaries, and to authorise the Audit Committee to fix their remuneration, will be proposed at the 2015 AGM.

## ANNUAL GENERAL MEETING

The Company's AGM will be held at 9.30am on 27 May 2015 at the offices of KPMG, 191 West George Street, Glasgow, G2 2LJ. The Notice of the AGM is set out on pages 127 to 129 of this report. A description and explanation of the resolutions to be considered at the 2015 AGM is set out on pages 130 to 134 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. Barr**
Company Secretary
24 March 2015

# 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.

There were a number of changes to the Board during the year. Ronald Hanna retired from the Board on 31 December 2014 and I replaced him as Chairman of the Company and of the Nomination Committee with effect from 1 January 2015. Ronald served on the Board for 11 years, with 5 years as Chairman. The Board would like to thank Ronald for his significant contribution to the Company during that time. Martin Griffiths replaced me as senior independent non-executive director with effect from 1 January 2015. Alex Short resigned as Finance Director of the Company on 29 August 2014. Alex was Finance Director of the Company for 6 years, across a period of major growth in the business, and the Board would like to thank Alex for his significant contribution to the Company during that time. We welcomed the appointment of Stuart Lorimer to the Board as Finance Director on 5 January 2015. Stuart is an experienced finance professional who held a wide range of senior financial roles and worked in many countries internationally during his 22 year career with Diageo plc.

Further details of the Board's composition are given on pages 38 and 39.

**John R. Nicolson**
Chairman
24 March 2015

## 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 eight members, comprising four executive directors, the non-executive Chairman, two independent non-executive directors and one non-independent non-executive director. Biographical details of the directors are set out on pages 38 and 39.

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, M.A. Griffiths, 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 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 and M.A. Griffiths both fulfilled the role of senior independent director during the year to 25 January 2015. J.R. Nicolson was the senior independent director until he became Chairman of the Company on 1 January 2015 and M.A. Griffiths became the senior independent director with effect from that date. In addition to his role as Chairman of the Company, J.R. Nicolson is a director of Stocks Spirits Group plc, deputy chairman of Compania Cervecerias Unidas S.A. (Chile) and director of North American Breweries Inc. The Board does not consider that J.R. Nicolson'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 page 62.

## 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 eight senior managers.

## BOARD PERFORMANCE EVALUATION

Every year the performance and effectiveness of the Board, its committees and individual directors is evaluated. This year the evaluation process was carried out internally, having been externally facilitated last year (2013/14). The process was led by the Chairman, who conducted a detailed and comprehensive evaluation process using written survey questionnaires. 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 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.

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 seven 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.

The attendance of directors at scheduled Board and committee meetings in the year to 25 January 2015 was as follows:

| | Board Maximum 7 | Audit Committee Maximum 4 | Remuneration Committee Maximum 6 | Nomination Committee Maximum 6 |
|---|---|---|---|---|
| **Executive** | | | | |
| R.A. White* | 7 | 2 | 4 | 5 |
| A.B.C. Short** | 4 | 2 | – | – |
| S. Lorimer*** | 1 | 1 | – | – |
| J.D. Kemp | 7 | – | – | – |
| A.L. Memmott | 7 | – | – | – |
| | | | | |
| **Non-executive** | | | | |
| R.G. Hanna**** | 6 | – | 5 | 5 |
| W.R.G. Barr | 7 | 4 | 6 | 6 |
| M.A. Griffiths | 7 | 4 | 6 | 6 |
| J.R. Nicolson***** | 7 | 3 | 6 | 6 |
| P. Powell | 7 | 4 | 6 | 6 |

* R.A. White attended Board committee meetings during the year by invitation.

** A.B.C. Short resigned from the Company on 29 August 2014 and could have attended a maximum of four Board meetings. A.B.C. Short attended Audit Committee meetings during the year by invitation.

*** S. Lorimer joined the Company on 5 January 2015 and could have attended a maximum of one Board meeting. S. Lorimer attended an Audit Committee meeting during the year by invitation.

**** R.G. Hanna retired from the Board on 31 December 2014 and could have attended a maximum of six Board meetings, five Remuneration Committee meetings and five Nomination Committee meetings.

***** J.R. Nicolson was appointed Chairman of the Company on 1 January 2015 and could have attended a maximum of three Audit Committee meetings.

## 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 51 to 53. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 54 to 77.

## NOMINATION COMMITTEE

The Nomination Committee comprises J.R. Nicolson, W.R.G. Barr, M.A. Griffiths and P. Powell. J.R. Nicolson replaced R.G. Hanna as Chairman of the Nomination Committee following R.G. Hanna's retirement from the Company on 31 December 2014. 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 the 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 six times during the year and considered, amongst other matters, the recruitment of a Finance Director and an additional non-executive director for recommendation to the Board. In identifying a potential new Finance Director and 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.

During the year the Nomination Committee also considered the appointment of J.R. Nicolson as Chairman of the Board with effect from 1 January 2015. It was announced on 27 May 2014 that J.R. Nicolson would assume the role of Deputy Chairman with immediate effect and take on the role of Chairman following R.G. Hanna's retirement from the Company on 31 December 2014. In light of J.R. Nicolson's extensive experience in the consumer goods and beverages sectors, the Nomination Committee considered that he had all of the skills and experience necessary to successfully fulfil the role of Deputy Chairman. Accordingly, the Nomination Committee did not consider it necessary to seek guidance from external search consultants, or place open advertisements, in relation to the appointment of J.R. Nicolson as Deputy Chairman. During the transition period between 27 May and 31 December 2014, the Nomination Committee did not have any basis upon which to reconsider that earlier view and accordingly J.R. Nicolson was appointed Chairman of the Board with effect from 1 January 2015.

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 on 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 34.

## TREASURY COMMITTEE

The Treasury Committee consists of R.A. White, S. Lorimer 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 certain 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 2014 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 15 January 2015, 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 25 January 2015 and up to the date of the approval of this annual report.

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 statement, statement of financial position and indebtedness, is reported.

The Board and the management committee review their 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 25 January 2015 with the provisions of the Code, except as set out below.

Prior to 29 August 2014, the Board comprised four executive directors, the non-executive Chairman, and three 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. Following A.B.C. Short's resignation on 29 August 2014, the Board composition was the same with the exception that there were three executive directors. Following R.G. Hanna's retirement on 31 December 2014, J.R. Nicolson's appointment as Chairman on 1 January 2015 and S. Lorimer's appointment as Finance Director on 5 January 2015, the Board comprised four executive directors, the non-executive Chairman, two independent non-executive directors and one non-independent non-executive director. Accordingly, during the year to 25 January 2015 the composition of the Board did not, at any time, comply with provision B.1.2 of the Code.

The non-compliance of the Board's committees with the provisions of the Code was for the limited period from 1 January to 25 January 2015 for the year ended 25 January 2015 and was a consequence of R.G. Hanna's retirement on 31 December 2014 and J.R. Nicolson's appointment as Chairman on 1 January 2015.

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 25 January 2015 due to the fact that these Committees did not, during the period 1 January 2015 to 25 January 2015, comprise at least three independent non-executive directors. With regard to the Audit Committee, this non-compliance was due to J.R. Nicolson stepping down from the Audit Committee following his appointment as Chairman of the Company on 1 January 2015, following which the Audit Committee comprised two independent non-executive directors and one non-independent non-executive director. With regard to the Remuneration Committee, this non-compliance was due to J.R. Nicolson ceasing to qualify as an independent non-executive director for the purposes of provision D.2.1 of the Code following his appointment as Chairman of the Company on 1 January 2015, following which the Remuneration Committee comprised two independent non-executive directors, one non-independent non-executive director and the Chairman of the Company. In addition, at the request of the Board, J.R. Nicolson continued to chair the Remuneration Committee following his appointment as Chairman of the Company on 1 January 2015 until the recruitment of a new independent non-executive director with the capability to replace him in that capacity could be completed. In this regard, the Board is pleased to confirm that David Ritchie, CEO of Bovis Homes plc, will join the Board and its sub-committees on 1 April 2015, replacing J.R. Nicolson as Chairman of the Remuneration Committee, with effect from 1 July 2015. Following these appointments, the composition of these Committees will comply with the revised U.K. Corporate Governance Code issued by the Financial Reporting Council in September 2014 (the '2014 Code') in full, which will apply to the Company from its 2015/16 financial year.

The composition of the Company's Nomination Committee did not comply with provision B.2.1 of the Code at all times during the year to 25 January 2015 due to the fact that this Committee did not, during the period 1 January 2015 to 25 January 2015, comprise a majority of independent non-executive directors. This non-compliance was due to R.G. Hanna retiring from the Board on 31 December 2014 and J.R. Nicolson replacing him as Chairman of the Nomination Committee, following which the Nomination Committee comprised two independent non-executive directors, one non-independent non-executive director and the Chairman of the Nomination Committee. Again, following the appointment of David Ritchie to the Nomination Committee, the composition of this Committee will comply with the 2014 Code in full.

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 service contracts with R.A. White, J.D. Kemp and A.L. Memmott 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 these 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 was not included in S. Lorimer's service contract and will not be included in service contracts with other 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
24 March 2015

# Audit Committee Report

## COMPOSITION

The Audit Committee comprises three non-executive directors: M.A. Griffiths, W.R.G. Barr and P. Powell. J.R. Nicolson was also a member of the Audit Committee until his appointment as Chairman of the Company on 1 January 2015. 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 38 and 39.

## 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, the Company Secretary 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 and reviewing any significant financial reporting judgements and disclosures which they contain;
- 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;
- reviewing and monitoring the appropriateness of the Group's whistle-blowing procedures;
- 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 27 July 2014;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 25 January 2015;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 25 January 2015, which report included comments on its findings on internal control and on the disclosure of risks 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, including those relating to trade receivables;
- 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 carrying value of brand support accruals: judgement is required when ascertaining the level of accrual required in relation to promotions and brand support campaigns that span the year end, or where settlement has not been fully and finally settled by the year end, or which relate to prior years. During the year the Audit Committee received presentations from members of the senior management team on the commercial investment process. It also received and considered reports from management on the level of accruals at the half year and at the year end. The Audit Committee was content that there were no issues arising; and
- 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. In addition, perpetual inventory counts were implemented at all of the Group's sites during the year. During the year the Audit Committee received and considered a report from the internal auditor regarding the controls operating in relation to inventory management. 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.

## 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 closure of the Tredegar and Wembley sites.
- Defined benefit pension scheme valuation: the Audit Committee considered and was satisfied with a report received from the Group's external auditor relating to their review of the Group's defined benefit pension scheme valuation assumptions and asset movements, which formed part of the report prepared by the Group's external auditor regarding its audit in respect of the year ended 25 January 2015.
- Termination of contractual arrangements with Schweppes International Limited ('SIL'): the Audit Committee considered and was satisfied with the accounting treatment of various items arising from the termination of contractual arrangements with SIL in relation to the Orangina brand.

The Audit Committee receives regular presentations from members of the senior management team. During the past year, the Audit Committee has considered presentations from representatives of the management team on the Commonwealth Games project, commercial investment and the management of chilled equipment.

## EXTERNAL AUDIT

The Group's external auditor is KPMG LLP. 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 twice 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 acquisition of Funkin Limited and the majority of the remainder related to the provision of tax advisory and compliance services. The level of fees for non-audit services was considered by KPMG's ethics partner who concluded that they did not present a threat to KPMG's independence.

KPMG Audit Plc was appointed as the Group's external auditor in May 2009 following a competitive tender process. A resolution proposing the appointment of KPMG LLP, KPMG Audit Plc's parent entity, as the Group's external auditor was approved by shareholders at the 2014 AGM. 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 took place at the end of the 2013/14 financial year and the Audit Committee took steps to ensure that a new appropriately qualified and independent senior statutory auditor became 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 LLP's performance and that it remains objective and independent. The Audit Committee has recommended to the Board that a resolution proposing the appointment of KPMG LLP be put to shareholders at the 2015 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
24 March 2015

## REMUNERATION COMMITTEE – CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 25 January 2015, which sets out the Directors' Remuneration Policy and the Annual Report on Remuneration. The Directors' Remuneration Policy was approved by a binding vote at the 2014 AGM and became effective for three years from the close of that meeting. For ease of reference, we are including the Policy in this year's Directors' Remuneration Report. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 25 January 2015 and how the Policy will be operated for the year commencing 26 January 2015.

I am delighted to report on the strong level of support received from shareholders, as evidenced by the voting outcomes at the 2014 AGM. The resolutions seeking approval of the new 2014 Long Term Incentive Plan, the Directors' Remuneration Policy and the Annual Report on Remuneration were supported by over 96% of the votes cast.

During the year the Company appointed the Group's new Finance Director, Stuart Lorimer. In order to fully integrate Stuart within the business and align his interests with those of his peers, the Committee proposes to bring Stuart into the existing LTIP awards, although scaled back to reflect his reduced period of employment over the performance periods. Details of the recruitment award are set out on page 59.

I was appointed Chairman of the Group on 1 January 2015. At the request of the Board, I agreed to continue to chair the Remuneration Committee until the recruitment of a new independent non-executive director with the capability to replace me in this capacity could be completed. In this regard, I am delighted to confirm that David Ritchie, CEO of Bovis Homes plc, will join the Board on 1 April 2015 and replace me as chair of the Remuneration Committee with effect from 1 July 2015.

### 2014/15 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 25 January 2015 of £260.9m, an increase of 2.7% on the prior year. Underlying pre-tax profit increased by 10.0% to £41.9m compared to the prior year. Against this background and taking into account executive directors' performance against strategic objectives, an annual bonus of 75.5% of salary was paid to R.A. White, J.D. Kemp and A.L. Memmott in respect of the year to 25 January 2015. Details of the pro-rated annual bonus paid to A.B.C. Short to reflect his period in office and his contribution to the business during the 2014/15 financial year are set out on pages 57 and 58. S. Lorimer joined the Board on 5 January 2015 and accordingly was not paid a bonus in respect of the year to 25 January 2015. Average EPS growth for the three years to 25 January 2015 exceeded the average EPS for the three years preceding that period (both being adjusted for Retail Price Index) by 13.4%. As a result, the Long Term Incentive Plan ('LTIP') awards granted in April 2012 vested at 31.9%. Further detail in relation to the annual bonus payment and LTIP vesting are included on pages 56 to 58.

### Proposed changes in executive director remuneration for 2015/16

The Remuneration Committee has continued to monitor executive remuneration policy to take account of evolving market practice and its alignment with the strategic direction of the business (see the Strategic Report on pages 1 to 37 for further details), whilst also seeking to ensure that there is continuity to the structure of executive pay.

In line with the range of salary increases across the Group, an increase of 3% will be made to the executive directors' base salaries with effect from 1 April 2015.

The performance metrics for variable pay are unchanged. For the annual bonus the performance metrics will continue to be a combination of a key financial performance metric of the business and strategic measures. Growth in EPS will continue to be used as the performance measure for awards granted under the 2014 LTIP in 2015/16. Further details are included on page 59.

A malus provision was included in the LTIP rules which were approved by shareholders at the 2014 AGM. The Remuneration Committee intends to review the operation of malus and clawback provisions for all variable pay during 2015/16 in light of the changes in the 2014 edition of the U.K. Corporate Governance Code. The Remuneration Committee will consider emerging market practice before a decision is made and reported to shareholders next year.

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
24 March 2015

## 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 2015/16.

## Single figure table – audited information

The aggregate remuneration provided to directors who have served as directors in the year ended 25 January 2015 is set out below, along with the aggregate remuneration provided to such directors for the financial year ended 26 January 2014.

### Year ended 25 January 2015

| Director | Salary/fees £000 | Benefits £000 | Bonus £000 | Long term incentives £000 | Pension £000 | Total remuneration £000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| R.A. White | 421 | 30 | 320 | 196 | 108 | 1,075 |
| S. Lorimer** | 19 | 2 | 0 | 0 | 4 | 25 |
| J.D. Kemp | 221 | 23 | 168 | 104 | 42 | 558 |
| A.L. Memmott | 197 | 23 | 149 | 93 | 42 | 504 |
| A.B.C. Short* | 136 | 14 | 104 | 0 | 29 | 283 |
| **Non-executive** | | | | | | |
| R.G. Hanna*** | 118 | N/a | N/a | N/a | N/a | 118 |
| W.R.G. Barr | 44 | N/a | N/a | N/a | N/a | 44 |
| M.A. Griffiths | 51 | N/a | N/a | N/a | N/a | 51 |
| J.R. Nicolson | 59 | N/a | N/a | N/a | N/a | 59 |
| P. Powell | 44 | N/a | N/a | N/a | N/a | 44 |
| **Total** | **1,310** | **92** | **741** | **393** | **225** | **2,761** |

### 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 | 185 | 132 | 989 |
| J.D. Kemp | 213 | 22 | 124 | 104 | 40 | 503 |
| A.L. Memmott | 190 | 22 | 111 | 93 | 52 | 468 |
| A.B.C. Short | 248 | 22 | 144 | 116 | 48 | 578 |
| **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 |
| **Total** | **1,321** | **95** | **616** | **498** | **272** | **2,802** |

* A.B.C. Short resigned as an executive director on 29 August 2014.
** S. Lorimer was appointed as an executive director on 5 January 2015.
*** R.G. Hanna retired as a non-executive director on 31 December 2014.
**** P. Powell was appointed as a non-executive director on 1 November 2013.
† The long term incentives figure for the year to 26 January 2014 has been restated to reflect the market value of the shares that vested on 30 April 2014 as at that date. The long term incentives figure for the year to 26 January 2014 set out in the Annual Report to 26 January 2014 used the share price as at 26 January 2014 as an estimate of the market value of those shares.

The total long term incentives figure of £498,000 for the year to 26 January 2014 is the gain made by directors in the year to 25 January 2015 on the LTIP awards that vested on 30 April 2014. No other long term incentive schemes were in place for either of the two years presented and no share options were exercised by any of the directors in either year.

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

| | |
|---|---|
| **(a) Salary and 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.<br><br>SAYE: option shares are valued at the market price of the option shares at the date of vesting less the option exercise price.<br><br>AESOP: free and matching shares are valued at market value at the date of award.<br><br>Details of the executive directors' interests in the SAYE are set out on page 65. |
| **(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 pages 57 and 58. |
| **(d) Long term incentives** | The value of LTIP awards that vest in respect of the year.<br><br>LTIP: the shares which will vest in respect of the year have been valued based on the market value of the shares at 25 January 2015. The value of the shares which vested in respect of the prior year was the market value of the shares on the vesting date.<br><br>Details of the executive directors' interests in the LTIP are set out on page 65. |
| **(e) Pension** | The pension figure includes:<br>– 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;<br>– 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<br>– the value of the accrued liability for the year in respect of the Company's contribution for each director participating in the URBS.<br><br>Further details of pension benefits are set out on pages 60 to 61. |

## Individual elements of remuneration

### Base salary and fees

Details of annual base salaries for individual executive directors for the year ended 25 January 2015 and for the following year are set out in the table below:

| Executive director | Base salary for year to 25 January 2015 £000 | Base salary for year to 30 January 2016 £000 | Increase % |
|---|---|---|---|
| R.A. White | 421 | 434 | 3.0 |
| S. Lorimer | 250 | 256 | 3.0 |
| J.D. Kemp | 221 | 227 | 3.0 |
| A.L. Memmott | 197 | 203 | 3.0 |
| A.B.C. Short | 257 | N/a | N/a |

Details of non-executive directors' fees for the year ended 25 January 2015 and for the following year are set out in the table below:

| Non-executive director fee | Year to 25 January 2015 £000 | Year to 30 January 2016 £000 | Increase % |
|---|---|---|---|
| Chairman of the Company | 130 | 134 | 3.0 |
| Basic fee | 44 | 45 | 3.0 |
| Additional fee for chairing Audit Committee | 8 | 8 | 0.0 |
| Additional fee for chairing Remuneration Committee | 8 | 8 | 0.0 |
| Additional fee for Senior Independent Director | 2 | 2 | 0.0 |

## Benefits – audited information

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

### Year ended 25 January 2015

| Executive Director | Car and fuel benefit £000 | SAYE £000 | AESOP awards £000 | Total £000 |
|---|---|---|---|---|
| R.A. White | 26 | 0 | 4 | **30** |
| S. Lorimer | 2 | 0 | 0 | **2** |
| J.D. Kemp | 19 | 0 | 4 | **23** |
| A.L. Memmott | 19 | 0 | 4 | **23** |
| A.B.C. Short | 11 | 0 | 3 | **14** |
| **Total** | **77** | **0** | **15** | **92** |

### 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 |
| J.D. Kemp | 19 | 0 | 3 | 22 |
| A.L. Memmott | 19 | 0 | 3 | 22 |
| A.B.C. Short | 19 | 0 | 3 | 22 |
| **Total** | 83 | 0 | 12 | 95 |

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 25 January 2015 was 100% of salary. 80% of the bonus was assessed against the year on year increase in profit before tax, excluding exceptional items, and 20% was based on non-financial strategic measures. R.A. White, J.D. Kemp and A.L. Memmott received a total of £637k as annual bonus for the year, representing 75.5% of each director's salary.

The target for the proportion of the annual bonus based on the year on year increase in profit before tax and performance against that target is set out in the table below. 50% of this element of the bonus could be earned for on-target performance and this increases on a linear scale for performance against the set target up to a maximum of 80% of salary.

| | Performance target | Actual performance | Maximum percentage of bonus | Actual percentage of bonus |
|---|---|---|---|---|
| Adjusted profit before tax growth | 7.5% | 10.0% | 80% | 55.5% |

Non-financial strategic measures were set according to the executive director's role and the needs of the business during the financial year. The Remuneration Committee considers that detailed strategic targets are commercially sensitive and should remain confidential to the Company. However, in summary the measures related to certain revenue growth targets by brand and geography, successful execution of the Glasgow 2014 Commonwealth Games sales and marketing campaign, and certain targets related to Company change programme projects. An excellent performance against these measures by each of the executive directors resulted in 20% of the annual bonus vesting.

A.B.C. Short resigned as an executive director of the business on 29 August 2014. Taking into consideration A.B.C. Short's contribution to the business during the bonus period and performance against annual bonus targets, A.B.C. Short received an annual bonus equal to £104k. In line with the Group's policy on payments for loss of office, the award was pro-rated to reflect his time in service during the bonus period.

### Annual bonus for 2015/16

For the 2015/16 financial year, an element of the annual bonus (20% of basic salary) will continue to be assessed against strategic measures to 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 growth in Group profit before tax. Performance targets will 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 and should therefore remain confidential to the Company. The Remuneration Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets on a retrospective basis. 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 2012 were subject to the achievement of an average EPS growth performance condition over a three year period ending 25 January 2015. 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 which 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% vests where EPS growth exceeds RPI by 10%; 100% of an award vests where EPS growth exceeds RPI by 32.5% or more, with straight line vesting between the two. 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 25 January 2015

| Executive Director | Total shares Number | Award rate % | Shares awarded Number | Share price at 25 January 2015 £ | LTIP value £000 |
|---|---|---|---|---|---|
| R.A. White | 98,172 | 31.9% | 31,327 | 6.25 | 196 |
| J.D. Kemp | 52,332 | 31.9% | 16,699 | 6.25 | 104 |
| A.L. Memmott | 46,857 | 31.9% | 14,952 | 6.25 | 93 |
| A.B.C. Short | 0 | N/a | N/a | N/a | N/a |
| **Total** | 197,361 | | 62,978 | | 393 |

#### Year ended 26 January 2014

| Executive Director | Total shares Number | Award rate % | Shares awarded Number | Share price at award date* £ | LTIP value £000 |
|---|---|---|---|---|---|
| R.A. White | 78,705 | 38.2% | 30,039 | 6.16 | 185 |
| J.D. Kemp | 44,271 | 38.2% | 16,897 | 6.16 | 104 |
| A.L. Memmott | 39,654 | 38.2% | 15,135 | 6.16 | 93 |
| A.B.C. Short | 49,191 | 38.2% | 18,775 | 6.16 | 116 |
| **Total** | 211,821 | | 80,846 | | 498 |

* The long term incentives figure for the year to 26 January 2014 has been restated to reflect the market value of the shares that vested on 30 April 2014 as at that date. The long term incentives figure for the year to 26 January 2014 set out in the Annual Report to 26 January 2014 used the share price as at 26 January 2014 as an estimate of the market value of those shares.

## Awards granted during the financial period

In respect of the year ended 25 January 2015 the following LTIP awards were granted equating to 125% of salary:

| Executive Director | Type of award | Number of shares | Face value at grant £000 | % of award vesting at threshold % | Performance period Years |
|---|---|---|---|---|---|
| R.A. White | LTIP award | 84,354 | 529 | 20.0 | 3 |
| | ESOS award* | 4,784 | 30 | 20.0 | 3 |
| J.D. Kemp | LTIP award | 44,234 | 277 | 20.0 | 3 |
| | ESOS award* | 4,784 | 30 | 20.0 | 3 |
| A.L. Memmott | LTIP award | 39,399 | 247 | 20.0 | 3 |
| | ESOS award* | 4,784 | 30 | 20.0 | 3 |

* ESOS awards were granted in the form of market value options under the HMRC tax-approved section of the ESOS and are subject to the same performance measures as apply to the LTIP awards. If the ESOS awards are exercised at a gain then LTIP awards will be scaled back to the same value to ensure that the total pre-tax value delivered to participants remains unchanged.

The performance condition for these LTIP awards is as described above for LTIP awards granted in April 2012, with the exception that the average EPS growth target is adjusted for CPI and is calculated on the basis of profit after tax not profit before tax. The salary used in the calculation of the award is the individual director's salary at 1 April 2014.

**Long term incentives 2015/16**

The previous 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, shareholders approved a new LTIP (the '2014 LTIP') at the 2014 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 is straight-line vesting between the points and no reward below threshold performance.

- EPS – this is a key measure of the Company's profitability. 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 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 which the Remuneration Committee considers appropriate. No part of an award vests if EPS growth is less than 10% above CPI over the three year period. 20% vests where EPS growth exceeds CPI by 10%; 100% of an award vests where EPS growth exceeds CPI by 32.5% or more, with straight line vesting between the two.

Awards made to the executive directors in 2015/16 will equate to 125% of salary. However, as referenced in the Chairman's statement, in addition to S. Lorimer's normal 2015/16 LTIP award, the Board proposes to grant S. Lorimer a performance related recruitment award in two tranches as follows:

- An award equal to 25% of salary which will be subject to growth in EPS over the three financial years ending 2015/16, which will vest in April 2016.
- An award equal to 50% of salary which will be subject to growth in EPS over the three financial years ending 2016/17, which will vest in June 2017.

The two tranches will be subject to the same growth in EPS targets as the existing LTIP awards granted to executive directors during 2012/13 and 2013/14. In addition, the Remuneration Committee may also reduce the amount which would vest if it does not consider it to be a fair reflection of S. Lorimer's contribution to the business during the performance periods. If S. Lorimer leaves within two years of being appointed, the Remuneration Committee will require S. Lorimer to pay back any of the recruitment award that has vested. Full disclosure will be provided in next year's Directors' Remuneration Report.

### 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 25 January 2015

| Director | Defined benefit £000 | Defined contribution £000 | URBS £000 | Investment return on URBS £000 | Total £000 |
|---|---|---|---|---|---|
| R.A. White | 0 | 0 | 95 | 13 | **108** |
| S. Lorimer | 0 | 4 | 0 | 0 | **4** |
| J.D. Kemp | N/a | 28 | 14 | 0 | **42** |
| A.L. Memmott | 4 | 27 | 11 | 0 | **42** |
| A.B.C. Short | N/a | 16 | 12 | 1 | **29** |
| **Total** | 4 | 75 | 132 | 14 | **225** |

#### Year to 26 January 2014

| Director | Defined benefit £000 | Defined contribution £000 | URBS £000 | Investment return on URBS £000 | Total £000 |
|---|---|---|---|---|---|
| R.A. White | 13 | 0 | 91 | 28 | 132 |
| J.D. Kemp | N/a | 37 | 3 | 0 | 40 |
| A.L. Memmott | 16 | 35 | 1 | 0 | 52 |
| A.B.C. Short | N/a | 35 | 12 | 1 | 48 |
| Total | 29 | 107 | 107 | 29 | 272 |

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

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 25 January 2015 £000 | Normal Retirement Age |
|---|---|---|
| R.A. White | 68 | 63* |
| A.L. Memmott | 44 | 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 Company 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, A.B.C. Short and S. Lorimer. These are shown in the Defined Contribution column in the total pension entitlements table above.

During the year to 25 January 2015, R.A. White, J.D. Kemp, A.L. Memmott and A.B.C. Short 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. S. Lorimer did not participate in the URBS during the year to 25 January 2015.

An accrued liability of £543,349 (2014: £398,776) 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 25 January 2015 £ | Accrual at 26 January 2014 £ |
|---|---|---|
| R.A. White | **513,757** | 367,846 |
| J.D. Kemp | **18,318** | 4,612 |
| A.L. Memmott | **11,274** | 734 |
| A.B.C. Short* | **Nil** | 25,584 |
| Total URBS liability | **543,349** | 398,776 |

* A.B.C. Short terminated his employment with the Company on 29 August 2014. A cash payment of £39,081.70 was made to A.B.C. Short during the year in accordance with the rules of the URBS, representing the liability accrued in respect of him under the URBS up to that date. No further amounts are accrued in respect of A.B.C. Short under the URBS.

## 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

During the year, the Remuneration Committee exercised its discretion to award A.B.C. Short a pro-rated annual bonus to reflect his period in office and his contribution to the business during the 2014/15 financial year. All unvested LTIP awards lapsed upon A.B.C. Short ceasing to be an executive director of the Company. No other payments for loss of office were 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 introduced new share ownership guidelines applicable from 2017/18. The guidelines require that, with effect from 2017/18, when the first awards 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 are 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, J.D. Kemp and A.L. Memmott met the 100% of gross basic salary requirement applicable for the year to 25 January 2015. S. Lorimer was appointed to the Board on 5 January 2015 and is to build up a shareholding equal to 100% of his gross basic salary in accordance with the shareholding guidelines.

The interests of each executive director of the Company as at 25 January 2015 (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 25 January 2015 |
| **Executive** | | | | | | |
| R.A. White | Shares | 351,218 | N/a | N/a | N/a | 351,218 |
| | LTIP shares | N/a | 30,039 | 258,171 | N/a | 258,171 |
| | ESOS shares | N/a | N/a | 4,784 | N/a | 4,784 |
| | SAYE options | N/a | N/a | N/a | 5,202 | 5,202 |
| | AESOP free shares | N/a | 477 | N/a | N/a | N/a |
| | AESOP matching shares | N/a | 90 | N/a | 447 | 447 |
| S. Lorimer | Shares | 1,000 | N/a | N/a | N/a | 1,000 |
| | LTIP shares | N/a | N/a | N/a | N/a | N/a |
| | ESOS shares | N/a | N/a | N/a | N/a | N/a |
| | SAYE options | N/a | N/a | N/a | N/a | N/a |
| | AESOP free shares | N/a | N/a | N/a | N/a | N/a |
| | AESOP matching shares | N/a | 0 | N/a | 0 | 0 |
| | Shares – non-beneficial holding* | N/a | N/a | N/a | N/a | 1,286,104 |
| J.D. Kemp | Shares | 137,271 | N/a | N/a | N/a | 137,271 |
| | ESOS shares | N/a | N/a | 4,784 | N/a | 4,784 |
| | LTIP shares | N/a | 16,897 | 136,233 | N/a | 136,233 |
| | SAYE options | N/a | N/a | N/a | 5,566 | 5,566 |
| | AESOP free shares | N/a | 477 | N/a | N/a | N/a |
| | AESOP matching shares | N/a | 90 | N/a | 447 | 447 |
| A.L. Memmott | Shares | 93,392 | N/a | N/a | N/a | 93,392 |
| | LTIP shares | N/a | 15,135 | 121,588 | N/a | 121,588 |
| | ESOS shares | N/a | N/a | 4,784 | N/a | 4,784 |
| | SAYE options | N/a | N/a | N/a | 5,202 | 5,202 |
| | AESOP free shares | N/a | 477 | N/a | N/a | N/a |
| | AESOP matching shares | N/a | 93 | N/a | 453 | 453 |
| **Non-executive** | | | | | | |
| W.R.G. Barr | Shares | 12,462,234 | N/a | N/a | N/a | 12,462,234 |
| | 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 | 5,500 | N/a | N/a | N/a | 5,500 |
| P. Powell | Shares | 0 | N/a | N/a | N/a | 0 |

* S.Lorimer'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.

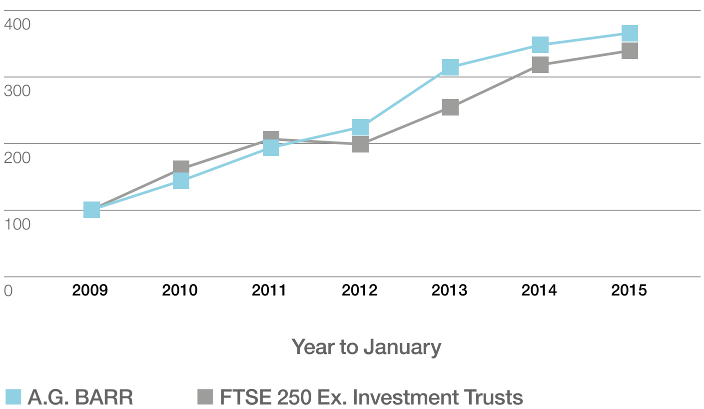
The number of AESOP free and matching shares awarded and shares vesting under the LTIP in the year are included in the 'Exercised during the year' column.

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 six 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.

### Total Shareholder Return




## CEO remuneration for previous six 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 six financial years.

| | Total remuneration £000 | Annual bonus as a % of maximum opportunity % | LTIP as a % of maximum opportunity % |
|---|---|---|---|
| Year ended 25 January 2015 | 1,075 | 75.5% | 31.9% |
| Year ended 26 January 2014 | 989 | 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 2014 and the pay for the year ended 25 January 2015 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 | 3.7% | 4.4% |
| Benefits | 3.4% | 0.5% |
| Annual bonus | 35.0% | (0.7)% |

## 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 25 January 2014 £000 | Year ended 26 January 2015 £000 | % change |
|---|---|---|---|
| Dividends | 12,839* | 14,152** | 10.2% |
| Overall expenditure on pay | 38,580 | 40,859 | 5.9% |

* Dividends payable in respect of the year ended 26 January 2014.
** Dividends payable in respect of the year ended 25 January 2015.

## 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), R.G. Hanna (retired 31 December 2014), M.A. Griffiths, W.R.G. Barr and P. Powell.

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 of the Company 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.

## 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 25 January 2015 |
|---|---|---|---|---|
| Deloitte LLP (Deloitte) | Appointed by the Remuneration Committee in January 2014 following a competitive tender process. | Review of executive directors' variable pay arrangements.<br><br>Executive and non-executive benchmarking.<br><br>Market update in the context of executive remuneration.<br><br>Advice on the new reporting regulations in connection with the disclosure of Directors' remuneration. | £37,400<br><br>Charged on a time/cost basis or fixed fee dependent on nature of project. | Share schemes advice.<br><br>Consulting services in relation to sales data analytics.<br><br>Consulting services in relation to the replacement of the Company's ERP system. |

The Remuneration Committee is satisfied that all advice received was objective and independent. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the U.K.

## 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 27 May 2014.

| Resolution | Votes for | % of vote | Votes against | % of vote | Votes withheld |
|---|---|---|---|---|---|
| Approve remuneration report | 73,348,375 | 96.83 | 2,401,469 | 3.17 | 34,666 |

## Additional information

### Executive directors' interests in the LTIP

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

| LTIP Director | Date of award | At 26 January 2014 Number | Awarded Number | Vested Number | Lapsed Number | At 25 January 2015 Number | Exercisable from |
|---|---|---|---|---|---|---|---|
| R.A. White | 26 April 2011 | 78,705 | 0 | (30,039) | (48,666) | 0 | 30 April 2014 |
| | 04 April 2012 | 98,172 | 0 | 0 | 0 | 98,172 | 30 April 2015 |
| | 09 April 2013 | 75,645 | 0 | 0 | 0 | 75,645 | 30 April 2016 |
| | 03 June 2014 | 0 | 84,354 | 0 | 0 | 84,354 | 03 June 2017 |
| J.D. Kemp | 26 April 2011 | 44,271 | 0 | (16,897) | (27,374) | 0 | 30 April 2014 |
| | 04 April 2012 | 52,332 | 0 | 0 | 0 | 52,332 | 30 April 2015 |
| | 09 April 2013 | 39,667 | 0 | 0 | 0 | 39,667 | 30 April 2016 |
| | 03 June 2014 | 0 | 44,234 | 0 | 0 | 44,234 | 03 June 2017 |
| A.L. Memmott | 26 April 2011 | 39,654 | 0 | (15,135) | (24,519) | 0 | 30 April 2014 |
| | 04 April 2012 | 46,857 | 0 | 0 | 0 | 46,857 | 30 April 2015 |
| | 09 April 2013 | 35,332 | 0 | 0 | 0 | 35,332 | 30 April 2016 |
| | 03 June 2014 | 0 | 39,399 | 0 | 0 | 39,399 | 03 June 2017 |

### Executive directors' interests in the ESOS

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

| ESOS Director | Date of award | At 26 January 2014 Number | Awarded Number | Vested Number | Lapsed Number | At 25 January 2015 Number | Exercisable from |
|---|---|---|---|---|---|---|---|
| R.A. White | 03 June 2014 | 0 | 4,784 | 0 | 0 | 4,784 | 03 June 2017 |
| J.D. Kemp | 03 June 2014 | 0 | 4,784 | 0 | 0 | 4,784 | 03 June 2017 |
| A.L. Memmott | 03 June 2014 | 0 | 4,784 | 0 | 0 | 4,784 | 03 June 2017 |

### Executive directors' interests in the SAYE

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

| SAYE | At 26 January 2014 Number | Granted Number | Exercised Number | Lapsed Number | At 25 January 2015 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 |
| 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 |

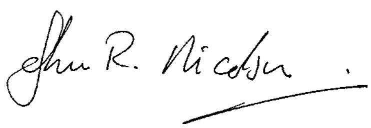
## AESOP free shares

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 2014 Number | Shares awarded Number | Shares vested Number | Shares lapsed Number | At 25 January 2015 Number | Value vested £000 |
|---|---|---|---|---|---|---|---|---|
| R.A. White | 11 June 2014 | 628 | – | 477 | (477) | – | – | 3 |
| A.L. Memmott | 11 June 2014 | 628 | – | 477 | (477) | – | – | 3 |
| J.D. Kemp | 11 June 2014 | 628 | – | 477 | (477) | – | – | 3 |
| A.B.C. Short | 11 June 2014 | 628 | – | 477 | (477) | – | – | 3 |

## Approval

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



**John R. Nicolson**
Chairman of the Remuneration Committee
24 March 2015

## Directors' Remuneration Policy

This part of the report sets out the Company's Directors' remuneration policy which was approved by shareholders at the 2014 AGM and became effective for three years from the close of that meeting. The policy for the executive directors has been determined by the Remuneration Committee. The policy is due to be reviewed by shareholders at the 2017 AGM.

## 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.<br><br>Purpose is to recruit and retain directors of the calibre required for the Company. | Usually reviewed annually.<br><br>Salary levels are determined by the Remuneration Committee taking into account a range of factors including:<br>– role, experience and individual performance;<br>– pay for other employees in the Group;<br>– prevailing market conditions; and<br>– 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.<br><br>The Remuneration Committee may award salary increases above this level to take account of individual circumstances such as:<br>– increase in scope and responsibility;<br>– increase to reflect the executive director's development and performance in the role; or<br>– alignment to market level. | Not applicable. |
| **Benefits** | Ensures the overall package is competitive.<br><br>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.<br><br>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. |

| 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.<br><br>Pay-out levels are determined by the Remuneration Committee after the year end based on performance against those targets.<br><br>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.<br><br>Targets, whilst stretching, do not encourage inappropriate business risks to be taken.<br><br>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.<br><br>*Financial metrics*<br><br>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.<br><br>*Non-financial or individual metrics*<br><br>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 was put to shareholders for approval at the 2014 AGM.<br><br>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.<br><br>As described on page 76, awards may also vest in 'good leaver' circumstances or on the death of a participant or on a change of control.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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 2015/16 100% of awards will be based on earnings per share growth.<br><br>Performance measures and weightings for following years will be set out in the directors' annual remuneration report for the relevant year.<br><br>For achievement of threshold performance 20% of the maximum opportunity will vest.<br><br>There will usually be straight line vesting between threshold and maximum performance.<br><br>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. |

| 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.<br><br>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.<br><br>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.<br><br>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 60. The contributions paid to the defined contribution section in respect of four executive directors are disclosed on page 60. Details of accruals under the URBS are disclosed on page 61.<br><br>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.<br><br>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.<br><br>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).<br><br>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.<br><br>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.<br><br>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:<br><br>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.<br><br>A.L. Memmott's accrued benefits retain a link to his final pensionable salary. | Not applicable. |

## 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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).<br><br>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.<br><br>The Remuneration Committee retains the discretion to adjust the performance targets and measures where it considers it appropriate to do so. |

### 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.

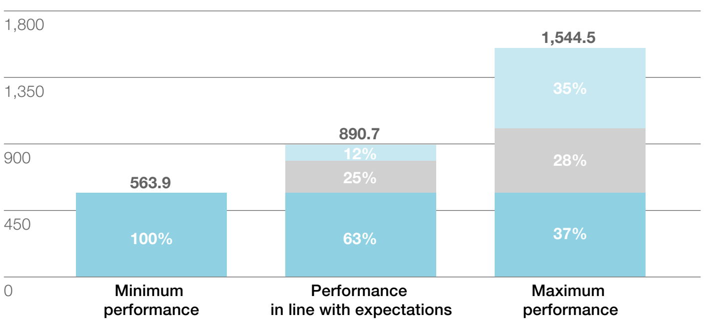
Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

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.

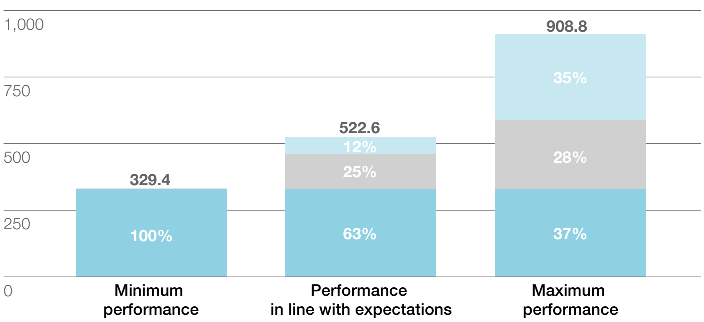
### Illustrations of application of remuneration policy

The charts below set out an illustration of the remuneration policy for 2015/16 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.

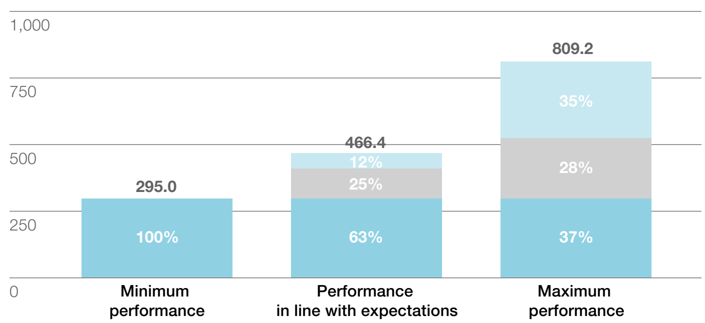
**R.A. White Total remuneration (£000)**



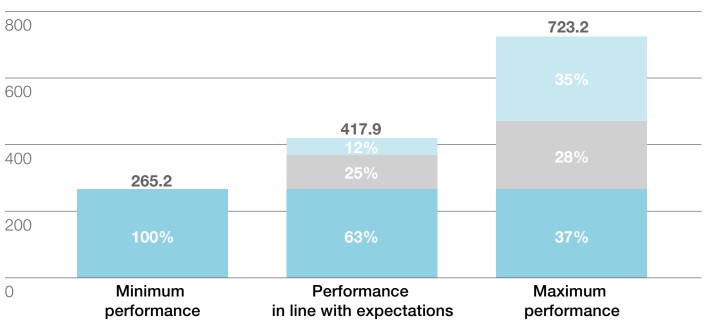

**S. Lorimer Total remuneration (£000)**




**J.D. Kemp Total remuneration (£000)**




**A.L. Memmott Total remuneration (£000)**




Base salary, benefits and pension   Annual Bonus   LTIP

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.<br><br>Base salary is the latest known salary (i.e. the salary effective from 1 April 2015) and the value for benefits has been calculated as per the single figure table on page 55. The value of benefits for S. Lorimer has been calculated based on the benefits he is expected to receive during 2015/16. | 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 contracts for R.A. White, J.D. Kemp and A.L. Memmott 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 these 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 these 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. The service contract for S. Lorimer does not contain these provisions.

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.<br><br>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.<br><br>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.<br><br>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.

### 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 2014 LTIP being formally put to shareholders, the Remuneration Committee engaged with major shareholders and institutional investor bodies setting out the proposals and the detailed thinking and planning behind them.

# 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.

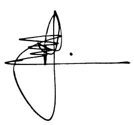
A copy of the Group and parent Company financial statements has been placed on the Company's website, www.agbarr.co.uk. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation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

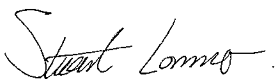
**DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES**

Each of the directors, whose names and functions are set out on pages 38 to 39 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 and 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





**R.A. White**
Chief Executive
24 March 2015

**S. Lorimer**
Finance Director

## 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 25 January 2015 set out on pages 81 to 125. 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 25 January 2015 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 |
|---|---|
| ***Brand support accruals (£12.5 million):*** *Refer to page 52 (Audit Committee Report), pages 88 and 93 (accounting policy) and page 114 (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 judgment 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 procedures in relation to accounting for brand support costs included testing the group's controls for authorising and reviewing 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.<br><br>In addition our testing included agreeing samples of specific items within accruals to supporting documentation or correspondence with the customer to assess the brand support cost; and considering 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.<br><br>We have considered the disclosures made in this area. |
| ***Valuation of inventories (£16.8 million):*** *Refer to page 52 (Audit Committee Report), pages 90 and 93 (accounting policy) and page 110 (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 lead to purchase price variances which, if not accounted for correctly, may lead to the valuation of inventories being misstated. | In this area, our procedures included testing the group's controls over the tracking of purchase price variances, inventory movements and balances; comparing 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.<br><br>In addition our procedures included testing whether the standard costs which form the basis of the inventory valuation were set appropriately (e.g., by comparing standard costs back to supporting purchase invoices and other supporting costings) and reflected normal production levels, having been adjusted appropriately for any capacity underutilisation; 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. |

In our audit report for the year ended 26 January 2014 we also included accounting for the group's property, plant and equipment as one of the risks of material misstatement that had the greatest effect on our audit due to the construction of the group's facility at Milton Keynes during that year and the requirement to account for the expenditure and leases associated with that construction. We considered this risk to be less significant in the current year as the construction of the facility was fully completed in the prior year.

## 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 £1.4m (2013-14: £1.0m). This has been determined with reference to a benchmark of group profit before taxation of which it represents 4% (2013-14: 3%). This materiality level has increased from prior year as we consider, having had regard to the complexity and judgments within the financial statements and materiality applied to the group's peers, a higher level of materiality is appropriate.

We report to the Audit Committee any corrected or uncorrected misstatements we have identified through our audit with a value in excess of £250,000, in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds. This level was selected and agreed with the Audit Committee as, given the nature and scale of operations, adjustments under this level were not deemed to be of specific interest to them.

Audits for group reporting purposes were performed for all three components by the group audit team at one location in Glasgow. 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 £1,400,000.

## 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; and
- 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.

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

Under ISAs (U.K. 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 43, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 45 to 50 relating to the company's compliance with the ten provisions of the 2012 U.K. 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 78, 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/auditscopeukco2014a, 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.

**Alex Sanderson (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*
191 West George Street
Glasgow G2 2LJ
24 March 2015

# Consolidated Income Statement
## for the year ended 25 January 2015

| | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|
| | Note | Before exceptional items £000 | Exceptional items (Note 7) £000 | Total £000 | Before exceptional items £000 | Exceptional items (Note 7) £000 | Total £000 |
| Revenue | 2 | **260,895** | **–** | **260,895** | 254,085 | – | 254,085 |
| Cost of sales | | **(137,582)** | **(2,910)** | **(140,492)** | (137,929) | (1,039) | (138,968) |
| Gross profit | 2, 7 | **123,313** | **(2,910)** | **120,403** | 116,156 | (1,039) | 115,117 |
| Other income | 5 | **747** | **–** | **747** | – | – | – |
| Operating expenses | 6 | **(81,927)** | **(376)** | **(82,303)** | (77,675) | (2,762) | (80,437) |
| Operating profit | | **42,133** | **(3,286)** | **38,847** | 38,481 | (3,801) | 34,680 |
| Finance income | 8 | **103** | **–** | **103** | 159 | – | 159 |
| Finance costs | 8 | **(322)** | **–** | **(322)** | (545) | – | (545) |
| Profit before tax | | **41,914** | **(3,286)** | **38,628** | 38,095 | (3,801) | 34,294 |
| Tax on profit | 9 | **(9,318)** | **687** | **(8,631)** | (6,925) | 810 | (6,115) |
| Profit attributable to equity holders | | **32,596** | **(2,599)** | **29,997** | 31,170 | (2,991) | 28,179 |

**Earnings per share (p)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Basic earnings per share | 10 | | | **26.00** | | | 24.43 |
| Diluted earnings per share | 10 | | | **25.86** | | | 24.34 |

# Statement of Comprehensive Income
## for the year ended 25 January 2015

| | Note | Group 2015 £000 | Group 2014 £000 | Company 2015 £000 | Company 2014 £000 |
|---|---|---|---|---|---|
| Profit after tax | | **29,997** | 28,179 | **20,595** | 17,236 |
| **Other comprehensive income** | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | |
| Remeasurements on defined benefit pension plans | 26 | **(19,770)** | 3,002 | **(19,770)** | 3,002 |
| Deferred tax movements on items above | 23 | **2,934** | (2,368) | **2,934** | (2,368) |
| Current tax movements on items above | 9 | **1,121** | 1,181 | **1,121** | 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 | 15 | **67** | (2,130) | **67** | (2,130) |
| Deferred tax movements on items above | 23 | **(14)** | 469 | **(14)** | 469 |
| **Other comprehensive income for the year, net of tax** | | **(15,662)** | 154 | **(15,662)** | 154 |
| **Total comprehensive income attributable to equity holders of the parent** | | **14,335** | 28,333 | **4,933** | 17,390 |

# Statement of Changes in Equity
## for the year ended 25 January 2015

| Group | Share capital £000 | Share premium account £000 | Share options reserve £000 | Cash flow hedge reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| **At 26 January 2014** | **4,865** | **905** | **1,826** | **(534)** | **148,174** | **155,236** |
| Profit for the year | **–** | **–** | **–** | **–** | **29,997** | **29,997** |
| Other comprehensive income | **–** | **–** | **–** | **53** | **(15,715)** | **(15,662)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **53** | **14,282** | **14,335** |
| Company shares purchased for use by employee benefit trusts | **–** | **–** | **–** | **–** | **(2,310)** | **(2,310)** |
| Proceeds on disposal of shares by employee benefit trusts | **–** | **–** | **–** | **–** | **1,301** | **1,301** |
| Recognition of share-based payment costs | **–** | **–** | **893** | **–** | **–** | **893** |
| Transfer of reserve on share award | **–** | **–** | **(534)** | **–** | **534** | **–** |
| Deferred tax on items taken direct to reserves | **–** | **–** | **133** | **–** | **–** | **133** |
| Dividends paid | **–** | **–** | **–** | **–** | **(13,051)** | **(13,051)** |
| **At 25 January 2015** | **4,865** | **905** | **2,318** | **(481)** | **148,930** | **156,537** |
| | | | | | | |
| 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 |

# Statement of Changes in Equity
## for the year ended 25 January 2015

| Company | Share capital £000 | Share premium account £000 | Share options reserve £000 | Cash flow hedge reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| **At 26 January 2014** | **4,865** | **905** | **1,826** | **(534)** | **109,277** | **116,339** |
| Profit for the year | **–** | **–** | **–** | **–** | **20,595** | **20,595** |
| Other comprehensive income | **–** | **–** | **–** | **53** | **(15,715)** | **(15,662)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **53** | **4,880** | **4,933** |
| Company shares purchased for use by employee benefit trusts | **–** | **–** | **–** | **–** | **(2,310)** | **(2,310)** |
| Proceeds on disposal of shares by employee benefit trusts | **–** | **–** | **–** | **–** | **1,301** | **1,301** |
| Recognition of share-based payment costs | **–** | **–** | **893** | **–** | **–** | **893** |
| Transfer of reserve on share award | **–** | **–** | **(534)** | **–** | **534** | **–** |
| Deferred tax on items taken direct to reserves | **–** | **–** | **133** | **–** | **–** | **133** |
| Dividends paid | **–** | **–** | **–** | **–** | **(13,051)** | **(13,051)** |
| **At 25 January 2015** | **4,865** | **905** | **2,318** | **(481)** | **100,631** | **108,238** |
| | | | | | | |
| 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 |

# Statements of Financial Position
## as at 25 January 2015

| | Note | Group 2015 £000 | Group 2014 £000 | Company 2015 £000 | Company 2014 £000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 12 | **80,917** | 74,107 | **15,965** | 8,902 |
| Property, plant and equipment | 13 | **79,663** | 76,314 | **79,207** | 75,096 |
| Pension prepayments | 14 | **–** | – | **18,750** | 19,151 |
| Investment in subsidiary undertakings | 16 | **–** | – | **62,341** | 62,341 |
| Deferred tax asset | 23 | **–** | – | **94** | – |
| | | **160,580** | 150,421 | **176,357** | 165,490 |
| **Current assets** | | | | | |
| Inventories | 18 | **16,761** | 16,046 | **15,269** | 13,925 |
| Trade and other receivables | 19 | **51,899** | 47,475 | **54,250** | 49,788 |
| Derivative financial instruments | 15 | **66** | – | **66** | – |
| Cash and cash equivalents | 17 | **25,437** | 12,932 | **25,437** | 12,930 |
| | | **94,163** | 76,453 | **95,022** | 76,643 |
| **Total assets** | | **254,743** | 226,874 | **271,379** | 242,133 |
| **Current liabilities** | | | | | |
| Loans and other borrowings | 20 | **73** | – | **1,232** | 1,126 |
| Trade and other payables | 21 | **51,119** | 40,964 | **106,105** | 85,352 |
| Derivative financial instruments | 15 | **666** | 667 | **666** | 667 |
| Provisions | 22 | **1,009** | 396 | **1,009** | 396 |
| Current tax liabilities | | **3,314** | 3,122 | **576** | 151 |
| | | **56,181** | 45,149 | **109,588** | 87,692 |
| **Non-current liabilities** | | | | | |
| Loans and other borrowings | 20 | **14,944** | 15,000 | **35,084** | 35,474 |
| Deferred tax liabilities | 23 | **8,612** | 11,378 | **–** | 2,517 |
| Retirement benefit obligations | 26 | **18,469** | 111 | **18,469** | 111 |
| | | **42,025** | 26,489 | **53,553** | 38,102 |
| **Capital and reserves attributable to equity holders** | | | | | |
| Share capital | 27 | **4,865** | 4,865 | **4,865** | 4,865 |
| Share premium account | | **905** | 905 | **905** | 905 |
| Share options reserve | | **2,318** | 1,826 | **2,318** | 1,826 |
| Cash flow hedge reserve | | **(481)** | (534) | **(481)** | (534) |
| Retained earnings | | **148,930** | 148,174 | **100,631** | 109,277 |
| | | **156,537** | 155,236 | **108,238** | 116,339 |
| **Total equity and liabilities** | | **254,743** | 226,874 | **271,379** | 242,133 |

Company Number: SC005653

The financial statements on pages 81 to 125 were approved by the Board of directors and authorised for issue on 24 March 2015 and were signed on its behalf by:

**Roger White**
**Chief Executive**

**Stuart Lorimer**
**Finance Director**

# Cash Flow Statements
## for the year ended 25 January 2015

| | Note | Group 2015 £000 | Group 2014 £000 | Company 2015 £000 | Company 2014 £000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before tax | | **38,628** | 34,294 | **26,640** | 21,759 |
| Adjustments for: | | | | | |
| Interest receivable | 8 | **(103)** | (159) | **(856)** | (418) |
| Interest payable | 8 | **322** | 545 | **1,152** | 821 |
| Depreciation of property, plant and equipment | 13 | **6,739** | 6,445 | **6,523** | 6,195 |
| Impairment of property, plant and equipment | | **1,483** | – | **1,062** | – |
| Amortisation of intangible assets | 12 | **253** | 253 | **–** | – |
| Share-based payment costs | | **893** | 595 | **893** | 595 |
| Gain on sale of property, plant and equipment | | **(119)** | (86) | **(32)** | (104) |
| **Operating cash flows before movements in working capital** | | **48,096** | 41,887 | **35,382** | 28,848 |
| (Increase)/decrease in inventories | | **(715)** | 4,766 | **(1,344)** | 3,926 |
| (Increase)/decrease in receivables | | **(4,424)** | 323 | **(4,442)** | (20,079) |
| Increase in payables | | **10,208** | 2,680 | **20,664** | 14,009 |
| Difference between employer pension contributions and amounts recognised in the income statement | | **(1,368)** | (172) | **(1,368)** | (172) |
| **Cash generated by operations** | | **51,797** | 49,484 | **48,892** | 26,532 |
| Tax on profit paid | | **(7,031)** | (7,696) | **(4,058)** | (5,194) |
| **Net cash from operating activities** | | **44,766** | 41,788 | **44,834** | 21,338 |
| **Investing activities** | | | | | |
| Acquisition of subsidiary | | **–** | – | **–** | (1,300) |
| Purchase of intangible assets | | **(7,063)** | – | **(7,063)** | – |
| Purchase of property, plant and equipment | | **(11,493)** | (13,423) | **(11,466)** | (13,356) |
| Proceeds on sale of property, plant and equipment | | **585** | 142 | **489** | 125 |
| Interest received | | **60** | 44 | **60** | 44 |
| **Net cash used in investing activities** | | **(17,911)** | (13,237) | **(17,980)** | (14,487) |
| **Financing activities** | | | | | |
| New loans received | | **15,000** | 10,000 | **15,000** | 10,000 |
| Loans repaid | | **(15,000)** | (20,000) | **(15,000)** | (20,000) |
| Bank arrangement fees paid | | **(80)** | (40) | **(80)** | (40) |
| Movement in finance lease | | **–** | – | **834** | 21,976 |
| Purchase of Company shares by employee benefit trusts | | **(2,310)** | (2,290) | **(2,310)** | (2,290) |
| Proceeds from disposal of Company shares by employee benefit trusts | | **1,301** | 1,079 | **1,301** | 1,079 |
| Dividends paid | | **(13,051)** | (3,304) | **(13,051)** | (3,304) |
| Interest paid | | **(283)** | (461) | **(1,114)** | (737) |
| **Net cash used in financing activities** | | **(14,423)** | (15,016) | **(14,420)** | 6,684 |
| **Net increase in cash and cash equivalents** | | **12,432** | 13,535 | **12,434** | 13,535 |
| Cash and cash equivalents at beginning of year | | **12,932** | (603) | **12,930** | (605) |
| Cash and cash equivalents at end of year | 17 | **25,364** | 12,932 | **25,364** | 12,930 |

## 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 30.

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 pages 93 and 94.

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***

IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of interests in other entities, and subsequent revisions to IAS 27 Separate financial statements and IAS 28 Investments in associates and joint ventures are new and revised standards that are mandatory for adoption for accounting periods beginning on or after 1 January 2014 for EU endorsed IFRS reporters. These new and revised standards do not have a material impact on the Group.

***(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 27 January 2014 and not adopted early***

There are no IFRSs or IFRIC interpretations that are issued but have not been adopted early for the year beginning 27 January 2014 that have a material impact on the Group.

### Consolidation – subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date over which control commences until the date on which 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.

## 1 ACCOUNTING POLICIES CONTINUED

### 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. Brand support costs are investments in customer promotional activities. Refer to the 'Key judgements and sources of estimation uncertainty' section below as an element of judgement is used in determining the brand support costs. 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 acquisition of 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.

**Software development costs**
Software development costs comprise of internal and third party consultancy costs incurred in relation to the Business Process Redesign project, which is currently under construction. Amortisation is charged from the date the software is available for use. This is calculated using the straight-line method over the expected useful life of the software, which is 10 years.

**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%
Computer hardware – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. The carrying value of 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.

## 1 ACCOUNTING POLICIES CONTINUED

### 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 instruments used for hedging purposes are disclosed in Note 15. 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.

### 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.

## 1 ACCOUNTING POLICIES CONTINUED

### 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 26. 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 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 settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

### 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.

## 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 25 January 2015 the closing brand support accrual was £12,493,000 (26 January 2014: £12,412,000).

## 1 ACCOUNTING POLICIES CONTINUED

In addition the following area of judgement had an effect on 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.

**Other areas**

**Exceptional items**

The impairment and redundancy related costs in relation to the closure of the Tredegar manufacturing site and the reorganisation of finance, telesales, distribution, demand and supply planning are deemed to be unusual in nature and scale and are of such significance that separate disclosure is required for the financial statements to be properly understood.

During the year to 25 January 2015 the contract for the production and selling of Orangina was terminated by Schweppes International Limited. This resulted in compensation of £747,000 being received by A.G. BARR p.l.c. This is not treated as exceptional and is included within other income.

## 2 SEGMENT REPORTING

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

The management committee considers the business from a product perspective. This has led to the operating segments identified in the table below: 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 7.

**Year ended 25 January 2015**

| | Carbonates £000 | Still drinks and water £000 | Other (including ice-cream) £000 | Total £000 |
|---|---|---|---|---|
| Total revenue | **198,249** | **58,218** | **4,428** | **260,895** |
| Gross profit before exceptional items | **102,235** | **17,349** | **3,729** | **123,313** |

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 |

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 IRN-BRU and 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 Tredegar related exceptional costs allocated to cost of sales in the consolidated income statement relate to Stills drinks only and in 2014, Milton Keynes exceptional costs related 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.

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 | 2015 £000 | 2014 £000 |
|---|---|---|
| U.K. | **253,715** | 247,433 |
| Rest of the world | **7,180** | 6,652 |
| | **260,895** | 254,085 |

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.

## 3 PROFIT BEFORE TAX
The following items have been included in arriving at profit before tax:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Depreciation of property, plant and equipment | **6,739** | 6,445 |
| Impairment of property | **1,062** | – |
| Impairment of plant and equipment | **421** | – |
| Profit on disposal of property, plant and equipment | **(119)** | (86) |
| Research and development costs | **1,076** | 967 |
| Impairment of inventories | **134** | 142 |
| Amortisation of intangible assets | **253** | 253 |
| Cost of inventories charged in cost of sales | **140,492** | 138,968 |
| Operating lease rentals payable – property | **367** | 606 |
| Operating lease rentals payable – motor vehicles | **1,181** | 1,199 |
| Operating lease rentals payable – plant | **1,845** | 887 |
| Trade receivables impairment movement | **712** | (187) |
| Share-based payment costs | **893** | 595 |

### 3 PROFIT BEFORE TAX CONTINUED

Included within administration costs (Note 6) 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:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Statutory audit services** | | |
| Fees payable to the auditor of the parent Company and consolidated accounts | **79** | 78 |
| Fees payable to the auditor for other services: | | |
| Audit of the Company's subsidiaries pursuant to legislation | **7** | 7 |
| **Non-audit services** | | |
| Audit related assurance services | **19** | 27 |
| Other assurance services | **67** | – |
| Pension advisory services | **12** | 130 |
| Tax compliance services | **24** | 22 |
| Tax advisory services | **37** | 61 |
| **Fees in respect of the Group's pension plans** | | |
| Audit | **13** | 13 |

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

### 4 EMPLOYEES AND DIRECTORS

| | 2015 | 2014 |
|---|---|---|
| Average monthly number of people employed by the Group (including executive directors) | | |
| Production and distribution | **820** | 808 |
| Administration | **228** | 191 |
| | **1,048** | 999 |

**Staff costs for the Group for the year**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Wages and salaries | **36,387** | 34,604 |
| Social security costs | **3,760** | 3,623 |
| Share-based payments | **893** | 595 |
| Pension costs – defined contribution plans | **2,729** | 2,066 |
| Pension costs – defined benefit plans | **850** | 1,315 |
| | **44,619** | 42,203 |

### 5 OTHER INCOME

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Compensation received in respect of contract terminated | **747** | – |

During the year to 25 January 2015 the contract for the production and selling of Orangina was terminated by Schweppes International Limited. This resulted in compensation of £747,000 being received by A.G. BARR p.l.c.

## 6 NET OPERATING EXPENSES BEFORE EXCEPTIONAL ITEMS

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Distribution costs (including selling costs) | **51,872** | 50,232 |
| Administration costs | **30,055** | 27,443 |
| | **81,927** | 77,675 |

## 7 EXCEPTIONAL ITEMS

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Redundancy costs relating to the closure of the Tredegar manufacturing site | **1,427** | – |
| Impairment charges relating to the closure of the Tredegar manufacturing site | **1,483** | – |
| Milton Keynes development | **–** | 1,039 |
| Total cost of sales | **2,910** | 1,039 |
| Merger related costs | **–** | 2,098 |
| Pension curtailment (Note 26) | **(523)** | – |
| Redundancy costs for finance, telesales, distribution, demand and supply planning reorganisation | **899** | 664 |
| Total operating costs | **376** | 2,762 |
| Total exceptional costs | **3,286** | 3,801 |

During the year to 25 January 2015 A.G. BARR p.l.c. announced the closure of its manufacturing site at Tredegar. This has resulted in an impairment charge of £1,483,000 in respect of buildings and plant at the site which have been written down to the recoverable amounts calculated by reference to fair value less costs of disposal (valued by reference to an independent valuation and categorised as a level 2 fair value measurement). £485,000 of redundancy related costs were incurred in the year to 25 January 2015. A further £942,000 of redundancy costs have been provided for.

Redundancy, recruitment and training costs in relation to the reorganisation of the finance, telesales, distribution, demand and supply planning operations were incurred during the years presented and treated as exceptional.

As a result of the finance, telesales, distribution, demand and supply planning reorganisation, a curtailment in the Group's retirement pension plan has arisen. This has resulted in an exceptional credit arising from the reduction in the retirement benefit obligation following a reduction in the number of employees remaining with the scheme. The value of this credit is £523,000.

A tax credit of £687,000 (2014: £810,000) has been recognised as a result of the total exceptional costs (Note 9).

Construction of a new production site 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. 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 year to 26 January 2014.

## 8 FINANCE INCOME AND FINANCE COSTS

### Finance income

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Interest receivable | **59** | 43 |
| Net finance income relating to defined benefit pension plans (Note 26) | **44** | 116 |
| | **103** | 159 |

### Finance costs

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Interest payable | **(295)** | (458) |
| Amortisation of loan arrangement fees | **(27)** | (87) |
| | **(322)** | (545) |

## 9 TAXATION

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Group | Before exceptional items £000 | Exceptional items £000 | Total £000 | Before exceptional items £000 | Exceptional items £000 | Total £000 |
| **Current tax** | | | | | | |
| Current tax on profits for the year | **9,006** | **(495)** | **8,511** | 9,124 | (563) | 8,561 |
| Adjustments in respect of prior years | **(167)** | **–** | **(167)** | (35) | (247) | (282) |
| Total current tax expense/(credit) | **8,839** | **(495)** | **8,344** | 9,089 | (810) | 8,279 |
| **Deferred tax** | | | | | | |
| Origination and reversal of: | | | | | | |
| Temporary differences | **367** | **(192)** | **175** | (19) | – | (19) |
| Adjustment for change in deferred tax rate | **–** | **–** | **–** | (2,272) | – | (2,272) |
| Adjustments in respect of prior years | **112** | **–** | **112** | 127 | – | 127 |
| Total deferred tax expense/(credit) (Note 23) | **479** | **(192)** | **287** | (2,164) | – | (2,164) |
| **Total tax expense/(credit)** | **9,318** | **(687)** | **8,631** | 6,925 | (810) | 6,115 |

In addition to the above movements in deferred tax, a deferred tax credit of £2,920,000 (2014: £1,899,000 charge) has been recognised in other comprehensive income and a credit of £133,000 (2014: a credit of £57,000) has been taken direct to reserves (Note 23).

A current tax credit of £1,121,000 (2014: a credit of £1,181,000) has been recognised in other comprehensive income and a charge of £nil (2014: a charge of £118,000) 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:

| | 2015 £000 | 2015 % | 2014 £000 | 2014 % |
|---|---|---|---|---|
| Profit before tax | **38,628** | | 34,294 | |
| Tax at 21.3% (2014: 23.2%) | **8,239** | **21.3** | 7,944 | 23.2 |
| Tax effects of: | | | | |
| Items that are not deductible in determining taxable profit | **475** | **1.2** | 291 | 0.8 |
| Exceptional items that are not deductible in determining taxable profit | **–** | **–** | 314 | 0.9 |
| Current tax adjustment in respect of prior years | **(167)** | **(0.4)** | (282) | (0.8) |
| Deferred tax adjustment in respect of prior years | **112** | **0.3** | 127 | 0.4 |
| Deferred tax adjustment in respect of change of deferred tax rate | **–** | **–** | (2,272) | (6.6) |
| Other differences | **(28)** | **(0.1)** | (7) | – |
| Total tax expense | **8,631** | **22.3** | 6,115 | 17.8 |

The weighted average tax rate was 22.3% (2014: 17.8%).

The 2013 Finance Act enacted in July 2013 announced that the U.K. corporation tax rate will reduce to 20% by April 2015. A reduction in the rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 3 July 2013.

The deferred tax liability at 25 January 2015 has therefore been calculated having regard to the rate of 20% substantively enacted at the balance sheet date.

## 10 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.

| | 2015 | 2014 |
|---|---|---|
| Profit attributable to equity holders of the Company (£000) | **29,997** | 28,179 |
| Weighted average number of ordinary shares in issue | **115,377,541** | 115,351,493 |
| Basic earnings per share (pence) | **26.00** | 24.43 |

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.

| | 2015 | 2014 |
|---|---|---|
| Profit attributable to equity holders of the Company (£000) | **29,997** | 28,179 |
| Weighted average number of ordinary shares in issue | **115,377,541** | 115,351,493 |
| Adjustment for dilutive effect of share options | **623,962** | 399,418 |
| Diluted weighted average number of ordinary shares in issue | **116,001,503** | 115,750,911 |
| Diluted earnings per share (pence) | **25.86** | 24.34 |

## 10 EARNINGS PER SHARE CONTINUED

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

| | 2015 | 2014 |
|---|---|---|
| Profit attributable to equity holders of the Company before exceptional items (£000) | **32,596** | 31,170 |
| Weighted average number of ordinary shares in issue | **115,377,541** | 115,351,493 |
| Underlying earnings per share (pence) | **28.25** | 27.02 |

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.

## 11 DIVIDENDS

| | 2015 per share | 2014 per share | 2015 £000 | 2014 £000 |
|---|---|---|---|---|
| Paid first interim dividend | **3.11p** | 2.83p | **3,596** | 3,304 |
| Paid second interim dividend | **8.19p** | –p | **9,455** | – |
| | **11.30p** | 2.83p | **13,051** | 3,304 |

The directors have proposed a final dividend in respect of the year ended 25 January 2015 of 9.01p per share, amounting to a dividend of £10,521,000. It will be paid on 5 June 2015 to all shareholders who are on the Register of Members on 8 May 2015.

The notice of Annual General Meeting for the year ended 26 January 2014 omitted the resolution seeking shareholder approval for the payment of a final dividend of 8.19p per ordinary share. Accordingly, the Board declared a second interim dividend for the year ended 26 January 2014 in place of the proposed final dividend. The interim dividend did not require the approval of shareholders. The amount of this interim dividend was 8.19p per ordinary share. This dividend was paid on 6 June 2014 to all shareholders who were on the Register of Members on 9 May 2014.

## 12 INTANGIBLE ASSETS

| Group | Goodwill £000 | Brands £000 | Customer relationships £000 | Water rights £000 | Software development costs £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 26 January 2013 and at 26 January 2014 | 23,274 | 50,276 | 3,532 | 742 | – | 77,824 |
| Additions | – | – | – | – | 7,063 | 7,063 |
| **At 25 January 2015** | **23,274** | **50,276** | **3,532** | **742** | **7,063** | **84,887** |
| **Amortisation and impairment losses** | | | | | | |
| 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 |
| Amortisation for the year | – | – | 253 | – | – | 253 |
| At 25 January 2015 | 336 | 290 | 2,602 | 742 | – | 3,970 |
| **Carrying amounts** | | | | | | |
| **At 25 January 2015** | **22,938** | **49,986** | **930** | **–** | **7,063** | **80,917** |
| At 26 January 2014 | 22,938 | 49,986 | 1,183 | – | – | 74,107 |

The additions for the year to 25 January 2015 represent internally generated software development costs and third party consultancy costs incurred in relation to the Business Process Redesign project, which is currently under construction. During the year, the Group has capitalised £694,000 of internal resource as part of the project. This project introduces new Enterprise Resource Planning software which is being developed by third party consultants and A.G. BARR p.l.c. employees.

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 four years remaining. This period has been reviewed at the statement of financial position date and remains appropriate.

The amortisation costs for the year to 25 January 2015 have been included in the income statement as administration costs.

## 12 INTANGIBLE ASSETS CONTINUED

| Company | Goodwill £000 | Brands £000 | Customer relationships £000 | Water rights £000 | Software development costs £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 26 January 2013 and at 26 January 2014 | 1,920 | 7,290 | 1,000 | 742 | – | 10,952 |
| Additions | – | – | – | – | 7,063 | 7,063 |
| **At 25 January 2015** | **1,920** | **7,290** | **1,000** | **742** | **7,063** | **18,015** |
| **Amortisation and impairment losses** | | | | | | |
| At 26 January 2013 and 26 January 2014 | 18 | 290 | 1,000 | 742 | – | 2,050 |
| Amortisation for the year | – | – | – | – | – | – |
| At 25 January 2015 | 18 | 290 | 1,000 | 742 | – | 2,050 |
| **Carrying amounts** | | | | | | |
| **At 25 January 2015** | **1,902** | **7,000** | **–** | **–** | **7,063** | **15,965** |
| At 26 January 2014 | 1,902 | 7,000 | – | – | – | 8,902 |

All intangible assets noted above were recognised on the acquisition of the Strathmore Water business with the exception of the additions for the year to 25 January 2015 which represent internally generated software development costs and third party consultancy costs incurred in relation to the Business Process Redesign project.

At 25 January 2015, the Group and the Company had entered into contractual commitments for the acquisition of intangible assets amounting to £797,000 (2014: £nil).

### 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 25 January 2015 | **Goodwill £000** | **Brands £000** | **Customer relationships £000** | **Total £000** |
|---|---|---|---|---|
| Rubicon operating unit | **21,036** | **42,986** | **930** | **64,952** |
| Strathmore operating unit | **1,902** | **7,000** | **–** | **8,902** |
| **Total** | **22,938** | **49,986** | **930** | **73,854** |

| 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 |

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross margin % | Growth rate % | Discount rate % | Gross margin % | Growth rate % | Discount rate % |
| Rubicon operating unit | **34.43** | **2.25** | **10.50** | 31.20 | 2.25 | 8.40 |
| Strathmore operating unit | **29.40** | **2.25** | **10.50** | 26.40 | 2.25 | 8.40 |

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 30 January 2016 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.

## 13 PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings Freehold £000 | Land and buildings Long leasehold £000 | Plant, equipment and vehicles £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| 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 |
| Additions | 354 | – | 3,458 | 8,225 | 12,037 |
| Transfer from assets under construction | 93 | – | 2,337 | (2,430) | – |
| Disposals | (454) | – | (2,639) | – | (3,093) |
| **At 25 January 2015** | **55,118** | **538** | **76,066** | **6,735** | **138,457** |
| **Depreciation** | | | | | |
| 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 |
| Amount charged for year | 590 | 2 | 6,147 | – | 6,739 |
| Impairment | 1,062 | – | 421 | – | 1,483 |
| Disposals | (21) | – | (2,606) | – | (2,627) |
| **At 25 January 2015** | **5,727** | **522** | **52,545** | **–** | **58,794** |
| **Net book value** | | | | | |
| **As at 25 January 2015** | **49,391** | **16** | **23,521** | **6,735** | **79,663** |
| As at 26 January 2014 | 51,029 | 18 | 24,327 | 940 | 76,314 |

Included within the additions for the year to 25 January 2015 for both the Group and the Company is £nil (2014: £85,000) of interest in respect of the £15,000,000 facility arranged and drawn down in the year for the building work at Milton Keynes.

| Company | Land and buildings Freehold £000 | Land and buildings Long leasehold £000 | Plant, equipment and vehicles £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| 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 |
| Additions | 354 | – | 3,444 | 8,214 | 12,012 |
| Transfer from assets under construction | 93 | – | 2,295 | (2,388) | – |
| Transfer of assets from other Group companies | 103 | – | 38 | – | 141 |
| Disposals | (454) | – | (2,227) | – | (2,681) |
| **At 25 January 2015** | **54,725** | **394** | **74,465** | **6,732** | **136,316** |
| **Depreciation** | | | | | |
| 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 |
| Amount charged for year | 580 | 2 | 5,941 | – | 6,523 |
| Impairment | 1,062 | – | – | – | 1,062 |
| Disposals | (21) | – | (2,203) | – | (2,224) |
| **At 25 January 2015** | **5,413** | **379** | **51,317** | **–** | **57,109** |
| **Net book value** | | | | | |
| **As at 25 January 2015** | **49,312** | **15** | **23,148** | **6,732** | **79,207** |
| As at 26 January 2014 | 50,837 | 17 | 23,336 | 906 | 75,096 |

At 25 January 2015, the Group and the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,195,000 (2014: £1,451,675).

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

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Cost-capitalised finance lease | **25,486** | 25,486 |
| Accumulated depreciation | **(2,627)** | (2,349) |
| Net book value | **22,859** | 23,137 |

## 14 PENSION PREPAYMENT

The Company established the A.G. BARR p.l.c. (2008) Scottish Limited Partnership ('the Partnership') in the year to 26 January 2014 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.

A 'structured entity' is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. As outlined in Note 26 during the prior year, certain freehold properties were transferred to a limited partnership (a structured entity) established by the Group; the main purpose of which is to lease these properties to a group company and, as a result, to provide the Group's pension scheme with a distribution of the profits of the partnership.

The distribution is subject to discretion exercisable by the Group in certain circumstances however, given that the Group has the ability to control the limited partnership by making an additional contribution into the scheme, it is the view of the directors that the Group controls the Partnership and therefore it is treated as a consolidated entity.

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 £20,400,000 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 26. As the Partnership results are consolidated within the Group results no prepayment is recognised in the consolidated statement of financial position.

| | Company | |
|---|---|---|
| | **2015 £000** | 2014 £000 |
| Non-current | **18,750** | 19,151 |
| Current | **1,157** | 1,134 |
| **Prepayment of pension contributions** | **19,907** | 20,285 |

The element of the prepayment classified as current is included within the prepayments figure of £3,947,000 (2014: £3,590,000), as set out in Note 19.

## 15 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.

| Group<br>At 25 January 2015 | Carrying amount<br>Fair value – hedging instruments<br>£000 | Carrying amount<br>Loans and receivables<br>£000 | Carrying amount<br>Other financial liabilities at amortised cost<br>£000 | Carrying amount<br>Total<br>£000 | Fair value<br>Level 2<br>£000 |
|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | |
| Foreign exchange contracts used for hedging | **66** | **–** | **–** | **66** | **66** |
| Trade receivables | **–** | **49,109** | **–** | **49,109** | **49,109** |
| Cash and cash equivalents | **–** | **25,437** | **–** | **25,437** | **25,437** |
| | **66** | **74,546** | **–** | **74,612** | **74,612** |
| **Financial liabilities measured at fair value** | | | | | |
| Foreign exchange contracts used for hedging | **666** | **–** | **–** | **666** | **666** |
| | **666** | **–** | **–** | **666** | **666** |
| **Financial liabilities not measured at fair value** | | | | | |
| Unsecured bank borrowings | **–** | **–** | **14,944** | **14,944** | **14,944** |
| Trade payables | **–** | **–** | **17,660** | **17,660** | **17,660** |
| | **–** | **–** | **32,604** | **32,604** | **32,604** |

| Group<br>At 26 January 2014 | Carrying amount<br>Fair value – hedging instruments<br>£000 | Carrying amount<br>Loans and receivables<br>£000 | Carrying amount<br>Other financial liabilities at amortised cost<br>£000 | Carrying amount<br>Total<br>£000 | Fair value<br>Level 2<br>£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 | – | – | 9,339 | 9,339 | 9,339 |
| | – | – | 24,339 | 24,339 | 24,339 |

## 15 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

| Company<br>At 25 January 2015 | Carrying amount<br>Fair value – hedging instruments<br>£000 | Loans and receivables<br>£000 | Other financial liabilities at amortised cost<br>£000 | Fair value<br>Total<br>£000 | Level 2<br>£000 |
|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | |
| Foreign exchange contracts used for hedging | **66** | **–** | **–** | **66** | **66** |
| Trade and other receivables and amounts due from subsidiary companies | **–** | **50,303** | **–** | **50,303** | **50,303** |
| Cash and cash equivalents | **–** | **25,437** | **–** | **25,437** | **25,437** |
| | **66** | **75,740** | **–** | **75,806** | **75,806** |
| **Financial liabilities measured at fair value** | | | | | |
| Foreign exchange contracts used for hedging | **666** | **–** | **–** | **666** | **666** |
| | **666** | **–** | **–** | **666** | **666** |
| **Financial liabilities not measured at fair value** | | | | | |
| Unsecured bank borrowings | **–** | **–** | **35,084** | **35,084** | **35,084** |
| Finance lease liabilities | **–** | **–** | **21,299** | **21,299** | **19,957** |
| Trade payables and amounts due to other subsidiary companies | **–** | **–** | **72,695** | **72,695** | **72,695** |
| | **–** | **–** | **129,078** | **129,078** | **127,796** |

| Company<br>At 26 January 2014 | Carrying amount<br>Fair value – hedging instruments<br>£000 | Loans and receivables<br>£000 | Other financial liabilities at amortised cost<br>£000 | Fair value<br>Total<br>£000 | Level 2<br>£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 |

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 value of the non-current borrowings is 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.

## 16 INVESTMENT IN SUBSIDIARIES

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Opening investment in subsidiaries | **62,341** | 61,041 |
| Investment in year | **–** | 1,300 |
| **Closing investment in subsidiaries** | **62,341** | 62,341 |

The investment made by the Company in the prior 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 14).

The carrying value of the investment represents the fair value of the consideration paid at the date the investments were acquired. The principal subsidiary is as follows:

| Principal subsidiary | Principal activity | Country of incorporation | Country of principal operations |
|---|---|---|---|
| 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 subsidiary. The subsidiary has the same year end as A.G. BARR p.l.c. and has been included in the Group consolidation. The company listed is the only one which materially affects 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.

## 17 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 £000 | 2014 £000 | 2015 £000 | 2014 £000 |
| Cash and cash equivalents | **25,437** | 12,932 | **25,437** | 12,930 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 £000 | 2014 £000 | 2015 £000 | 2014 £000 |
| Cash and cash equivalents | **25,437** | 12,932 | **25,437** | 12,930 |
| Bank overdrafts (Note 20) | **(73)** | – | **(73)** | – |
| | **25,364** | 12,932 | **25,364** | 12,930 |

The credit quality of the holder of the Cash at bank is AA(-) rated (2014: AA(-) rated).

## 18 INVENTORIES

| | Group 2015 £000 | Group 2014 £000 | Company 2015 £000 | Company 2014 £000 |
|---|---|---|---|---|
| Returnable containers | **385** | 414 | **383** | 367 |
| Materials | **4,238** | 4,679 | **3,452** | 2,915 |
| Finished goods | **12,138** | 10,953 | **11,434** | 10,643 |
| | **16,761** | 16,046 | **15,269** | 13,925 |

## 19 TRADE AND OTHER RECEIVABLES

| | Group 2015 £000 | Group 2014 £000 | Company 2015 £000 | Company 2014 £000 |
|---|---|---|---|---|
| Trade receivables | **50,075** | 45,248 | **50,075** | 45,248 |
| Less: provision for impairment of receivables | **(980)** | (268) | **(980)** | (268) |
| Trade receivables – net | **49,095** | 44,980 | **49,095** | 44,980 |
| Other receivables | **14** | 24 | **14** | 24 |
| Prepayments | **2,790** | 2,471 | **3,947** | 3,590 |
| Amounts due by subsidiary companies | **–** | – | **1,194** | 1,194 |
| | **51,899** | 47,475 | **54,250** | 49,788 |

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.

1.7% (2014: 0.9%) 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 | 2015 £000 | 2014 £000 |
|---|---|---|
| Major customers | **46,494** | 41,231 |
| Direct to store customers | **3,581** | 4,017 |
| Total | **50,075** | 45,248 |

The Group's and Company's most significant customer, a U.K. major customer, accounts for £5,720,000 of the trade receivables carrying amount at 25 January 2015 (26 January 2014: £2,999,000).

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 2015 £000 | Impairment 2015 £000 | Gross 2014 £000 | Impairment 2014 £000 |
|---|---|---|---|---|
| Not past due | **48,409** | **(230)** | 44,326 | (137) |
| Past due 1 to 30 days | **810** | **(93)** | 522 | (9) |
| Past due 31 to 60 days | **279** | **(80)** | 177 | (47) |
| Past due 61+ days | **577** | **(577)** | 223 | (75) |
| Total | **50,075** | **(980)** | 45,248 | (268) |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| U.K. Sterling | **51,465** | 47,074 | **52,622** | 48,193 |
| US Dollars | **18** | 66 | **18** | 66 |
| Euro | **416** | 335 | **416** | 335 |
| | **51,899** | 47,475 | **53,056** | 48,594 |

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

| Group and Company | **2015 £000** | 2014 £000 |
|---|---|---|
| At start of year | **268** | 455 |
| Net provision charged/(utilised) during the year | **712** | (187) |
| At end of year | **980** | 268 |

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.

## 20 BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| Group and Company | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| **Current** | | | | |
| Bank borrowings | **73** | – | **73** | – |
| Finance lease liabilities | **–** | – | **1,159** | 1,126 |
| **Non-current** | | | | |
| Bank borrowings | **15,000** | 15,000 | **15,000** | 15,000 |
| Finance lease liabilities | **–** | – | **20,140** | 20,474 |
| **Total borrowings** | **15,073** | 15,000 | **36,372** | 36,600 |

All of the Group's borrowings are denominated in U.K. Sterling, with the exception of current bank borrowings which represents the closing overdraft on a Euro bank account.

During the year to 25 January 2015 the Group negotiated two £10,000,000 revolving credit facilities with two banks. A total bank arrangement fee of £80,000 was incurred in arranging the facilities and will be amortised over the life of the loans. The revolving credit facilities are due to expire in February 2017.

During the year to 26 January 2014 certain property assets were transferred into 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 26.

The amortisation charge is included in the finance costs line in the income statement.

## 20 BORROWINGS CONTINUED

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| Current bank borrowings | **73** | – | **73** | – |
| Finance lease liability payable within one year | **–** | – | **1,159** | 1,126 |
| **Current loans and other borrowings disclosed in the statement of financial position** | **73** | – | **1,232** | 1,126 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| Non-current bank borrowings | **15,000** | 15,000 | **15,000** | 15,000 |
| Unamortised arrangement fee | **(56)** | – | **(56)** | – |
| Finance lease liability payable after more than one year | **–** | – | **20,140** | 20,474 |
| **Non-current loans and other borrowings disclosed in the statement of financial position** | **14,944** | 15,000 | **35,084** | 35,474 |

The movements in the Group borrowings are analysed as follows:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Opening loan balance | **15,000** | 26,513 |
| Borrowings made | **15,000** | 10,000 |
| Repayments of borrowings | **(15,000)** | (20,000) |
| Bank overdrafts drawn/(repaid) | **73** | (1,513) |
| **Closing loan balance** | **15,073** | 15,000 |

Reconciliation to net (funds)/debt:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Closing loan balance | **15,073** | 15,000 |
| Cash and cash equivalents (Note 17) | **25,437** | 12,932 |
| **Net (funds)/debt** | **(10,364)** | 2,068 |

The undrawn facilities at 25 January 2015 are as follows:

| | Total facility £000 | Drawn £000 | Undrawn £000 |
|---|---|---|---|
| Revolving credit facilities – three years, expires February 2017 | **20,000** | **15,000** | **5,000** |
| Revolving credit facility for Milton Keynes, expires June 2015 | **15,000** | **–** | **15,000** |
| Overdraft | **5,000** | **73** | **4,927** |
| | **40,000** | **15,073** | **24,927** |

The undrawn facilities at 26 January 2014 were as follows:

| | Total facility £000 | Drawn £000 | Undrawn £000 |
|---|---|---|---|
| Revolving credit facility – three years, expired March 2014 | 10,000 | – | 10,000 |
| Revolving credit facility – one year, expired March 2014 | 20,000 | – | 20,000 |
| Revolving credit facility for Milton Keynes | 15,000 | 15,000 | – |
| Overdraft | 5,000 | – | 5,000 |
| | 50,000 | 15,000 | 35,000 |

The maturity profile of the borrowings is as follows:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Less than one year | **73** | – |
| One to two years | **–** | 15,000 |
| Two to five years | **15,000** | – |
| | **15,073** | 15,000 |

The gross value of finance lease liabilities for the Company is as follows:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| **Gross finance lease liabilities – minimum lease payments** | | |
| Less than one year | **1,159** | 1,126 |
| Two to five years | **4,994** | 6,213 |
| Later than five years | **25,443** | 25,547 |
| | **31,596** | 32,886 |
| Future finance charges on finance lease liabilities | **(10,297)** | (11,286) |
| **Present value of finance lease liabilities** | **21,299** | 21,600 |

The present value of finance lease liabilities for the Company is as follows:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Less than one year | **1,159** | 1,126 |
| Two to five years | **4,574** | 4,238 |
| Later than five years | **15,566** | 16,236 |
| | **21,299** | 21,600 |

The Company leases certain property assets under a finance lease agreement. The lease term is 21 years and further details can be found within Note 26.

## 21 TRADE AND OTHER PAYABLES

| | Group 2015 £000 | Group 2014 £000 | Company 2015 £000 | Company 2014 £000 |
|---|---|---|---|---|
| Trade payables | **17,660** | 9,399 | **17,660** | 9,399 |
| Other taxes and social security costs | **4,333** | 3,846 | **4,333** | 3,833 |
| Accruals | **29,126** | 27,719 | **29,077** | 27,697 |
| Amounts due to subsidiary companies | **–** | – | **55,035** | 44,423 |
| | **51,119** | 40,964 | **106,105** | 85,352 |

The tables below analyse 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 are the contractual undiscounted cash flows.

| **Group At 25 January 2015** | **Borrowings £000** | **Finance lease liabilities £000** | **Trade payables £000** | **Financial instruments £000** | **Total £000** |
|---|---|---|---|---|---|
| 0 to 6 months | **94** | **–** | **17,660** | **419** | **18,173** |
| 7 to 12 months | **94** | **–** | **–** | **181** | **275** |
| 1 to 2 years | **188** | **–** | **–** | **–** | **188** |
| 2 to 5 years | **15,094** | **–** | **–** | **–** | **15,094** |
| 5+ years | **–** | **–** | **–** | **–** | **–** |
| | **15,470** | **–** | **17,660** | **600** | **33,730** |

| 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 |

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 20.

| **Company At 25 January 2015** | **Borrowings £000** | **Finance lease liabilities £000** | **Trade payables £000** | **Financial instruments £000** | **Total £000** |
|---|---|---|---|---|---|
| 0 to 6 months | **94** | **575** | **17,660** | **419** | **18,748** |
| 7 to 12 months | **94** | **584** | **–** | **181** | **859** |
| 1 to 2 years | **188** | **1,194** | **–** | **–** | **1,382** |
| 2 to 5 years | **15,094** | **5,144** | **–** | **–** | **20,238** |
| 5+ years | **–** | **24,099** | **–** | **–** | **24,099** |
| | **15,470** | **31,596** | **17,660** | **600** | **65,326** |

| 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 |

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 20.

## 22 PROVISIONS

| Group and Company | **2015 £000** | 2014 £000 |
|---|---|---|
| Opening provision | **396** | – |
| Provision created during the year | **946** | 601 |
| Provision released during the year | **(63)** | (33) |
| Provision utilised during the year | **(270)** | (172) |
| **Closing provision** | **1,009** | 396 |

The provision created during the year relates to redundancy costs associated with the closure of the Tredegar manufacturing site and the reorganisation of finance, telesales, distribution, demand and supply planning operations (Note 7).

During the prior year, provisions related to redundancy costs associated with the reorganisation of finance, telesales, demand and supply planning operations.

## 23 DEFERRED TAX ASSETS AND LIABILITIES

| Group | Retirement benefit obligations £000 | Share-based payments £000 | Foreign exchange contract hedge £000 | Total deferred tax asset £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 26 January 2013 | 782 | 680 | – | 1,462 | – | (336) | (12,826) | (13,162) | (11,700) |
| Credit/(charge) to the income statement (Note 9) | 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) |
| (Charge)/credit to the income statement (Note 9) | (282) | (67) | – | (349) | – | – | 62 | 62 | (287) |
| Credit/(charge) to other comprehensive income | 2,934 | – | (14) | 2,920 | – | | – | – | 2,920 |
| Credit to other reserves | – | 133 | – | 133 | – | – | – | – | 133 |
| **At 25 January 2015** | **2,652** | **745** | **119** | **3,516** | **(1,002)** | **–** | **(11,126)** | **(12,128)** | **(8,612)** |

| Company | Retirement benefit obligations £000 | Share-based payments £000 | Foreign exchange contract hedge £000 | Total deferred tax asset £000 | Retirement benefit obligations £000 | Foreign exchange contract hedge £000 | Accelerated tax depreciation £000 | Total deferred tax liability £000 | Net deferred tax (liability)/asset £000 |
|---|---|---|---|---|---|---|---|---|---|
| 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) |
| (Charge)/credit to the income statement | (282) | (67) | – | (349) | – | – | (93) | (93) | (442) |
| Credit/(charge) to other comprehensive income | 2,934 | – | (14) | 2,920 | – | – | – | – | 2,920 |
| Credit to other reserves | – | 133 | – | 133 | – | – | – | – | 133 |
| **At 25 January 2015** | **2,652** | **745** | **119** | **3,516** | **(1,002)** | **–** | **(2,420)** | **(3,422)** | **94** |

No deferred tax asset is recognised in the statement of financial position for unused capital losses of £2,382,000 (2014: £2,382,000).

A further deferred tax asset of £892,000 (2014: £892,000) has not been recognised in respect of acquired tax losses in Taut (U.K.) Limited, a subsidiary of the Company.

## 24 LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as follows for the Group and Company:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| No later than one year | **2,576** | 2,936 |
| More than one year but not more than five years | **9,291** | 8,911 |
| Due beyond five years | **4,715** | 4,599 |
| **Total lease commitments** | **16,582** | 16,446 |

## 25 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 25 January 2015, 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 2014: 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.

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.

## 25 FINANCIAL RISK MANAGEMENT CONTINUED

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 25 January 2015, 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 2014: 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 22 to 25. 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 25 January 2015, there was a net cash position (year ended 26 January 2014: net debt/EBITDA ratio was 0.05 times).

The Group monitors capital efficiency on the basis of the return on capital employed ratio ('ROCE'). In the financial year ended 25 January 2015, ROCE increased to 24.0% from 22.4%.

## 26 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 2014 using the attained age method.

A surplus of £12,200,000 was determined at the valuation date.

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 2014 was updated to 25 January 2015 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 | 2015 £000 | 2014 £000 |
|---|---|---|
| Present value of funded obligations | **(131,005)** | (97,278) |
| Fair value of scheme assets | **112,536** | 97,167 |
| **Deficit recognised in the statement of financial position** | **(18,469)** | (111) |

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 |
|---|---|---|---|
| At 26 January 2014 | **97,167** | **(97,278)** | **(111)** |
| Current service cost | **–** | **(1,417)** | **(1,417)** |
| Curtailment gain | **–** | **523** | **523** |
| Interest income/(expense) | **4,156** | **(4,112)** | **44** |
| Total cost recognised in income statement | **4,156** | **(5,006)** | **(850)** |
| Remeasurements | | | |
| – changes in financial assumptions | **–** | **(31,628)** | **(31,628)** |
| – actuarial return on assets excluding amounts recognised in net interest | **11,858** | **–** | **11,858** |
| Total remeasurements recognised in other comprehensive income | **11,858** | **(31,628)** | **(19,770)** |
| Cashflows | | | |
| Employer contributions | **2,262** | **–** | **2,262** |
| Plan participants' contributions | **48** | **(48)** | **–** |
| Benefits paid | **(2,917)** | **2,917** | **–** |
| Premiums paid | **(38)** | **38** | **–** |
| Total cash outflow | **(645)** | **2,907** | **2,262** |
| **As at 25 January 2015** | **112,536** | **(131,005)** | **(18,469)** |

## 26 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The movement in the defined benefit obligation in the year to 26 January 2014 was as follows:

| Group and Company | Fair value of plan assets £000 | Present value of obligation £000 | Total £000 |
|---|---|---|---|
| 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) |

### Asset backed funding arrangement

During the year to 26 January 2014 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 £1,125,000 per annum for the pension scheme, increasing annually in line with inflation.

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 carrying values at the date of transfer 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

| | 2015 | 2014 |
|---|---|---|
| Discount rate | **3.20%** | 4.30% |
| Future salary increases | **4.20%** | 4.30% |
| Inflation assumption | **3.20%** | 3.30% |

## Mortality assumptions

| | 2015 | 2014 |
|---|---|---|
| Average future life expectancy (in years) for a male pensioner aged 65 | **25** | 22 |
| Average future life expectancy (in years) for a female pensioner aged 65 | **24** | 24 |
| Average future life expectancy (in years) at age 65 for a male non-pensioner aged 45 | **27** | 23 |
| Average future life expectancy (in years) at age 65 for a female non-pensioner aged 45 | **27** | 26 |

The mortality tables adopted in finalising the fair value of the liabilities are the 2013 VITA tables based on the member's year of birth. This assumes that the expected age at death for males is 90 to 92 and for females is 89 to 92 depending on their age at 25 January 2015.

The fair value of scheme assets at the year end dates is analysed as follows:

| | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 |
|---|---|---|---|---|---|
| Equities | **46,730** | 49,445 | 56,829 | 53,595 | 55,247 |
| Bonds | **59,769** | 43,137 | 25,894 | 24,526 | 22,087 |
| Property | **322** | – | – | – | – |
| Cash | **5,715** | 4,585 | 4,171 | 4,833 | 2,172 |
| Total market value of scheme assets | **112,536** | 97,167 | 86,894 | 82,954 | 79,506 |

## 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 25 January 2015** | Year to 26 January 2014 |
| Discount rate | Increase/decrease by 0.1% | Decreases/increases liabilities by £2.6m | Decreases/increases liabilities by £1.9m |
| Rate of inflation | Increase/decrease by 0.1% | Increases/decreases liabilities by £1.7m | Increases/decreases liabilities by £1.1m |
| Life expectancy | Increase/decrease by 1 year | Increases/decreases liabilities by £3.9m | Increases/decreases liabilities by £2.9m |

## 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 continuing to reduce 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 prior 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.

## 26 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

**– 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**
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 40% 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.

### Description of funding arrangements and funding policy that affect future contributions
The Schedule of Contributions dated 9 January 2015 sets out the current contributions payable by the Company to the Scheme. This was revised based on the actuarial valuation performed as at 5 April 2014 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 £1,200,000 to the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme in the period ending 30 January 2016, and the Scheme expects to receive further contributions of approximately £1,200,000 from the asset backed funding arrangement in which the Scheme holds an interest.

The weighted average duration of the defined benefit obligation is 22 years.

The expected maturity analysis of the undiscounted defined benefit pension benefit, estimated on the Scheme's funding is as follows:

| | Less than one year | One to two years | Two to five years | Greater than five years |
|---|---|---|---|---|
| Proportion of total pension benefits to be paid as at 5 April 2014 | 1% | 1% | 3% | 95% |
| Proportion of total pension benefits to be paid as at 5 April 2013 | 1% | 1% | 3% | 95% |

### Defined contribution scheme
The pension costs for the defined contribution schemes are as follows:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Defined contribution costs | **2,729** | 2,066 |

## 27 SHARE CAPITAL

| Group and Company | 2015 Shares | 2015 £ | 2014 Shares | 2014 £ |
|---|---|---|---|---|
| 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 25 January 2015 the Company's employee benefit trusts purchased 383,790 (2014: 422,130) shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 25 January 2015 the shares held by the Company's employee benefit trusts represented 1,350,184 (2014: 1,312,318) shares at a purchased cost of £7,453,025 (2014: £6,797,544).

## 28 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 and ESOS options which are granted to executive directors; and
– AESOP awards that are available to all employees.

### Savings Related Share Option Scheme ('SAYE')

All SAYEs outstanding at 26 January 2014 and 25 January 2015 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:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Options** | **Average exercise price in pence per share** | Options | Average exercise price in pence per share |
| At start of the year | **1,587,861** | **306p** | 1,699,371 | 305p |
| Granted in the year | **–** | **–p** | – | –p |
| Forfeited | **(19,420)** | **254p** | (100,120) | 309p |
| Exercised | **(149,511)** | **327p** | (11,390) | 167p |
| At end of the year | **1,418,930** | **305p** | 1,587,861 | 306p |

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 (2014: £2.54 and £3.58).

The weighted average share price on the dates that options were exercised in the year to 25 January 2015 was £6.12.

The weighted average remaining contractual life of the outstanding share options at the year end is 2 years (2014: 2 years).

## 28 SHARE-BASED PAYMENTS CONTINUED

### 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 | 3 June 2014 |
|---|---|
| Number of share awards granted | 167,987 |
| Share price at date of grant | 627p |
| Contractual life in years | 3 |
| Dividend yield | 1.71% |
| Expected outcome of meeting performance criteria (at grant date) | 50% |
| **Fair value determined at grant date** | **596p** |

### ESOS

During the year, market value options were granted to the executive directors as disclosed in the Directors' Remuneration Report.

The weighted average fair value of the ESOS 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 | 3 June 2014 |
|---|---|
| Number of share awards granted | 14,352 |
| Share price at date of grant | 627p |
| Option exercise price | 627p |
| Contractual life in years | 3 |
| Dividend yield | 1.71% |
| Expected outcome of meeting performance criteria (at grant date) | 50% |
| **Fair value determined at grant date** | **95p** |

### 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 £150 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 rising to £3,600 with effect from 1 February 2015, and the shares awarded are held in trust for five years.

## 29 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 | |
|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| Rubicon Drinks Limited | **40,095** | 37,268 | **52,349** | 52,692 |
| Findlays Limited | **–** | – | **128** | 148 |

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 19) and to subsidiary companies (Note 21) are balances due by and due to dormant subsidiary companies.

| | Amounts owed by related parties | | Amounts due to related parties | |
|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| Rubicon Drinks Limited | **–** | – | **51,074** | 40,948 |
| Findlays Limited | **–** | – | **2,962** | 2,476 |

### 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:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Salaries and short term benefits | **3,356** | 2,601 |
| Pension and other costs | **347** | 339 |
| Share-based payments | **19** | 30 |
| | **3,722** | 2,970 |

### 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 £503,756 (2014: £393,886) for administration services in respect of the retirement benefit plans. At the year end £nil (2014: £nil) was outstanding to the service provider on behalf of the retirement benefit plans.

## 30 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 £156,537,000 (2014: £155,236,000) and the Company has sufficient reserves to continue making dividend payments. The Group's net debt position has decreased from a deficit of £2,068,000 at 26 January 2014 to a surplus of £10,364,000 at 25 January 2015, and there is borrowing headroom of £49,927,000 at the year end.

## 31 SUBSEQUENT EVENTS

On 2 February 2015, the Group acquired 100% of the share capital of Funkin Limited, a company which offers a broad range of premium cocktail solutions including fruit purees, cocktail mixers and syrups.

The cash consideration was £16,500,000 plus up to a further £4,500,000 subject to the achievement of certain financial performance targets.

The acquisition was funded by an extension of A.G. BARR p.l.c. existing credit facilities.

No disclosure in respect of this acquisition is included in these financial statements as the fair value of the assets and liabilities being acquired has yet to be determined.

The full disclosure and accounting for the acquisition will be included in the financial statements for the year ending 30 January 2016.

# Review of Trading Results

| | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **Revenue** | **260,895** | 254,085 | 237,595 | 222,896 | 209,320 |
| Cost of sales | **(137,582)** | (137,929) | (129,591) | (117,825) | (109,298) |
| **Gross profit** | **123,313** | 116,156 | 108,004 | 105,071 | 100,022 |
| **Other income** | **747** | – | – | – | – |
| Distribution costs (including selling costs) | **(51,872)** | (50,232) | (47,398) | (46,070) | (42,803) |
| Administration costs | **(30,055)** | (27,443) | (25,660) | (25,288) | (24,743) |
| **Operating expenses** | **(81,927)** | (77,675) | (73,058) | (71,358) | (67,546) |
| **Operating profit before exceptional items** | **42,133** | 38,481 | 34,946 | 33,713 | 32,476 |
| **Exceptional items** | **(3,286)** | (3,801) | (3,158) | 1,864 | (1,156) |
| **Operating profit after exceptional items** | **38,847** | 34,680 | 31,788 | 35,577 | 31,320 |
| Finance income | **103** | 159 | 160 | 264 | 295 |
| Finance expense | **(322)** | (545) | (356) | (1,096) | (1,678) |
| **Net finance expense** | **(219)** | (386) | (196) | (832) | (1,383) |
| **Profit before tax** | **38,628** | 34,294 | 31,592 | 34,745 | 29,937 |
| Tax on profit | **(8,631)** | (6,115) | (6,205) | (7,271) | (7,851) |
| **Profit after tax** | **29,997** | 28,179 | 25,387 | 27,474 | 22,086 |
| **Earnings per share on issued share capital (pence)** | **25.69** | 24.13 | 21.74 | 23.53 | 18.91 |
| **Dividends recognised as an appropriation in the year (pence)** | **11.30** | 2.83 | 16.90 | 8.65 | 7.87 |

# 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: (i) 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 (ii) another appropriately authorised independent financial adviser if you are not resident in the United Kingdom.**

**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 eleventh 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 Wednesday, 27 May 2015 at 9.30 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 14 (inclusive) will be proposed as ordinary resolutions and Resolutions 15 and 16 will be proposed as special resolutions.

1. To receive and approve the audited accounts of the group and the Company for the year ended 25 January 2015 together with the directors' and auditor's reports thereon.

2. To receive and approve the annual statement by the chairman of the remuneration committee and the directors' remuneration report (other than the part containing the directors' remuneration policy) as set out on page 54 and pages 55 to 66 of the Company's annual report and accounts for the year ended 25 January 2015.

3. To declare a final dividend of 9.01 pence per ordinary share of 4 1/6 pence for the year ended 25 January 2015.

4. To re-elect Mr John Ross Nicolson 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 Jonathan David Kemp as a director of the Company.

7. To re-elect Mr Andrew Lewis Memmott as a director of the Company.

8. To re-elect Mr William Robin Graham Barr as a director of the Company.

9. To re-elect Mr Martin Andrew Griffiths as a director of the Company.

10. To re-elect Ms Pamela Powell as a director of the Company.

11. To elect Mr Stuart Lorimer as a director of the Company.

12. To elect Mr David James Ritchie as a director of the Company.

13. To re-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 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 2016 and 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.

15. THAT, subject to the passing of resolution 14 set out in the notice of the annual general meeting of the Company convened for 27 May 2015 ('**Resolution 14**'), 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 14 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 2016 and 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.

16. 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;

(c) 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);

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of 31 July 2016 and 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

(e) 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 Financial Conduct Authority, held as a treasury share.

By order of the Board

**Julie A. Barr**
Company Secretary

23 April 2015

**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 130 to 134 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 eleventh annual general meeting (the 'AGM') of A.G. BARR p.l.c. (the 'Company').**

Resolutions 1 to 14 (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 15 and 16 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 LLP) for the year ended 25 January 2015 together with the associated reports of the directors and auditor.

**Resolution 2 – Directors' remuneration**
This Resolution invites shareholders to approve the annual statement by the chairman of the remuneration committee and the directors' remuneration report (other than the part containing the directors' remuneration policy which was approved last year and which it is expected will not be voted on until the 2017 AGM) for the year ended 25 January 2015. Resolution 2 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.

**Resolution 3 – Final dividend**
Shareholders are being asked to approve a final dividend of 9.01 pence per ordinary share of 4 1/6 pence for the year ended 25 January 2015. If shareholders approve the recommended final dividend, it will be paid on 5 June 2015 to all shareholders on the Company's register of members on 8 May 2015.

**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, Stuart Lorimer and David Ritchie will retire and offer themselves 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 page 39 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 Stuart Lorimer and David Ritchie) of the directors.

**Resolution 13 – re-appointment of auditor**
The Company is required to appoint an auditor at each general meeting at which accounts are presented to shareholders and KPMG LLP have indicated their willingness to continue in office. Accordingly, shareholders are being asked to re-appoint 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.

**Resolution 14 – 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 14, 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 2015 (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 Investment Management Association, sub-paragraph (b) of Resolution 14, 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 2015 (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 14. 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 14 will expire on the earlier of 31 July 2016 (being the latest date by which the Company must hold its annual general meeting in 2016) and the conclusion of the annual general meeting of the Company held in 2016.

### Resolution 15 – 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, 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 15, 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 15 would also cover the sale of treasury shares for cash.

Sub-paragraph (a) of Resolution 15 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 15 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 2015 (being the latest practicable date prior to the publication of this report).

The authority sought under Resolution 15 will expire on the earlier of 31 July 2016 (being the latest date by which the Company must hold an annual general meeting in 2016) and the conclusion of the annual general meeting of the Company held in 2016.

### Resolution 16 – 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 16, 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 2016 (being the latest date by which the Company must hold an annual general meeting in 2016) and the conclusion of the annual general meeting of the Company held in 2016.

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 2015 (being the latest practicable date prior to the publication of this report), options had been granted over 1,944,951 ordinary shares (the '**Option Shares**') representing approximately 1.67% of the Company's issued share capital at that date. If the authority to purchase the Company's ordinary shares (as described in Resolution 16) were exercised in full, the Option Shares would have represented approximately 1.85% of the Company's issued share capital as at 1 April 2015. As at 1 April 2015, 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.

### 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: 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 regard, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred 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 2015 (or, if the AGM is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). Any 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 2015 (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. As at 22 April 2015, the Company did not hold any treasury shares. Therefore, the total voting rights in the Company as at 22 April 2015 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 U.K. 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 at the offices of KPMG LLP, 191 West George Street, Glasgow G2 2LJ from 9.15 a.m. on the date of the AGM until the conclusion of the AGM:

14.1 copies of the service contracts of the Company's executive directors; and
14.2 copies of the letters of appointment of the Company's non-executive directors.

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