5653

SOFT DRINKS

A. G. BARR p.l.c.
Contents

BARR

SOFT DRINKS

A. G. BARR p.l.c.
Notice of Meeting

NOTICE IS HEREBY GIVEN that the ninety-fourth Annual General Meeting of the company will be held at the offices of Kidsons Impey, Breckenridge House, 274 Sauchiehall Street, Glasgow on Tuesday, 26th May, 1998 at 11.00 a.m.

Agenda

1. To receive and adopt the audited consolidated accounts of the company and its subsidiaries for the 15 months ended 31st January, 1998 together with the reports of the directors and auditors thereon.
2. To declare a final dividend for 1998.
3. To re-elect the retiring directors Mr. W. R. G. Barr and Mr. J. E. Dawson.
4. To confirm the appointment of both Mr. H. McPherson and Mr. I. F. Greenock to the board.
5. To re-appoint the auditors and to authorise the directors to fix their remuneration.
6. To transact any other competent business.

By Order of the Board,

I. F. Greenock, C.A.,
Secretary.
1st May, 1998.

Notes

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend, and, on a poll, vote in his or her place. A proxy need not be a member.
2. There are no contracts of service under which directors of the company are employed by the company or any of its subsidiaries, other than contracts expiring or determinable by the employing company within two years for executive directors and three years for the non-executive director and without payment of compensation.
3. The following information which is available for inspection during business hours at the company's registered office will, on the day of the Annual General Meeting, be produced at the Meeting and made available to any person attending:
   (1) A statement of transactions of directors (and all their family interests) in the share capital of the company.
   (2) Copies of all contracts of service under which directors of the company are employed by the company or any of its subsidiaries.

Registered Office:
1306 Gallowgate, Glasgow G31 4DS

Directors

W. R. G. BARR, C.A. Chairman
H. McPHERSON, M.A. (Hons)
G. M. MacLAREN, C.A.
A. A. BIBBY, B.Eng., M.Inst.B.E.
J. E. DAWSON
J. M. GOODWIN, C.A. (Non-executive)
I. F. GREENOCK, C.A.

Secretary

I. F. GREENOCK, C.A.

Auditors

KIDSONS IMPEY
BRECKENRIDGE HOUSE, 274 SAUCHEHALL STREET, GLASGOW G2 3EH

Solicitors

BRECHIN TINDAL OATTS
48 ST VINCENT STREET, GLASGOW G2 5HS

Registrars

BANK OF SCOTLAND
REGISTRAR DEPARTMENT, APEX HOUSE, 9 HADDINGTON PLACE, EDINBURGH EH7 4AL

REGISTERED IN SCOTLAND NO. 5653

Review of results

I am pleased to advise that we continued to achieve during the last 3 months of the 15 month period to 31st January, 1998 the improvement in trading performance which was reported earlier in relation to the interim period of 12 months up to October 1997.

Profit on ordinary activities before taxation for the 15 months to January 1998 was £14.4 million compared with the figure of £10.8 million which was achieved for the 12 months to October 1997 – indicating a profit of £3.6 million during the final 14 week period. Unaudited figures in respect of the 13 week period to end January 1997 showed a profit of £1.2 million but the real improvement over last year's figure was some £0.6 million lower than it appears if one takes into account certain non-recurring expenditure and adjustment of provisions affecting the year-on-year comparison.

The two interim reports relative to this 15 month period have already highlighted the main factors which led to the improvement in margins. Advantages were obtained from operating out of our new factory at Cumbernauld and from reductions in the cost of PET bottles and sugar – the price of the latter in the UK being directly affected by the strength of sterling against other EU currencies. These three factors continued to benefit our performance during the final 14 week period. In addition the substantial reduction in borrowings achieved since October 1996 has resulted in the charge for interest in this final 14 week period of £105,000 being well below that payable for the equivalent period a year ago.

Turnover for the 66 weeks to 31st January, 1998 was £136.7 million, an increase of 6½% over the immediate equivalent period. The slight reduction compared with the increase of 7% reported in respect of the 12 months to October 1997 was due to the lower increase of 4½% achieved during the 14 weeks to 31st January, 1998. UK sales of Barr brands, including Orangina, which had been up 7½% during the 12 months to October 1997, were 6¾% up over the 66 week period reflecting in part some particularly attractive offers available on competitors' brands over the Festive period. Sales of Retailers' Own Labels, although remaining a modest part of our total turnover, continued to show an improved trend finishing 5% up over the full 66 weeks.

The substantial increase in earnings per share, even when considered on an annualised basis, has enabled your Directors to recommend a final dividend of 10.0p per share which, together with the two interim dividends already paid, would provide total dividends of 21.0p per share for the 15 months period compared with 8.65p per share for the 12 months to October 1996. In respect of future financial years to end January we plan to pay an interim dividend around end October following the announcement of the half year's results and a final dividend in June after the AGM for the year in question.

Personnel

Notwithstanding the cost factors which moved in our favour during this period the excellent results could not have been obtained without the skills and hard work of our employees who remain a critical asset in respect of the future success of our business. I would like to take this annual opportunity to thank them all, on your behalf, for their individual contributions to what has been an outstanding year.

At Boardroom level several changes have occurred since our last Annual Report. At the end of October 1997 Mr. Michael Barr retired from his position as Distribution and Export Director after a total of 34 years service with the Company. Shareholders will want to join me in thanking him for his considerable contribution to the successful development of our business over such an extended period. We wish him well in his retirement.

At the beginning of February 1998 Mr. Iain Greenock joined the Board and in July this year he will succeed as Financial Director Mr. George MacLaren who will be retiring at that time. Mr. Greenock, a Chartered Accountant, has been Company Secretary since November 1995 and has to date had a total of 22 years service with the Company.

On 2nd March, 1998 Mr. Hugh McPherson, who is aged 42, joined the Company as Managing Director after a total of eighteen years service with United Biscuits where his last position was that of a Divisional Managing Director. In welcoming him to the Company I am confident that his previous experience in marketing and general management with a leading consumer company will enable him to make an immediate contribution to the development of our business.

I am pleased to recommend to you that the appointment of both Mr. Greenock and Mr. McPherson be confirmed at the forthcoming Annual General Meeting.

Trading outlook

Turnover for the first eight weeks of the new financial year has been level compared with the same period last year. Clearly this reflects a slow start in what is always a quiet period of any year and in addition, compared with 1997, this year has seen a reduction of pre-price increase purchasing.

Our margins currently remain close to the level enjoyed in the latter part of the past 15 month period. PET granules are a commodity over which future pricing is always uncertain but current indications would suggest a similar pattern to the movements experienced during 1997. With regard to sugar a refiners' increase raised the price modestly early in 1998 but the current strength of sterling, if sustained, could bring a further reduction on account of the higher value of the Green £.

The proposed purchase by The Coca-Cola Company of the Orangina business of Messrs Pernod Ricard is now under formal investigation by the appropriate French Government authorities and the outcome is unlikely to be announced before June. We continue to manufacture and distribute Orangina in Great Britain in terms of a franchise agreement which runs to 31st December, 2002 but we will potentially need to address the opportunities emanating from a change of brand owner.

Early in our new financial year we have been involved in certain property transactions. That part of our premises at Loanhead, Edinburgh which became surplus to our trading requirements on the cessation of production and which had been leased for the last five years, has recently been sold to the lessees. In addition, the rationalisation last year of our retail selling operations in the West of Scotland and the subsequent growth in sales, has resulted in us outgrowing our retail sales location at Kilmarnock and we have agreed a swap, with a net payment by ourselves, relative to a much larger warehouse unit in Irvine. We plan to move into these new premises in June this year. These transactions have resulted in an overall net cash inflow to the Company of just over £0.3 million.

Competition in the UK remains intense in all sectors of the trade and particularly in the larger PET packs in multiple retailers. Marketing support for our brands continues therefore to be a priority and the primary route for the development of our business. The year to January 1999 is now seeing comparisons against very similar margins enjoyed twelve months earlier and any substantial improvement in results will therefore require to be driven by higher turnover. As ever the summer weather which we experience will be one important factor but, in the absence of unforeseen circumstances, we look forward to another positive performance.

W. R. G. Barr,
Chairman.

SOFT DRINKS

A. G. BARR p.l.c.
Directors' Report for the 15 months ended 31st January, 1998

Results and dividends

The profit on ordinary activities after taxation as shown in the consolidated profit and loss account amounted to £10.071m (1996 – £3.581m)

The directors recommend that this be distributed as follows:

	£000
Dividends	
Interim dividend paid 7th August, 1997, 4.0p per share (1996 – 2.0p)	776
Second interim dividend paid 9th February, 1998, 7.0p per share	1,358
Final dividend proposed 10.0p per share (1996 – 6.65p)	1,940
Total dividends 21.0p per share (1996 – 8.65p)	4,074
Retained profit for the year	5,997
	10,071

If passed the proposed final dividend will be posted on 9th June, 1998.

Activities of the group

The principal activity is the manufacture and sale of soft drinks.

A review of trading during the year and future prospects is contained in the Chairman's Statement on pages 3 and 4.

Fixed assets

The directors are of the opinion that the market value of properties at 31st January, 1998 was in excess of their book value.

Employee involvement

Using regular briefing procedures, managers keep employees at all levels informed about matters affecting the policy, progress and people in the business in which they work. Twice yearly the briefing includes a report on trading results.

The directors are committed to the principle of employee share participation through the A. G. Barr p.l.c. Profit Linked Share Plan and the A. G. Barr p.l.c. Savings Related Share Option Scheme.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the respective 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 training, career development and promotion of a disabled person is, as far as possible, identical to that of a person fortunate enough not to suffer from a disability.

Payment policy and practice

The policy is to make payment on the terms agreed with suppliers when satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. There is no standard or code which deals specifically with the payment of suppliers.

At 31st January, 1998 trade creditors represented approximately 29 days purchases based on the average daily amount invoiced by suppliers during the 15 month period.

Directors

The directors retiring by rotation are Mr. W. R. G. Barr and Mr. J. E. Dawson, who being eligible, offer themselves for re-election. Both directors have service contracts which are terminable on two years' notice.

The appointments of Mr. H. McPherson and Mr. I. F. Greenock to the board on 2nd March, 1998 and 2nd February, 1998 respectively fall to be confirmed. Both directors have service contracts which are currently terminable on one year's notice.

The non-executive director is Mr. J. M. Goodwin (65) appointed in 1993, former chairman of The Highland Distilleries Company plc.

At no time during the year had any director a material interest in any contract which was of significance to the group's business.

Interests in share capital

In addition to the directors' shareholdings detailed in note 26 to the accounts, the directors have been notified of the following shareholdings in excess of 3% of the issued share capital as at 10th April, 1998:

Caledonian General Investments Limited	1,755,000 shares (9.04%)
3i Group p.l.c.	936,800 shares (4.83%)
Prudential Client (MSS) Nominees Limited	810,369 shares (4.18%)

Mr. D. A. Jones, a partner in the company's auditors, Kidsons Impey, is a trustee of the A. G. Barr p.l.c. Profit Linked Share Plan which at the balance sheet date had a holding of 189,780 shares in the company.

Share value

The share value at 31st March, 1982 was 78.334p per 25p Ordinary share (restated to reflect the scrip issue on 5th March, 1991).

Auditors

Kidsons Impey have agreed to offer themselves for re-election as auditors of the company. A resolution will be proposed at the Annual General Meeting for their re-appointment and, in addition, authorising the directors to fix their remuneration.

Close company

The company is not a close company in terms of the Income and Corporation Taxes Act 1988.

Internal financial control

The directors acknowledge that they are responsible for the group's system of internal financial control, although it must be recognised that such a system can only provide reasonable but not absolute assurance against loss or material mis-statement. The principal elements underlying the group's system of financial control are as follows:

The board as a whole is responsible for the group's objectives, policies and stewardship of its resources. It meets monthly and focuses mainly on strategy and financial performance. The day to day management of the business is organised on a functional basis and because of the size of the business the functional directors have close contact with senior members of all functions.

The group's activities are subject to an annual budget process and the directors meet to review the variances highlighted by monthly management accounts. In addition, full financial accounts are prepared quarterly and reconciled with the monthly management accounts.

The identification of major business risks is carried out in conjunction with operating management and procedures agreed to exercise as much control as is practicable. The budgeted annual capital expenditure of the group is compared monthly by the board against actual commitments in concert with a review of the group's cash flow position.

Going concern

On the basis of current financial projections and facilities available, the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing accounts.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing the group's accounts, the directors confirm that they have:

(a) selected suitable accounting policies and applied them consistently;

(b) made judgements and estimates that are reasonable and prudent;

(c) followed applicable accounting standards; and

(d) prepared the accounts on a going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board,

I. F. Greenock, C.A.,
Secretary.
1306 Gallowgate, Glasgow G31 4DS.
22nd April, 1998.

The remuneration committee

The remuneration committee comprises:

J. M. Goodwin, C.A. (Chairman)
W. R. G. Barr, C.A.

J. M. Goodwin is the sole non-executive director of the company and W. R. G. Barr is the executive chairman. Both have served since the inception of the committee on 19th December, 1996. Regarding the "Best Practice Provisions: Directors' Remuneration" annexed to the Listing Rules of the London Stock Exchange, the committee considers that it has complied with the requirements of section A, with the exception of the make-up of the committee, and also confirms that, in determining the remuneration policy for directors, full consideration has been given to section B.

The policy and objectives

The policy of the committee is to reward the executive directors in line with the current remuneration of directors in comparable businesses taking into consideration the advice of independent benefit consultants in order to recruit, motivate and retain high quality executives within a competitive marketplace.

Executive directors' remuneration

(i) Basic salary and benefits

Basic salaries and benefits in kind are reviewed within the policy on an annual basis.

(ii) Share schemes

(a) Profit Linked Share Plan

The executive directors participate in the company's Inland Revenue approved Profit Linked Share Plan which is open to all employees. Under the terms of this scheme all participants receive shares to the value of a common percentage of their earnings, related to the performance of the company.

The shares allocated are to a maximum value of £5,000 and are held in trust on their behalf for three years.

(b) Savings Related Share Option Scheme

The 1995 Savings Related Share Option Scheme is an Inland Revenue approved scheme available to all employees including executive directors and is based on a five year savings contract which provides an option to purchase shares after five years at a discounted price fixed at the time the contract is taken out.

(c) Executive Share Option Scheme

The Executive Share Option Scheme is an Inland Revenue approved scheme and in accordance with its terms senior employees including executive directors, have received options at current market value to be exercised, in normal circumstances, between three and ten years after grant. This scheme was terminated on 28th April, 1997 but several options remain outstanding.

Executive directors' remuneration (continued)

(d) Performance Related Share Scheme

At the annual general meeting held on 3rd March, 1997 the introduction of a Performance Related Share Scheme was approved. The purpose of this scheme, which replaces the Executive Share Option Scheme, is to reward executive directors and other senior employees for achieving above average performance in the profits of the company which would also benefit shareholders.

Under the scheme, participants will be awarded bonuses at the discretion of the remuneration committee following an increase in earnings per share of at least 2½% above Retail Price Index providing that the eligible executive is still in the employment of the company at the end of the scheme year. The maximum annual bonus value awarded to a participant in respect of a scheme year may not exceed 50% of the executive's annual base salary.

The bonuses will be released as follows:

- Normally one third of the value of the bonus will be in cash and released immediately on award.
- The remaining two thirds of the value of the bonus will be in the form of shares which will not normally be released earlier than five scheme years after the end of the relevant scheme year.

If the average earnings per share for not less than five nor more than seven scheme years following the year of award exceeds the earnings per share of that scheme year by no less than the average annual percentage rate of inflation for the comparative scheme years plus 2½%, additional matching shares will be awarded to participants under the rules of the scheme.

(iii) Pension rights

Under the terms of their service contracts, executive directors are members of the A. G. Barr p.l.c. Executive Pension Scheme which provides pensions for directors of up to 2.22% of pensionable pay for each year of pensionable service completed up to the normal retirement date of 60 or 63 which depends upon the individual director's contributions. Executive directors dismissed for reasons other than gross misconduct are entitled under their contract of employment to have their deferred pension based on final pensionable pay at normal date of retirement. The pension scheme adjusts the deferred pension by the increase in the Retail Price Index up to the normal date of retirement. Any difference between the benefit in the contract of employment and provided by the pension scheme will be met by the company. This provision is unfunded.

(iv) Service contracts

All executive directors' service contracts provide for a period of notice of 1 year increasing to 2 years after 4 years service as a director. The board considers that this provision, which has been in place for over 20 years, is appropriate in a competitive market place and sees no adequate reason to change it. Directors are required to give 6 months' notice of termination.

Non-executive directors' fees

The fees of non-executive directors are determined by the board as a whole having regard to the commitment of time required and the level of fees in similar companies.

J. M. Goodwin,
Remuneration Committee Chairman.
22nd April, 1998.

A. G. BARR p.l.c.
Statement on Corporate Governance

The company complies with all aspects of the Code of Best Practice recommended by the committee on The Financial Aspects of Corporate Governance except as undernoted:

(a) The chairman is also the chief executive.

(b) The company has only one independent non-executive director.

(c) The company does not have an Audit Committee.

The board consider that, in relation to the size and structure of the company, compliance with the aspects noted above would not be appropriate at this time.

A procedure is in place whereby prior to the approval by the board of the interim and final accounts the chairman and the finance director and the independent non-executive director formally meet with the company's auditors to review any significant matters related to these accounts. In addition the non-executive director has such additional independent access to the auditors as he deems appropriate.

W. R. G. Barr,
Chairman.
22nd April, 1998.

To the Members of A. G. Barr p.l.c.

We have audited the accounts on pages 12 to 25 which have been prepared under the accounting policies set out on pages 15 to 25.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's and the group's affairs at 31st January, 1998 and of the profit of the group for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.

Corporate governance

In addition to our audit of the accounts, we have reviewed the directors' statements on pages 7 and 10 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on pages 6 and 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and on examination of relevant documents, in our opinion the directors' statement on page 10 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Kidsons Impey,
Registered Auditors,
Chartered Accountants.
Glasgow.
22nd April, 1998.

SOFT DRINKS

A. G. BARR p.l.c. and its Subsidiary Companies Consolidated Profit and Loss Account for the 15 months ended 31st January, 1998

	Notes	*15 months 1998 £000*	*12 months 1996 £000*
Turnover	2	136,729	103,068
Cost of sales		70,675	60,308
Gross profit		66,054	42,760
Net operating expenses	3	50,526	36,677
Operating profit	4	15,528	6,083
Interest	7	1,118	1,042
Profit on ordinary activities before taxation		14,410	5,041
Tax on profit on ordinary activities	8	4,339	1,460
Profit on ordinary activities after taxation		10,071	3,581
Dividends	9	4,074	1,678
Retained profit for the year	23	5,997	1,903
Earnings per share	10	51.90p	18.46p

All gains and losses as described in Financial Reporting Standard 3 (27) have been included in the profit for the financial year.

SOFT DRINKS

A. G. BARR p.l.c.
and its Subsidiary Companies
Balance Sheets
as at 31st January, 1998

	Notes	*GROUP* 1998 £000	*GROUP* 1996 £000	*COMPANY* 1998 £000	*COMPANY* 1996 £000
Fixed assets					
Tangible assets	11	40,178	42,025	40,082	41,720
Investments in subsidiaries and associated undertakings	12	100	100	100	100
		40,278	42,125	40,182	41,820
Current assets					
Stocks	13	10,233	10,414	10,229	10,348
Debtors	14	16,180	14,509	16,208	14,520
Investment	15	1,766	1,212	1,766	1,212
Cash at bank		9,913	4,234	9,913	4,233
		38,092	30,369	38,116	30,313
Creditors: Due within one year	16	28,236	26,843	28,651	26,876
Net current assets		9,856	3,526	9,465	3,437
Total assets less current liabilities		50,134	45,651	49,647	45,257
Creditors: Due after more than one year					
Loans	17	5,053	5,158	5,053	5,158
Hire purchase creditor	18	2,517	3,724	2,517	3,724
		7,570	8,882	7,570	8,882
Provisions for liabilities and charges	19				
Deferred credit	20	823	888	823	888
Deferred taxation	21	1,054	1,191	1,063	1,193
		1,877	2,079	1,886	2,081
		9,447	10,961	9,456	10,963
		40,687	34,690	40,191	34,294
Capital and reserves					
Called up share capital	22	4,851	4,851	4,851	4,851
Share premium reserve	23	718	718	718	718
Profit and loss account	23	35,118	29,121	34,622	28,725
		40,687	34,690	40,191	34,294

The accounts on pages 12 to 25 were approved by the Board on 22nd April, 1998.

W. R. G. Barr

G. M. MacLaren

Directors.

SOFT DRINKS

A. G. BARR p.l.c. and its Subsidiary Companies Cash Flow Statement for the 15 months ended 31st January, 1998

		1998		1996	
	Notes	*£000*	*£000*	*£000*	*£000*
Net cash inflow from operating activities	27		23,195		7,962
Returns on investments and servicing of finance					
Interest received		132		–	
Interest paid		(814)		(733)	
Interest element of hire purchase paid		(436)		(309)	
Net cash outflow from returns on investments and servicing of finance			(1,118)		(1,042)
Taxation					
Corporation tax paid			(1,053)		(1,701)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(6,367)		(9,121)	
Grants received		–		218	
Sale of tangible fixed assets		1,129		336	
			(5,238)		(8,567)
			15,786		(3,348)
Acquisitions and disposals					
Investment in associated undertaking			–		(100)
Dividends paid			(2,065)		(1,591)
			13,721		(5,039)
Financing					
Capital element of hire purchase repaid		(1,223)		(1,461)	
Loan received		–		5,000	
Loans repaid		(105)		(136)	
			(1,328)		3,403
Increase/(decrease) in cash			12,393		(1,636)

Accounting Policies

The accounts set out on pages 12 to 25 have been prepared in accordance with applicable accounting standards using the historical cost convention modified to include certain freehold and leasehold land and buildings at valuation.

The figures in notes 2 to 9 for 1998 are totals for a 15 month period while those for 1996 are for 12 months.

The other accounting policies of the group are described in the relevant notes to these accounts.

Notes to the Accounts

1. Basis of consolidation

The group accounts consists of a consolidation of the accounts of the company and its subsidiaries, all of which are wholly owned. All the accounts are made up to 31st January, 1998.

The group's share of the results and net assets of its associated undertaking have not been accounted for as the directors consider that they are not material to the group as a whole. The group's share of the pre-tax loss as shown in the unaudited accounts for the 15 months to 31st January, 1998 amounted to £15,144 and its share of net liabilities amount to £9,345. The purchases during the period from the associated company amounted to £486,912 and the balance due to Findlays Limited as at 31st January, 1998 amounted to £1,249.

The company has not presented its own profit and loss account, as permitted by Section 228(7) of the Companies Act, 1985.

2. Turnover

This is the net sales value exclusive of value added tax of goods and services supplied to customers outside the group during the period.

The figure for turnover includes exports of £766,000 (1996 – £807,000) which are not considered sufficiently significant to warrant allocation to the geographical markets involved.

3. Net operating expenses

	1998	*1996*
	£000	*£000*
Distribution costs	33,152	24,460
Administrative expenses	16,888	12,047
Employee share scheme	486	170
	50,526	36,677

4. Operating profit

	1998	*1996*
	£000	*£000*
Operating profit is arrived at after charging:		
Depreciation of fixed assets (note 11)	6,301	4,499
Audit fees	79	77
Non-audit fees paid to auditors	42	30

5. Employees

	1998	*1996*
The average number of persons employed including directors was:	943	1,090

	£000	*£000*
Wages and salaries	20,907	17,363
Social security costs	1,753	1,415
Pension contributions (note 6)	1,227	967
	23,887	19,745

At 31st January, 1998, 471 employees held options over 661,507 ordinary shares under the A. G. Barr p.l.c. 1995 Savings Related Share Option Scheme.

6. Pension schemes

The company operates three pension schemes. The scheme for works employees is an insured money purchase contract. The other two schemes are for executives and for staff employees. Both these schemes provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company and are invested in managed funds.

Up until 31st December, 1996 it also operated a fourth pension scheme for the former members of the Mansfield Brewery P.L.C. Pension Scheme (Mandora). This scheme was merged with the pension scheme the company operates for its staff employees on 1st January, 1997.

Contributions to the final salary schemes are charged to the profit and loss account, so as to spread the cost of pensions over employees' working lives with the company in accordance with Statement of Standard Accounting Practice No. 24. The contributions to the final salary schemes are determined by a qualified actuary on the basis of triennial valuations. The most recent valuations were conducted as at 1st November, 1996. The projected unit method was used at the valuations.

The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and to the rates of increase in pay and pensions. It was assumed that the investment returns would be 2% per annum higher than the growth in pensionable pay and 4% per annum higher than the increase in pensions for the executive and staff schemes, and 4½% per annum higher than the increase in pensions for the Mandora scheme.

The surplus, determined using the above valuation assumptions, was £1,458,000.

A prepayment equal to the combined ongoing surplus of the three final salary schemes has been included in the balance sheet (note 14).

The pension charge for the period of the accounts based on the above assumptions was £437,000 (1996 – £345,000) (money purchase scheme) plus £790,000 (1996 – £622,000) (final salary schemes).

The valuation at 1st November, 1996 showed that the market value of the assets of the final salary schemes was £18,183,000, and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in pay.

7. Interest

	1998	*1996*
	£000	*£000*
Paid: On bank overdrafts	271	468
On loans	543	265
On hire purchase	436	309
	1,250	1,042
Received	(132)	–
	1,118	1,042

8. Tax on profit on ordinary activities

	1998	*1996*
	£000	*£000*
Corporation tax on profits of the year	4,277	1,000
Deferred taxation transfer	116	520
	4,393	1,520
Overprovision prior years	(54)	(60)
	4,339	1,460

If full provision had been made for the potential amount of deferred taxation, the taxation charge for the period would have decreased by £47,000 (1996 – increase £157,000)

9. Dividends

		1998 £000	1996 £000
Interim paid 7th August, 1997	(4.0p per share)	776	388
Second interim paid 9th February, 1998	(7.0p per share)	1,358	–
Proposed final payable 9th June, 1998	(10.0p per share)	1,940	1,290
		4,074	1,678

10. Earnings per share

The calculation is based on the group profit after taxation and the number of ordinary shares of 25p each in issue at 26th October, 1996 and 31st January, 1998. Fully diluted earnings per share are not given as the dilution arising from options granted is not material.

11. Fixed tangible assets

	Land & buildings Freehold £000	*Land & buildings* Long leasehold £000	*Plant, equipment & vehicles* £000	*Total* £000
GROUP				
Cost or valuation				
At 26th October, 1996	23,037	79	54,830	77,946
Additions	272	–	5,266	5,538
Disposals	(195)	–	(4,936)	(5,131)
At 31st January, 1998	23,114	79	55,160	78,353
Depreciation				
At 26th October, 1996	2,521	30	33,370	35,921
Amount charged	344	2	5,955	6,301
Disposals	(45)	–	(4,002)	(4,047)
At 31st January, 1998	2,820	32	35,323	38,175
Net book value				
At 31st January, 1998	20,294	47	19,837	40,178
At 26th October, 1996	20,516	49	21,460	42,025
COMPANY				
Cost or valuation				
At 26th October, 1996	23,037	79	53,959	77,075
Additions	272	–	5,178	5,450
Disposals	(195)	–	(4,260)	(4,455)
At 31st January, 1998	23,114	79	54,877	78,070
Depreciation				
At 26th October, 1996	2,521	30	32,804	35,355
Amount charged	344	2	5,882	6,228
Disposals	(45)	–	(3,550)	(3,595)
At 31st January, 1998	2,820	32	35,136	37,988
Net book value				
At 31st January, 1998	20,294	47	19,741	40,082
At 26th October, 1996	20,516	49	21,155	41,720

The net book value of plant, equipment and vehicles held under hire purchase agreements was £4,041,000 (1996 – £5,541,000)

11. Fixed tangible assets (continued)

GROUP AND COMPANY

For the land and buildings at valuation made in 1970:

	Freehold *£000*	*Long leasehold* *£000*	*Total* *£000*
Net book value			
At 31st January, 1998	73	40	113
At 26th October, 1996	73	40	113

Historical cost value for the land and buildings at valuation:

Historical cost at 31st January, 1998	28	20	48
Accumulated depreciation at 31st January, 1998	13	10	23
Net historical cost value at 31st January, 1998	15	10	25
Net historical cost value at 26th October, 1996	16	10	26

Depreciation

Depreciation is written off the full cost of the fixed assets on a straight line basis at the following rates:

Buildings	1%
Plant	10%, 15%, 20% and 33%
Equipment	15%, 20% and 33%
Vehicles	20%

12. Investments in subsidiaries and associated undertaking

	GROUP		*COMPANY*	
	1998 *£000*	*1996* *£000*	*1998* *£000*	*1996* *£000*
Subsidiaries				
Cost	–	–	3,082	3,082
Amounts written off	–	–	(990)	(990)
Amounts due to subsidiaries	–	–	(2,092)	(2,092)
At 31st January, 1998	–	–	–	–
Associated undertaking				
At 31st January, 1998	100	100	100	100

Operating subsidiaries

Barr Leasing Limited
Iceborg Limited
Hampshire Mineral Water Company Limited
Stotherts Limited

Non-trading subsidiaries

Robert Barr Limited
Frucose Limited
Rimark Overseas Limited
Tizer Limited
T. W. Beach & Sons Limited
Mandora St. Clements Limited
St. Clements (U.K.) Limited
Tizer (New Zealand) Limited

All subsidiaries are wholly owned.

Associated undertaking:

Findlays Limited (40%)

This company is involved in the extraction and bottling of natural mineral water.

13. Stocks

Stocks of returnable bottles and boxes have been valued at the lower of cost or deposit prices. Other stocks with minor exceptions have been valued at cost which is not in excess of market value. In the case of finished goods cost includes a proportion of overhead expenses.

	GROUP		*COMPANY*	
	1998	*1996*	*1998*	*1996*
	£000	*£000*	*£000*	*£000*
Returnable containers	989	870	989	870
Materials	1,537	2,085	1,533	2,023
Finished goods	7,707	7,459	7,707	7,455
	10,233	10,414	10,229	10,348

14. Debtors

	GROUP		*COMPANY*	
	1998	*1996*	*1998*	*1996*
	£000	*£000*	*£000*	*£000*
Trade debtors	13,221	11,403	13,221	11,403
Other debtors	14	260	14	260
Prepayments and accrued income	1,564	1,745	1,564	1,745
Plant deposits	1,209	922	1,209	922
Amounts due by subsidiary companies	–	–	28	11
Pension scheme prepayment (note 6)	172	179	172	179
	16,180	14,509	16,208	14,520

15. Investment

	GROUP		*COMPANY*	
	1998	*1996*	*1998*	*1996*
	£000	*£000*	*£000*	*£000*
Shares in A. G. Barr p.l.c.				
Balance at beginning of period	1,212	–	1,212	–
Shares purchased	528	1,212	528	1,212
Options exercised	(11)	–	(11)	–
Adjustment in value of opening shares	37	–	37	–
Balance at end of period	1,766	1,212	1,766	1,212

On 31st March, 1995 the company established the Savings Related Share Option Scheme approved by shareholders on 6th March, 1995. The A. G. Barr Savings Related Benefit Trust was set up to purchase shares in the company by means of a loan from the company with the intention of satisfying the options exercisable. Two offers have now been made to employees and at 31st January, 1998 the trust held 347,364 ordinary shares in A. G. Barr p.l.c. at the first exercise price of 270p and 250,823 ordinary shares at the second exercise price of 330p. These shares were purchased at an average price of 369p per share. The difference between the purchase and exercise prices will be written off by the company to the Profit and Loss Account over the life of the options. The trust has waived its right to £47,000 in respect of dividends paid during the period and to its future dividends on the shares until such time as the shares are transferred to the employees.

16. Creditors: Due within one year

	GROUP		COMPANY	
	1998	*1996*	*1998*	*1996*
	£000	*£000*	*£000*	*£000*
Current instalments due on loans (note 17)	105	105	105	105
Unpresented cheques	7,555	6,485	7,553	6,481
Trade creditors	3,386	2,040	3,386	2,040
Current corporation tax	4,245	822	4,278	785
Other taxes and social security costs	1,195	1,741	1,195	1,741
Accruals	7,476	6,654	7,473	6,652
Proposed dividend	3,298	1,290	3,299	1,290
Amounts due to subsidiary companies	–	–	386	76
Bank overdraft	–	6,714	–	6,714
Hire purchase creditor (note 18)	976	992	976	992
	28,236	26,843	28,651	26,876

17. Loans

	GROUP		COMPANY	
	1998	*1996*	*1998*	*1996*
	£000	*£000*	*£000*	*£000*
Term loan	5,000	5,000	5,000	5,000
Loans repayable by instalments	158	263	158	263
Less: Repayable within one year	(105)	(105)	(105)	(105)
	5,053	5,158	5,053	5,158
Summary:				
Repayable between 1 and 2 years	53	105	53	105
Repayable between 2 and 5 years	5,000	5,053	5,000	5,053
	5,053	5,158	5,053	5,158

The term loan is repayable in 2001 and bears interest at a rate of 8.75% per annum.

The loan repayable by instalments is repayable over the period between 1998 and 1999 and bears interest at a rate of 11% per annum.

18. Hire purchase creditor

Where assets are purchased under hire purchase agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright and the corresponding liability is included as a hire purchase creditor. Hire purchase payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

Future capital commitments under hire purchase agreements at 31st January, 1998 are as follows:

	GROUP		COMPANY	
	1998	*1996*	*1998*	*1996*
	£000	*£000*	*£000*	*£000*
Between 1 and 5 years	2,517	3,724	2,517	3,724
Within 1 year	976	992	976	992
	3,493	4,716	3,493	4,716

19. Provisions for liabilities and charges

	GROUP		COMPANY	
	Deferred credit	Deferred taxation	Deferred credit	Deferred taxation
	£000	£000	£000	£000
At 26th October, 1996	888	1,191	888	1,193
Profit and loss account	(65)	25	(65)	32
Other movements	–	(162)	–	(162)
At 31st January, 1998	823	1,054	823	1,063

20. Deferred credit

Capital grants are treated as deferred credits and a proportion of the grants based on the depreciation rates written off the relative fixed assets is credited each year to the profit and loss account.

21. Deferred taxation

Deferred taxation is provided on all timing differences except where these are not expected to reverse in the foreseeable future.

The provision made in the accounts and the full potential liability are set out below.

	Provision made		Potential liability	
	1998	1996	1998	1996
GROUP	£000	£000	£000	£000
Attributable to timing differences between capital allowances granted for taxation purposes and depreciation written off in the accounts	1,565	1,561	4,485	4,535
Other timing differences	(26)	(47)	208	187
	1,539	1,514	4,693	4,722
Less: Advance corporation tax recoverable	(485)	(323)	(485)	(323)
	1,054	1,191	4,208	4,399
COMPANY				
Attributable to timing differences between capital allowances granted for taxation purposes and depreciation written off in the accounts	1,574	1,563	4,494	4,537
Other timing differences	(26)	(47)	208	187
	1,548	1,516	4,702	4,724
Less: Advance corporation tax recoverable	(485)	(323)	(485)	(323)
	1,063	1,193	4,217	4,401

22. Share capital

	1998	1996
Ordinary shares of 25p each	£	£
Authorised: 24,000,000 (1996 – 24,000,000)	6,000,000	6,000,000
Issued and fully paid: 19,403,463 (1996 – 19,403,463)	4,850,866	4,850,866

At 31st January, 1998 options were exercisable over 132,500 ordinary shares under the Executive Share Option Plan at exercise prices between 281p and 378p per share with an average of 365p per share at exercise dates between 1998 and 2005. Options were exercisable over 661,507 ordinary shares under the A. G. Barr p.l.c. 1995 Savings Related Share Option Scheme at dates up to 2002 at exercise prices of 270p and 330p per share with an average of 298p per share.

23. Reserves

	Share premium	Profit and loss account
GROUP	£000	£000
At 26th October, 1996	718	29,121
Movement	–	5,997
At 31st January, 1998	718	35,118
COMPANY	£000	£000
At 26th October, 1996	718	28,725
Movement	–	5,897
At 31st January, 1998	718	34,622

24. Reconciliation of movements in shareholders' funds

	GROUP		COMPANY	
	1998	1996	1998	1996
	£000	£000	£000	£000
Profit on ordinary activities after taxation	10,071	3,581	9,971	3,455
Dividends	4,074	1,678	4,074	1,678
Net addition to shareholders' funds	5,997	1,903	5,897	1,777
Opening shareholders' funds	34,690	32,787	34,294	32,517
Closing shareholders' funds	40,687	34,690	40,191	34,294

25. Capital commitments

	GROUP		COMPANY	
	1998	1996	1998	1996
	£000	£000	£000	£000
Contracted (includes plant deposits (note 14))	3,037	2,028	3,037	2,028

26. Directors' remuneration and interests

	1998 £000	1996 £000
Remuneration		
Salaries and benefits	616	469
Profit Linked Share Plan	6	7
Pension contributions	68	73
Performance Related Share Scheme – cash bonus	78	–
– deferred shares	156	–
Fees to non-executive director	20	13
	944	562

The remuneration of the executive directors was as follows:

	W. R. G. Barr £000	M. R. C. Barr £000	G. M. MacLaren £000	A. A. Bibby £000	J. E. Dawson £000
Salary	161	87	111	109	109
Benefit in kind	7	8	12	6	6
Profit Linked Share Plan	2	1	1	1	1
Performance Related Share Scheme –					
cash bonus	21	14	15	14	14
deferred shares	42	27	29	29	29
Ex-gratia – terminal payment	–	42	–	–	–
15 months to 31st January, 1998	233	179	168	159	159
12 months to 26th October, 1996	119	79	85	81	81
Performance Related Share Scheme – potential value of matching shares At 31st January, 1998	42	27	29	29	29
Directors' pensions					
Accrued annual pension at 31st January, 1998	86	45	54	34	32
Increase in accrued annual pension after indexation	8	10	5	6	8
Transfer value of increase in accrued pension at 31st January, 1998	126	153	78	50	82
Directors' interests	*Number*	*Number*	*Number*	*Number*	*Number*
Performance Related Share Scheme – deferred shares awarded	9,313	6,061	6,430	6,282	6,282
– potential matching shares	9,313	6,061	6,430	6,282	6,282

26. Directors' remuneration and interests (continued)

Directors' interests (continued)

The executive directors' interests in options over the ordinary share capital of the company and movements therein during the year were as follows:

Options at 26th October, 1996 and 31st January, 1998	*Exercise price (pence)*	*Date from which exercisable*	*Expiry date*		*Gains on share options 1998 £000*	*1996 £000*
27,500	378	24.01.98	24.01.05	W. R. G. Barr	–	–
20,000	378	24.01.98	24.01.05	M. R. C. Barr	–	–
20,000	378	24.01.98	24.01.05	G. M. MacLaren	–	–
6,388	270	01.06.00	01.06.00			
20,000	378	24.01.98	24.01.05	A. A. Bibby	–	–
6,388	270	01.06.00	01.06.00			
20,000	378	24.01.98	24.01.05	J. E. Dawson	–	–
18,000	281	16.07.95	16.07.02			
6,388	270	01.06.00	01.06.00			

No options were granted or exercised in respect of the A. G. Barr p.l.c. Executive Share Option Plan during the 15 months to 31st January, 1998.

The beneficial interest of the directors in the ordinary shares of the company are as follows:

	1998	*1996*
Executive directors		
W. R. G. Barr	1,189,382	1,230,886
M. R. C. Barr (Retired 31st October, 1997)	56,714	56,391
G. M. MacLaren	61,329	59,236
A. A. Bibby	62,485	62,231
J. E. Dawson	22,799	22,155
Non-executive director		
J. M. Goodwin	3,000	3,000

Mr. G. M. MacLaren as a trustee of the Profit Linked Share Plan has a non-beneficial interest in 189,780 shares (1996 – 168,625 shares) and, as a director of Robert Barr Limited the trustee of the Savings Related Benefit Trust, 598,187 shares (1996 – 448,913 shares) and the General Employee Benefit Trust 48,000 shares (1996 – Nil)

Mr. W. R. G. Barr has a non-beneficial interest in 1,701,543 shares (1996 – 1,815,592 shares) as trustee of a charitable trust and several family trusts. The reduction in Mr. W. R. G. Barr's beneficial and non-beneficial interests is the net effect of transfers into family trusts and the attainment of majority by a trust beneficiary.

There have been no changes notified in the directors' shareholdings between 31st January, 1998 and 10th April, 1998 with the exception of Mr. G. M. MacLaren as a trustee of the Profit Linked Share Plan an increase to 254,780 shares.

27. Net cash inflow from operating activities

	1998	*1996*
	£000	*£000*
Operating profit	15,528	6,083
Depreciation	6,301	4,499
(Gain) on sale of tangible fixed assets	(44)	(22)
Government grants written back	(65)	(431)
Decrease/(increase) in stocks	181	(12)
(Increase)/decrease in debtors	(1,391)	1,447
(Increase)/decrease in investment	(554)	4
Increase/(decrease) in creditors	3,232	(3,613)
Pension provision release	7	7
	23,195	7,962

28. Reconciliation of net cash inflow to movement in net funds

	1998	*1996*
	£000	*£000*
Increase/(decrease) in cash in the period	12,393	(1,636)
Cash outflow/(inflow) from decrease/(increase) in debt and leasing finance	1,328	(3,403)
Changes in net funds/(debt) resulting from cash flows	13,721	(5,039)
New finance leases	–	(5,015)
Movement in net funds/(debt) in the period	13,721	(10,054)
Net debt at 26th October, 1996	(12,459)	(2,405)
Net funds/(debt) at 31st January, 1998	1,262	(12,459)

29. Analysis of changes in net funds

	At 26.10.96	*Cash flows*	*Other changes*	*At 31.01.98*
	£000	*£000*	*£000*	*£000*
Cash in hand and at bank	4,234	5,679	–	9,913
Overdrafts	(6,714)	6,714	–	–
Debt due within 1 year	(105)	105	(105)	(105)
Debt due after 1 year	(5,158)	–	105	(5,053)
Hire purchase creditor	(4,716)	1,223	–	(3,493)
	(12,459)	13,721	–	1,262

	15 months 1998 £000	1996 £000	1995 £000	1994 £000	1993 £000
Turnover	136,729	103,068	101,239	87,960	87,943
Operating profit	15,528	6,083	6,375	6,955	4,663
Restructuring costs	–	–	(1,423)	–	–
Profit on ordinary activities before interest	15,528	6,083	4,952	6,955	4,663
Interest	1,118	1,042	370	305	591
Profit on ordinary activities before taxation	14,410	5,041	4,582	6,650	4,072
Tax on profit on ordinary activities	4,339	1,460	1,612	2,039	1,120
Profit on ordinary activities after taxation	10,071	3,581	2,970	4,611	2,952
Dividends	4,074	1,678	1,591	1,488	1,237
Retained profit for the year	5,997	1,903	1,379	3,123	1,715
Earnings per share	51.90p	18.46p	15.31p	23.76p	15.21p
Dividend per share	21.00p	8.65p	8.20p	7.80p	6.50p

The Earnings per share for each period have been calculated to reflect the shares in issue at 31st January, 1998.

SOFT DRINKS

Notes