

in good health

FRIDAY



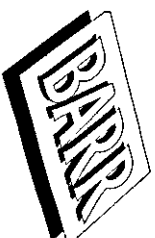
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COMPANIES HOUSE



SOFT DRINKS

A G BARR p l c – in good health

For the year to 26th January, 2008

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Group at a Glance

Our Brands

IRN-BRU

Strathmore

Tizer

Simply

Σ

D'N'B

St. Clement's

Findlays

Abbots

Barr Brands

Vitsmart

Taut

Partnership Brands

Orangina

Snapple

Rockstar

Liptons

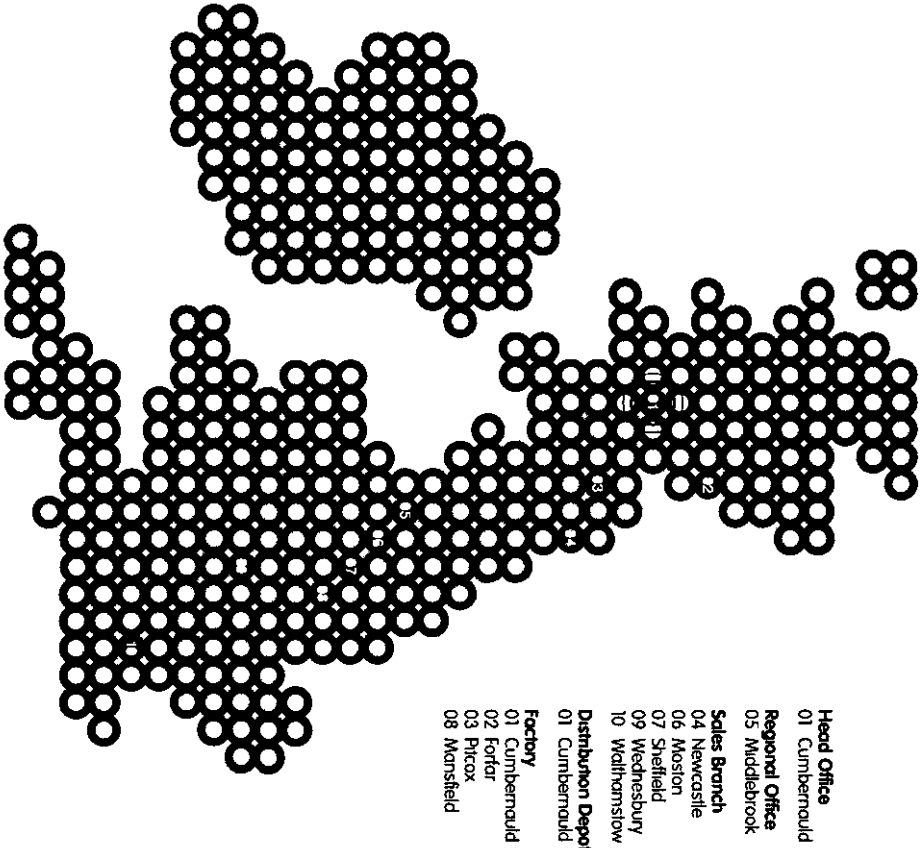
Rubicon

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Key Performance Indicators

Revenue (£m)	
2008	148.38
2007	141.88
Operating profit before exceptional items (£m)	
2008	20.39
2007	18.33
Free cash flow (£m)	
2008 (1.20)	
2007	(12.32)
Dividends paid (£m)	
2008	6.75
2007	6.08

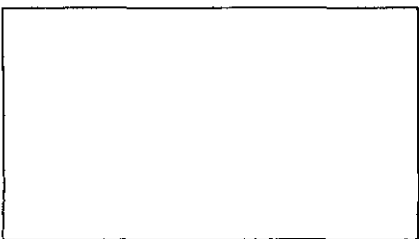
U.K. Operations



Chairman's Statement

Robn Barr Chairman

"...over the last six years we have been able to raise the total dividend for the year from 21.60p to 39.00p – an overall increase of 80.6%."



IRN-BRU
IRN-BRU stole the show at the Scottish Advertising Awards 2007 in Glasgow. It was the 21st year of the awards ceremony and IRN-BRU was awarded The Best Brand, The Best Slogan for made in Scotland from G'ders, Best Radio commercial Best Poster and Best Advertising Campaign in the last 21 years. The phenomenal evening was completed by IRN-BRU's snowman advert winning the G and P's Award. This is an award given to the best overall advert of the year.

Review of Results

Profit before taxation for the year to January 2008 was – excluding exceptional items – £21.3m compared with £19.1m for the previous year. This increase of 11.4% represents an excellent overall performance in a year of dismal summer weather and also reflects the improvement in operating costs resulting from the infrastructure changes completed during the year.

The exceptional items produced a net charge of £0.5m. This was a substantial reduction from the charge of £2.8m incurred last year and represented the final costs of our recent restructuring process.

Turnover for the year to January 2008 was £148.4m – an increase of 4.6% over the previous year. Adjusting for the turnover of the Strathmore Water business which was acquired in June 2006, the like-for-like increase was 2.7%.

The tax charge for the current year is again very low at 19% of the profit on ordinary activities compared with the corporation tax rate of 30% applicable to the year. The difference is substantially due to a reduction of £1.3m in the company's tax charge for this year related to the disposal of properties at the conclusion of our restructuring process.

Basic earnings per share have risen from 69.65p to 86.75p and your directors are pleased to recommend a final dividend of 28.00p per share to give a total dividend for the year to January 2008 of 39.00p – an increase of 11.4%. It is worth noting that over the last six years we have been able to raise the total dividend for the year from 21.60p to 39.00p – an overall increase of 80.6%.

People

On behalf of our external shareholders I would again like to take this opportunity to thank all our employees for their efforts during this year. The excellent results achieved are particularly creditable given both the distraction of completing the infrastructure changes and the exceptionally poor summer weather experienced this year in comparison with 2006.

Board

We announced in January that the current year would see the retirement of two long serving executive directors.

Alan Bibby, Operations Director retired on 29th February. He joined the company in 1977 and was appointed to the board in 1985. Ian Greenock, who will retire at the end of June, joined the company in 1975 and was appointed Finance Director in 1998. Throughout these long periods of service both Alan and Ian have consistently given a level of application and professionalism which has contributed substantially to the company's success over that time and I would like to thank them on behalf of all our shareholders and wish them both well in their retirement.

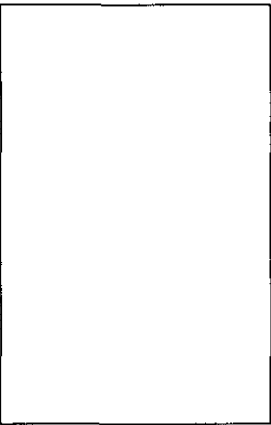
After the conclusion of an exhaustive recruitment process I am pleased to confirm that we have been able to appoint two capable and experienced candidates to the vacant positions. Andrew Mennott, who joined the company in 1990 and was most recently Head of Manufacturing, was appointed Operations Director on 1st March. We also anticipate the appointment on 1st July of Alex Short as Finance Director. Alex is currently Group Finance Director of William Grant & Sons Ltd, a major company in the alcoholic drinks industry. I look forward to the contributions that these two new board members will make to the company.

Prospects

Competition within the soft drinks industry remains intense and is now spread over the much wider range of products which today's consumer demands. To meet this change we have continued to widen our own portfolio into those categories which offer prospects of profitable growth while at the same time we remain aware that traditional carbonates will for the future remain the largest soft drinks category. We are confident that the strength of our core brands in that category will enable us to successfully develop the widening portfolio with which we are now engaged.

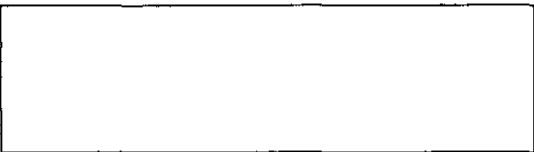

Robn Barr Chairman

Chief Executive's Statement



Roger White Chief Executive

"Over the course of the last financial year our business has delivered a strong overall performance."



Tizer
Tizer's distinctive poster and magazine advertising campaign supported the introduction of the brand's new more natural formulation containing 10% real fruit juice with no artificial flavours, no artificial sweeteners and no artificial colours and helped the brand to achieve a 15% increase in sales during the relaunch period.

Financial Performance

Over the course of the last financial year our business has delivered a strong overall performance. We have continued to execute our value based growth strategy and despite the extremely poor summer weather and its consequential impact on the soft drinks market we have delivered growth in sales revenue, operating margin and profit at the same time as we further invested in our brands and assets. The pace of operational change has continued to be challenging but we remain confident in our ability to deliver improved financial performance even in times of significant change.

Although the poor summer weather impacted the soft drinks market we continued to make good financial progress with pre-tax profit before exceptionals increasing by 11.4% from £19.1m to £21.3m. This strong performance was underpinned by improvements in operating margins reflecting the impact of the benefits in our Scottish supply chain project beginning to flow through.

Total sales grew by 4.6% from £141.9m to £148.4m in the period (2.7% on a like-for-like basis adjusting for the Strathmore Water business acquired in June 2006), highlighting the resilient nature of our brands which have collectively grown market share across the year.

Although we continued to manage our business primarily focusing on value not volume, we did as previously indicated marginally increase our promotional weight in the multiple retailers sector across the summer period. This initiative in tandem with our ongoing development of the impulse market and a strong control over costs ensured that we successfully delivered our business targets across the summer period despite the challenging market conditions.

Operating profit before exceptionals increased by 11.2% and the operating margin improved in line with our expectations from 12.9% to 13.7%. Further improvement to operating margin is expected from our restructuring programme although increased marketing support costs are planned as we further develop our brand portfolio for the long-term.

Capital spend in the period was £12.5m and although lower than the prior year it was higher than long-term average levels as we completed our major restructuring projects.

During the second half of the year we completed the clearance of and exit from our Atherton site. This location is now surplus to our operating requirements and a marketing process has now commenced.

Despite our high level of capital spend we were able as a consequence of our continued focus on cash management to exit the year with £17.9m of cash in the bank.

Basic earnings per share (p)

2006	£6.75
2007	£9.65
2008	£5.06

Dividends for financial year (p)

2006	39.80
2007	35.00
2008	31.75

We acquired the Vitmart and Vitaminsmart brands from Chartered Brands in December 2007 for a potential total consideration of £350,000. This acquisition will give us a head start in the enhanced waters category with an existing product range and revenue streams to quickly build on. The total sales of Vitmart/Vitaminsmart in 2007 were approximately £1m at retail sales value.

We also announced the acquisition of the Taut sports drinks business in late January 2008. The business was acquired for a nominal sum of £1 and had operating losses of c£1.3m in 2006. This acquisition also gives us a strong point of entry into the sports drinks category with a brand that has already had a significant marketing and promotion spend behind it and importantly a credible position with both consumers and the trade in this key growth category. The Taut business will be rapidly consolidated into our operating structure and we expect that the operating losses will be stemmed during the early part of 2008/09. It is consequently anticipated that Taut will not have a material impact on the operating performance of the business in 2008/09 financial year.

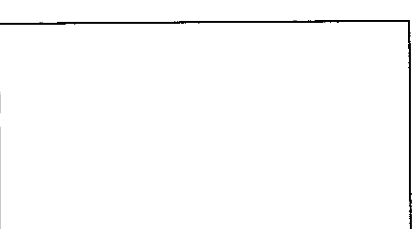
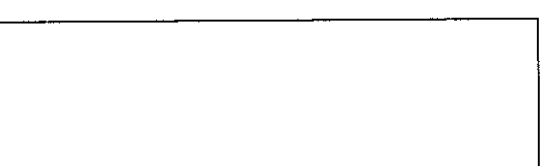
The Market

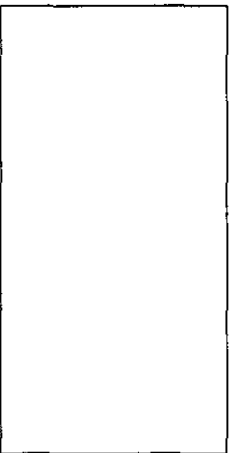
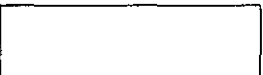
Over the course of the 2007/08 financial year, the total soft drinks market grew in value by 3% however its volume dropped by 2% (source Nielsen Scantrack 12 months to 26th January 2008). This performance reflects the difficult year-on-year comparison in the summer months which contrasted the UK's hottest summer in 2006 with its wettest in 2007. This poor summer position was particularly evident in those sub-categories which had done best in the summer of 2006 – namely water, dilutables and fruit juice. Carbonates in comparison performed relatively better. This was partly due to less difficult comparisons but further confirms our view that good quality well supported carbonate brands can continue to offer good growth prospects. In the twelve month period carbonates were up 4% in value and slightly down in volume. Within the carbonates sector, the decline of a number of historically poorer performing non-differentiated fruit carbonate brands continued.

Regardless of weather, the two sub-categories which have consistently performed strongly over the last two years are sports and energy in both still and carbonated format. With growth in the last twelve months in excess of 20% in volume and value, these sub-categories continue to form much of the engine for growth in the category as a whole. With this in mind, it is even more important to develop our portfolio into these key areas of potential for future growth.

During the last twelve months, our pence per litre (PPL) as measured by Nielsen has continued to improve, increasing by 2% on core Barr brands. This growth is marginally lower than the prior twelve months, reflecting our stated plan of increasing promotional weight in multiples as well as the highly competitive nature of the market during the difficult summer period. We anticipate a return to our historic level of promotional weight in 2008/09 and consequently expect our own PPL to rise at or possibly in advance of industry average levels.

“We anticipate a return to our historic level of promotional weight in 2008/09 and consequently expect our own PPL to rise at or possibly in advance of industry average levels.”





IRN+BRU ACTIVITY

- New IRN+BRU packaging is launched
- IRN+BRU Feel Phenomenal campaign is launched which consists of a new TV advert shot on the IRN+BRU revolution ride at Blackpool Pleasure Beach. Four Colts are featured in the advert which is a homage to the Jim & F xii Cub Scouts story from the 1970s
- IRN+BRU announces a new 3 year £3m sponsorship deal with the Scottish Football League to sponsor SPL leagues 1, 2 and 3 which become the IRN+BRU Scottish Football League 1, 2 and 3

Strategy

Our core strategic focus remains unchanged and we continue to develop our strategy around

- Core brands and markets
- Portfolio development
- Route to market
- Partnerships
- Efficient operations

In addition the ongoing development of our people underpins each of these areas of strategic focus

Much of our time and effort in the last twelve months has been spent in pursuit of our goal of building a sustainable future growth platform for the business

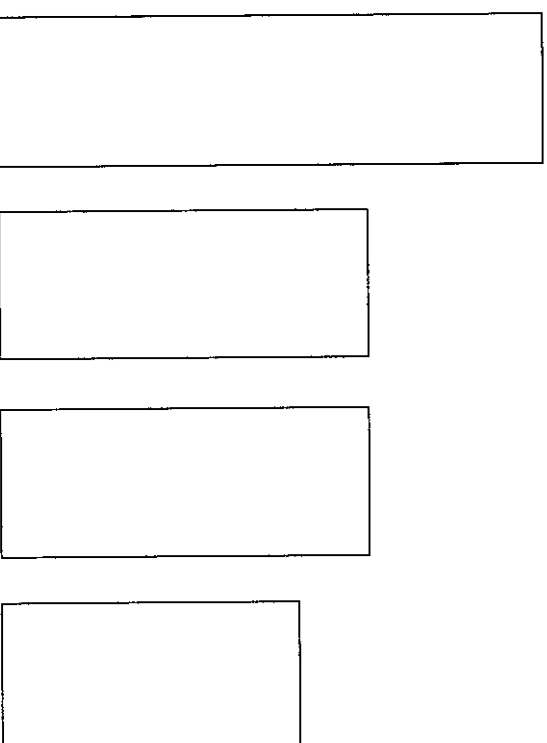
We have therefore allocated increased resources towards the areas of core brands and markets portfolio development and partnerships all of which are central to meeting our future growth aspirations

Core Brands and Markets

The Barr brands portfolio performed well in both market share and absolute sales terms across the year. Although the poor summer weather had a negative impact on the total soft drinks market our market share was at its strongest in the difficult summer months demonstrating the underlying brand strength and consumer demand for our core brands. The continued focus on product quality and consumer preference in particular their taste preferences on a regional basis has paid further dividends in improved sales performance across our range and throughout the U.K.

IRN-BRU and Diet IRN-BRU both continued to show good year-on-year growth increasing sales revenue by over 3%. Considerable market share gains were also made especially in England and Wales where the IRN-BRU brand grew market share by 10% in the period. This market share performance contrasts starkly with competing other flavoured carbonate brands – Fanta and Tango – both of which lost significant volume and share over the year. The IRN-BRU brand is now in value share terms bigger than the combined size of the Lit, Sprite and Tango brands. After a huge initial sales performance IRN-BRU 32 has settled into a stable rate of sale which reflects its position in the portfolio as a long-term product focused on energy drink consumers specifically in the Scottish market.

In an exciting year for the brand IRN-BRU became the main sponsor of the Scottish Football League cementing its position as a prominent supporter of grass roots sports throughout Scotland. With a combination of centrally controlled football initiatives balanced with local club support and activities this three year deal gives the IRN-BRU brand a great platform for communication. In tandem with the continued increase in overall marketing investment behind the IRN-BRU brand the packaging was further updated with the classic IRN-BRU bottle design now represented across the whole impulse portfolio and a higher level of focus behind the 250ml small bottle range. The IRN-BRU brand is in good health with the potential to deliver further exciting developments across 2008/09.



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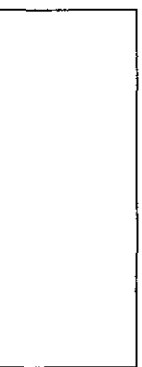
Juice in St. Clement's Pure Juice

100%

Pure Juice in Simply Pure

60%

Juice in Simply Juicy



ST. CLEMENT'S ACTIVITY

- St. Clement's offers a range of fruit based drinks pure juices and smoothies that really deliver on taste
- 21% growth in the St. Clement's brand following the launch of new St. Clement's Juices and Smoothies in September 2007

Orangina has had another excellent year with revenue growth of 13% reflecting consumers' response to the increased marketing investment in the brand and also the significant improvements to listings and distribution. The creative and commercial plans for 2008/09 suggest that the current momentum should continue

Tizer was re-launched at the start of the year with the addition of real fruit juice and with no artificial colours, flavours or sweeteners – the new original recipe. Tizer Tizer has performed in line with the other flavoured carbonates sector this year with sales down 4% reflecting a combination of the poor summer and a number of previously lost listings impacting sales. Tizer has recovered 7% in PPL but now needs to re-establish its distribution and listings across 2008/09

The underlying strength of our regional offerings whether in the West of Scotland Central London or the M62 corridor has once again delivered good growth. Our regional portfolio including D N B, KA, Red Kola and the Barr range substantially outperformed the market with all brands in growth and a particularly encouraging performance this year in the London area

Over the course of the last year we rationalised our water offering to focus the Findlays brand on water coolers and Strathmore as our main retail/food service water brand. We commenced as planned our marketing activity behind the Strathmore brand including a heavy weight TV advertising campaign and outdoor media in Scotland despite the weakness in the overall water market during the summer of 2007. The launch of Strathmore into the impulse market has gone well although the poor market conditions experienced by the water category overall has held sales flat. The water market remains competitive but we plan to continue to develop Strathmore as a premium brand in the sector. We have further initiatives designed to build the brand included in our programme for 2008/09

Portfolio Development

During the last twelve months we have made significant progress in the development of our portfolio across the wider soft drinks category. It remains our firmly held view that taste is a key determinant of success and that consumers wish a range of products – traditional carbonates, still/fruit based products and functional drinks. Our efforts to accelerate our developments and improve our speed to market have seen further progress in the development of the St. Clement's brand with the launch of a range of juices and smoothies. These high quality products are marketed with both the consumer and trade in mind – they are designed to be "stored ambient and served chilled". They are positioned at a good value for money price point, meeting the demands of the impulse channel where chilled storage and distribution is an issue and allowing increased numbers of consumers access to a high quality product category at a competitive price in this channel

We have also re-designed our schools range once more in the period to meet the challenging and often inconsistent requirements of this sector

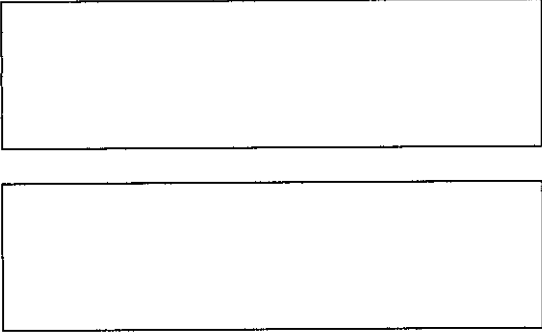
In our efforts to develop our portfolio we have taken a pragmatic approach to satisfy our growth and development aspirations – consequently we have not only designed and launched several new products under our existing brand names but we have also purchased brands. The acquisitions have been in sectors which we believe are capable of real sustained future growth where speed to market and brand credibility is important. The purchase of the Vismart/Vitaminmart brands and the Taut sports drink business allows us a fast start into these key categories with the potential to grow quickly over the course of the next few years

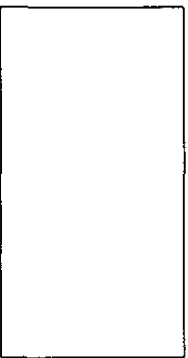
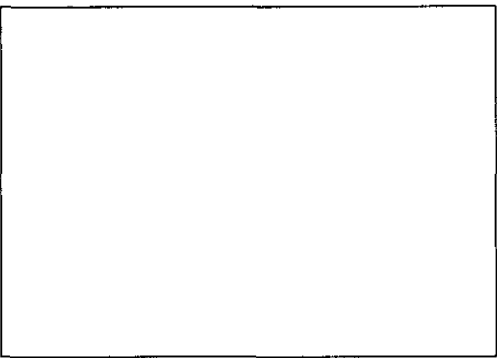
Our commercial partnership with Rockstar commenced in the final quarter of 2007/08 with the launch of three Rockstar variants – standard diet and a juiced product – into the U.K. The large can energy market is growing quickly and with the product and marketing support of Rockstar we can provide an exciting range to consumers in this growing category

Last year has therefore seen considerable development in our portfolio and brought us to a position where we are becoming a more balanced business with prospects of growth across multiple brands in almost all key sectors

Strathmore

Strathmore sprang onto TV with its first ever award winning TV advert as part of a £1m marketing drive in Scotland. Strathmore also handed out over 300,000 bottles of the spring water to thirsty runners, walkers and cyclists over the summer at charity road races across the U.K.





STRAITHMORE ACTIVITY

- The first ever Straithmore TV adverts are launched in 2007 "Double Dutch" and "Ribbon" support both the contemporary "look" and the traditional "provenance" of the Straithmore brand
- Straithmore goes on to establish a new impulse market – and launches an on-pack competition to support The Princes Trust charity
- Straithmore is able to support the July 2007 flood relief efforts in Gloucestershire by sending emergency supplies direct to the region
- Straithmore grew by 16% in the "take home and impulse market" – despite the poor summer which saw the total water market slightly down on 2006

Source Nielsen

Route to Market

Supporting the rapid growth of our portfolio is crucial in route to market terms. We have continued to invest in the infrastructure to develop our specific route to market. Although the impulse market remains an important focus for our efforts we have improved performance and resources across all our key trade channels and will continue to do so. The roll out of our new Customer Relationship Management software is planned for early in the 2008/09 financial year following a full year of development work. This system is designed both to improve our cost efficiency and at the same time enhance our overall customer service offering.

Partnerships

Our ability to form strong strategic partnerships remains a cornerstone of our operating philosophy. Throughout the business we encourage a partnership approach with both internal teams and our key external business contacts.

During the last year our Orangina business has continued to improve with total sales of Orangina International products now over £8m. We are committed to developing the Orangina business in the U K.

Our partnership with the Rockstar team has made an excellent start with huge interest in the brand and a strong executional plan for 2008.

We have seen strong growth from the Rubicon brand and will continue to work with the Rubicon team to deliver contract filling and route to market support for the brand.

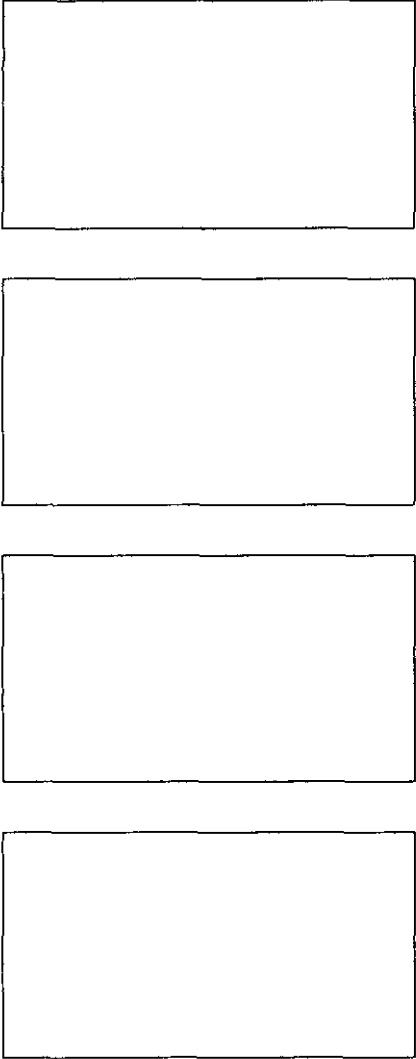
On a less positive note we ended our supply of carbonated PET and can products to Marks and Spencer during the course of last year. This was our only piece of customer own brand business and accounted for sales of £1.7m in 2006/07. However we have recently launched a new range of traditional carbonates in glass bottles with Marks and Spencer. This traditional range is targeted at slightly older consumers and has made good early sales progress.

IRN-BRU in Russia has done very well over the last twelve months with local sales up 20% versus the overall carbonated soft drinks market in Russia at +7%. This performance continues to give us confidence that the IRN-BRU brand can be further developed outside the U K.

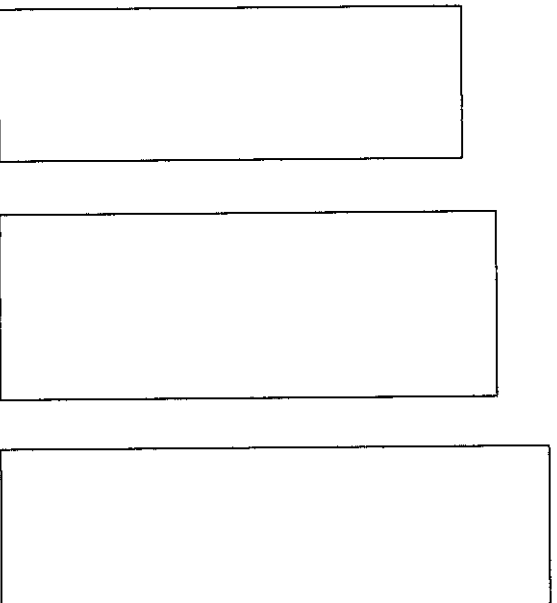
Exports to our partners in Spain increased by 32% and our fledgling business in Australia broke through the 1 million litre mark ahead of plan.

We have once again continued across the year to work with our key partner suppliers in many fields to manage risk, enhance quality and improve efficiency while reducing environmental impacts.

“Throughout the business we encourage a partnership approach.”



“The structural changes we have invested in over the last twenty four months have now started to deliver the operating efficiencies and cost savings as planned.”



Efficient Operations

The structural changes in which we have invested over the last twenty four months have now started to deliver the operating efficiencies and cost savings as planned. Our fewer, larger operating sites have had a busy year with the completion and commissioning of our new can line being the single biggest investment. Across all our sites we have continued to invest to improve flexibility, cost, quality, safety and service. This has not been an easy year within our core operations – new systems and new people operating on updated sites plus a major new line being commissioned at Cumbernauld with the added dimension of the planned closure of our Atherton site in June. Throughout these changes our focus on the continuous improvement of cost and efficiency coupled with improved flexibility has enabled all our teams to deliver our operating plan.

The further development of our product portfolio is naturally giving us increased operational challenges to meet which we are confident we will tackle successfully. As we look forward our operational efforts will continue to focus on efficiency and cost. However, increasingly operational complexity and the environment will play larger roles in our long-term planning.

Our asset base is in good health but we cannot afford to be complacent since we have stretching improvement targets throughout our operations. Further investment planning is now underway with long-term site development plans being created for our key locations.

Vismart

Vismart is a range of functional waters delivering 50% of your RDA of vitamins in a 500ml bottle. The brand will allow us a credible entry into this rapidly growing sector within products that have existing retail distribution and consumers.

Rockstar

Our partnership with Rockstar, the successful US energy drinks brand, started with a launch into the impulse trade prior to Christmas 2007 with very encouraging sales. With multiple grocery distribution places for the summer expectations are high that the brand will perform well in 2008.

Tout

Our newly acquired sports drink brand TOUT has a unique selling point in the fast-growing sports drinks market that of being the first clean sports drink on the market. This is an exciting addition to our business and helps us to broaden our offering in total soft drinks.

"Through sheer hard work, experience, talent and commitment many have overcome significant hurdles to deliver the financial performance we have achieved."

People

The business performance improvements of the last twelve months have been delivered by the people in our business. Through sheer hard work, experience, talent and commitment, many have overcome significant hurdles to deliver the financial performance we have achieved. I would like to thank everyone for their efforts.

I would also like to specifically thank the team at our Atherton site who worked effectively and with great spirit until the final can was filled at that site in June of last year.

At board level, the retirement of Ian Greenock, Finance Director, and Alan Bibby, Operations Director, will be a great loss and I would like to thank them for their many years of service and the great impact they have both had on the business. We were however pleased to welcome Andrew Memmott to the board on his appointment as Operations Director and we look forward to Alex Short joining us as Finance Director during the summer of 2008.

I am pleased to welcome Julie Barr to the role of Company Secretary. Julie joined the company in 2004 following her earlier legal career.

Throughout the last year we have continued to improve our training and development across the business with 25 managers benefiting from our Business Leadership programme and 9 managers participating in our First Line management programme. Another 32 managers achieved further external qualifications such as National Vocational Qualifications during the last twelve months.

As our business grows and develops, communication becomes more important. This is an area we aim to further develop. We have established local consultation teams as a first formal step and improved our internal KPI and performance briefings. We will continue to invest time and effort across the business to ensure people development and communication keeps pace with the business as it develops.

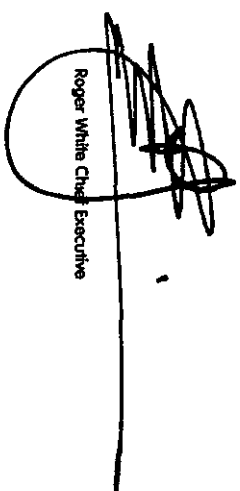
Outlook

The business, despite mixed weather and a competitive soft drinks market, performed well over the last financial year. The soft drinks market remains a challenging but rewarding sector although it is changing and its complexities are increasing – it is not as simple as carbonates and stills or full sugar and diet – consumers are becoming more selective, media is fragmenting, demographic profiles are changing. We need to take account of all of this in moving the business forward but we must also remember not to lose sight of the basic fundamentals – taste, brand differentiation and product availability.

We have, as planned, delivered improved operating profit during the last twelve months and we have increased the momentum behind the development of our portfolio. We must now continue to both invest behind our core brands at the same time as we provide support to our growing portfolio of new brands.

Although the general economic outlook is somewhat uncertain and there is pressure on margins from increased input costs across our industry, we remain optimistic that we are well positioned to ride out these difficulties and look forward to further sustained business growth and improvement.

Roger White, Chief Executive



Orangina
Orangina 500ml and 2 litre bottles were re-launched with an exciting new design featuring a 3D swirl on the bottles. The brand's marketing campaign also stood out in 2007 with its moving LCD screen adverts on The London Underground and its bus rear creatives. In 2008 we will re-launch the brand's iconic 250ml bulbly glass bottle in the UK.

Board of Directors

01	02	03	04
05	06	07	

01 W ROBIN G BARR, C.A. (70)

Joined the company in 1960. Appointed director in 1964 and chairman in 1978.

02 ROGER A. WHITE, M.A. (Hons) (43)

Joined the company in 2002 as managing director. Appointed chief executive in 2004.

03 IAIN F GREENOCK, C.A. (60)

Joined the company in 1975. Appointed secretary in 1995. Financial director in 1998.

04 ALAN A. BIBBY, B.Eng. First B.E. (56)

Joined the company in 1977. Appointed operations director in 1985.

05 JONATHAN D. KEMP, B.A. (Hons) (36)

Joined the company in 2003 as commercial director.

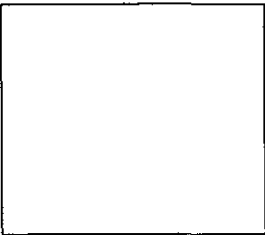
06 RONALD G. HANNA, C.A. (65)

Joined the company in 2003 as a non-executive director. Currently chairman of both BowlLeven plc and Glasgow Investment Trust and a director of Edinburgh High Income Trust.

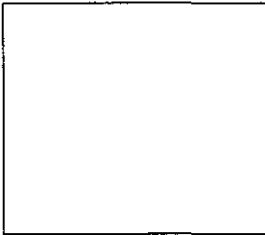
07 JAMES S. ESPEY, B.Com., M.B.A., Ph.D. (64)

Joined the company in 1989 as a non-executive director. Currently a non-executive director of Fuller Smith & Turner PLC.

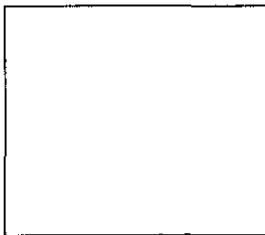
25 Years Service Awards



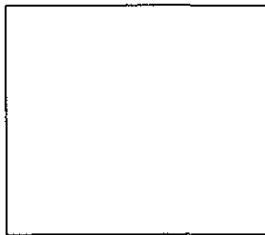
Lesley Fildes
Planning and materials officer



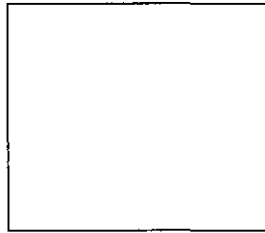
Paul Youwood
Service driver



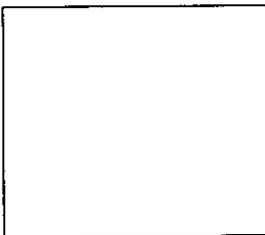
Michael Mee
Warehouse operative



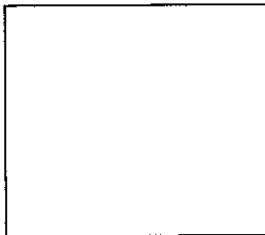
Ross Hannah
Water cooler manager



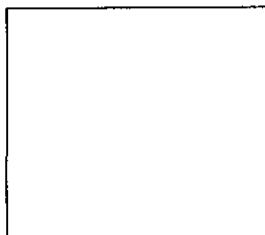
Brenda McLeod
Company secretarial officer



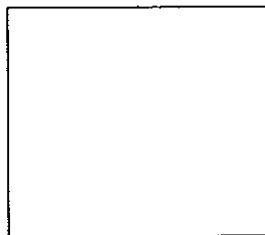
David Sopley
Branch checker



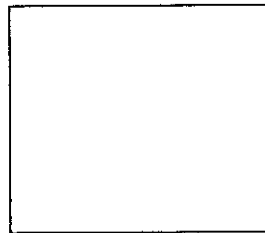
Patrick Case
Production operative



Alex Lindsay
Burr services supervisor



Bonnie Todd
Driver/sales representative



Janet Robey
Cost clerk

Corporate and Social Responsibility

Environment Policy

We are committed to prevention of pollution and continual improvement of our environmental performance in line with all relevant environmental legislation and further self-imposed targets

Strategy

- Management of key environmental issues monitoring and evaluating impacts such as energy consumption, packaging design and effluent discharge
- Consider and review the environmental impact of investment decisions
- Agree specific plans to achieve target improvements
- Achieve and maintain the British standard BS EN ISO 14001

Sustainability

We continue to promote sustainability objectives through our environmental programme to conserve where possible natural resources, protect natural ecosystems and minimise our environmental impacts. The operations director has responsibility for carrying through our environmental programme.

Environmental Programme

ISO14001

During the implementation of the BS EN ISO 14001 environmental management system across our business we have embedded a culture of environmental awareness and resource efficiency. Due to this we have been successful in making a number of improvements in optimising our energy and water usage and reducing the level of packaging used on our products. This programme will continue through 2008.

The integration of the Strathmore Water business has required changes to the factory and warehouse processes to achieve certification to the internationally recognised environmental management system BS EN ISO 14001. The team at Forfar attained this recognition in November 2007.

Pollution Prevention and Control

With the closure of our Atherton factory during 2007, the Pollution Prevention and Control Permit for this site was surrendered in October 2007. The Environment Agency reported satisfaction that the site had suffered no environmental degradation. We submit regular environmental reports to both the Environment Agency and Scottish Environmental Protection Agency for our remaining permits. All our applications, permits, surrender documentation and reports are publicly available from the Agencies.

Climate Change Levy

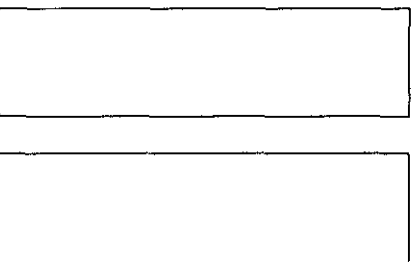
We are now in the fourth Climate Change Levy Milestone Year, which ends in September 2008. The government targets are becoming more challenging with a greater reduction in energy usage needed year-on-year. Actions put in place during 2007 will make the Milestone Four target achievable across our company.

The current Climate Change Levy rebate scheme ends in 2010. Over the ten year lifetime of the scheme, we will have had to reduce energy usage by 20% in return for energy tax rebates. By using more energy efficient equipment and processes, we are well-placed to achieve the required 20% reduction, ensuring receipt of the Levy rebate until 2012.

Most Overhead at Cumberland

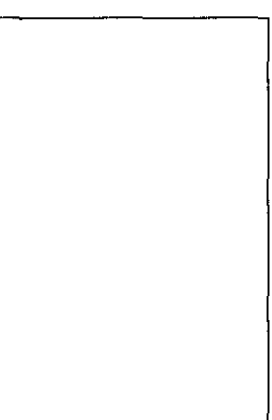
AG Barr PLC have commissioned a detailed feasibility study of the potential for a medium to large scale wind development at the Cumberland site. The electricity generated would aim to offset a considerable proportion of the site's electricity demand. In addition, an environmental overview is being undertaken, including consultation with the relevant stakeholder bodies. Work is expected to continue through this coming year to assess the suitability of this potential development.

"We are committed to prevention of pollution and continual improvement of our environmental performance."



Bottle Blowing Efficiencies at Mansfield

At our Mansfield factory, a major upgrade in our bottle blowing capability has not only provided us with greater capacity, but with a smaller energy footprint. The new bottle blowing equipment can deliver the same number of bottles produced on the old equipment during 2007/08 whilst emitting 100 tonnes less CO₂ (equivalent) to carbonate 13 million cans of F&N BRU.



The Prince & Princess of Wales Hospice Sportsman's Dinner

We have sponsored this annual dinner for over 10 years and it is the charity's most successful annual fundraising event of the year. The Glasgow Hospice provides care and comfort to terminally ill patients and supports the carers and families

Partnership with Westfield Primary School

We were delighted to have been invited by North Lanarkshire Council to enter into a local Business Education Partnership agreement with Westfield Primary School in Cumbernauld as part of a refreshing approach to enterprise education. Our staff will work closely with the pupils from Westfield to support them in various enterprise projects within the school. The overall aims to give the pupils a real and practical experience of the working world. It also provides us with the opportunity to put something back into the local community

Jimmy Reader

Recycling and reuse has always been at the core of AG BARR's business. Not only do our Returnable Glass bottles get sold around the country but we also know that the 20p bottle deposit plays an important role in helping many charities to raise funds. Jimmy Reader from Cumbernauld has dedicated the past 25 years to collecting Barr Soft Drinks returnable glass bottles and has raised more than £100,000 for Scottish charities. An incredible achievement which we celebrated with him during a recent visit to Cumbernauld

We have commissioned a detailed feasibility study to investigate the potential for significant scale wind power development at our Cumberland site. The electricity generated would aim to offset a considerable proportion of the site's electrical input demand. In addition, an environmental overview is being undertaken including communication with the relevant stakeholder bodies. Work is expected to continue through this coming year to assess the suitability of this potential development.

Water Usage

Water is an essential part of our products and processes, therefore it is of utmost importance that it is used responsibly. Each year we use over 500 million litres of water from municipal and groundwater sources.

Inevitably, our production processes create wastewater. By focusing on reducing our water usage we also reduce the amount of wastewater we produce which is suitably treated before being returned to the natural environment.

Transport

The transport and distribution of our goods is a fundamental part of our business and has its own set of environmental impacts. To negate these impacts amongst other things, we closely monitor our fuel usage and have given SAFED (Safe and Fuel Efficient Driving) training to all our drivers in an attempt to promote more economical driving styles. Our distribution management teams are focused on maximising the efficiency of our distribution operations to reduce both costs and emissions.

We have trailed eco-friendly delivery vehicles and plan to introduce these to the fleet during the course of 2008/09.

Packaging Waste

The UK government continues to increase the percentage of packaging waste we are obligated to recover and recycle each year; this is regulated through the Producer Responsibility (Packaging Waste) Regulations. Our Packaging Compliance Scheme Managers VALPAK help to ensure that we meet these targets.

Over and above this, as a responsible manufacturer, we have reduced the environmental impacts of our packaging across our product range. One of the most significant ways we achieve this is by applying the latest material technology to reduce the weight of our packaging. This not only reduces the amount of raw materials needed but can also increase product distribution efficiencies. We will continue to minimise the weight of material used to package our products whilst maintaining the quality and safety of our products. In recent years we have made significant improvements in reducing the total weight of packaging in our top three packs – 16% on 500ml PET 9% on 2 litre PET and 3% on 330ml cans.

Quality and Food Safety

Quality

BS EN ISO 9001 continues to be the foundation of our quality management system and inclusion of the Strathmore production site was a priority during 2007. The new warehouse and distribution centre at Cumberland has also been incorporated into the scope of our certification following external audit by our assessment auditors Lloyds Register QA.

We also maintain externally audited certification at our three main production sites to the British Retail Consortium's Global Standard for Food.

Food Safety

The principles of HACCP (Hazard Analysis and Critical Control Point) have been applied to all of our production facilities. In addition to a company-wide analysis, each factory undertakes a study to identify any additional local features that require special attention. Our quality management system is used to monitor the critical control points and to ensure that these are maintained through audit and review.

Procurement

Our ethical purchasing policy is based on the Institute of Purchase and Supply's recommendation. Our team of trained auditors work with our suppliers to ensure that our needs are fully conveyed. They provide us with an additional level of confidence in the quality of both raw and packaging materials. The high level of supplier performance also helps to maintain the efficiency of our factories with less down-time and less waste. We continue to require our suppliers to maintain the GM-free status of our raw materials.

Lightweighting Strathmore Bottles

Packaging development work has enabled a reduction in bottle weight for the popular Strathmore 500ml PET packs. This will save over 35% of the plastics used for these bottles in 2008.

Health and Safety

It is the policy of the company to take all reasonable steps to provide for our employees and visitors to our sites a safe and healthy work environment in which to carry out our business. We believe that effective management of health and safety is integral to our business success. The management at each of our locations is held accountable for the effective control of health and safety on-site. In addition to a company health and safety manager, each operating site has an appointed manager trained to NEBOSH (National Examination Board of Occupational Safety and Health) certificate standard to provide local health and safety expertise.

Health and Safety guidance notes specifying the overall safe systems of work for each area of risk are developed and made available for implementation at site level by the operating managers.

The year to January 2008 has seen a significant improvement in our safety performance including a reduction in the number of accidents reportable to the Health and Safety Executive (HSE) to 19. By the nature of our business, the main causes of accidents are manual handling and slips trips and falls, some of which happen off our sites in the course of product delivery. All accidents are thoroughly investigated to enable appropriate corrective action to be taken and initiatives are planned in 2008/09 to provide additional focus on accident prevention.

The company operates an annual health and safety action plan and sets key performance safety targets to facilitate continuous improvement. Local safety committees meet monthly to review their safety performance and implement action plans from safety inspections and safety audits. The main company safety committees supported by the health and safety manager and led by senior managers meet quarterly to review the company safety performance. A comprehensive health and safety audit developed internally specifically for A G BARR is used to annually audit our factory, warehouse and office workplaces and each site has the responsibility of implementing the action plan issued.

The board of directors require implementation of the health and safety policy compliance against the safety guidance notes and completion of safety action plans across all areas of the business and this is reviewed every quarter.

Employees

We recognise that the talent and skills of our workforce are vital to the company's continuing success. Staff are encouraged to develop their skills through a range of activities including project work, secondments and off-the-job training. We provide some 68 internal training programmes covering a wide range of topics such as Management Skills, Personal Development and Health and Safety and in addition, 195 delegates attended external training courses and 43 employees have gained formal qualifications during the year. In the year ahead, all employees will have their own agreed Personal Development Plan setting out the planned learning and development activities that will help them to develop their skills and potential to the full. Pay and benefits are benchmarked against other companies to ensure the rewards to staff are competitive and we seek to ensure that employees are provided with a safe and healthy work environment and a guarantee of fairness and equal opportunities. For other employment matters see the directors' report on page 20.

Community

Each of our sites is encouraged to be involved with its local community and to support where possible some of its local community charities and events. We try both to convey the message of social inclusion in any grass roots activity that we support and maintain links with all sections of the community. Our employees are able to participate in events sponsored by the company. This may involve taking part, fund raising or raising awareness for the activity. We also try to motivate employees in health awareness schemes encouraging and highlighting their achievements.

"This high level of supplier performance also helps to maintain the efficiency of our factories with less down-time, fewer errors and less waste."

Still More Pollutants Per Load

Our focus on maximising the efficiency of our distribution continues to reduce both costs and emissions can be illustrated by the integration of the Strathmore Water business into the Barr distribution network. During this period we have seen an increase in vehicle utilisation of 10%. This improved use of the fleet reduces the number of vehicle movements and thereby reduces our fuel usage.

Zero Emissions Trucks

Trials are continuing in our Walthamstow and Newcastle depots of a groundbreaking eco-friendly electric delivery truck. We are the first in the soft drinks industry to trial these vehicles which run off a rechargeable battery and cover an impressive 120 miles before needing to be recharged.

Directors' Report

The profit after tax as shown in the consolidated income statement amounted to £16 838m (2007 £13 191m). The directors have paid the following dividend appropriations during the year

Dividends	£000
Final dividend paid 8th June 2007	
24 75p per share (2007 22 00p)	4 673
Interim dividend paid 26th October 2007	
11 00p per share (2007 10 25p)	2 078
Total dividends 35 75p per share (2007 32 25p)	6 751

The proposed final dividend of 28 00p will be posted on 5th June 2008 if approved at the company's annual general meeting on 19th May 2008

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 statements of the chairman and the chief executive on pages 2 to 13

Property plant and equipment

The directors are of the opinion that the existing use market value of the properties at 26th January 2008 was not materially different from 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 Savings Related Share Option Scheme, the Performance Related Share Scheme, the Long Service Award Scheme, the All-Employee Share Ownership Plan and the Long-term Incentive Plan

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 26th January 2008 trade payables represented approximately 36 days purchases based on the average daily amount invoiced by suppliers during the year

Directors

The directors of the company together with biographical notes are shown on page 14. All the directors held office throughout the year. The directors retiring by rotation are W R G Barr and J D Kemp who being eligible offer themselves for re-election. Both directors have service contracts which are terminable on a basic one year's notice (see page 23)

Following the completion of his third three year contract as a non-executive director, the re-appointment of J S Espey on 1st April 2008 fails to be confirmed. J S Espey has a one year contract from his date of re-appointment

On 28th January 2008 the group announced the retirement of A A Bibby and I F Greenock. A A Bibby retired on 29th February 2008 and was succeeded by A L Memmott. I F Greenock will retire during the summer and he will be succeeded by A B C Short

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

Qualifying third party indemnity insurance is in place for the benefit of all directors of the company

Interests in share capital

In addition to the directors' shareholdings detailed in the directors' remuneration report on page 26, the directors have been notified of the following shareholdings in excess of 3% of the issued share capital as at 26th January 2008

Caledonia Investments plc	1 820 000 shares (9.35%)
Finsbury Growth Trust PLC	885 000 shares (4.55%)
Legal & General Investment Managers	588 128 shares (3.02%)

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

Baker Tilly UK Audit LLP has agreed to offer itself for re-election as auditor of the company

Close company

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

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

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent
- followed applicable accounting standards and
- 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 are in accordance with IFRS as adopted by the EU. 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

The directors are also responsible for the maintenance and integrity of the A G BARR plc website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Annual general meeting

The company's annual general meeting is convened for 11 00am on 19th May 2008 and will be held at the offices of Brechin Tindall Oatts, 48 St Vincent Street, Glasgow G2 5HS. The notice of the annual general meeting is set out on pages 58 to 61

On behalf of the board



J.A. Barr
Secretary
Westfield House
4 Mullins Road
Cumbernould G68 9HD
31st March, 2008

Statement on Corporate Governance

Application of the principles of the revised Combined Code

The board

AGBAR PLC is led by a strong and experienced board which brings a depth and diversity of expertise to the leadership of the company

One third of the board members are non-executive directors both of whom are considered by the board to be independent J S Espey is the senior non-executive director

Under the company's Articles of Association one third of the board is subject to retirement and re-election every year with each director being required to be re-elected within a three year period

The board retains full and effective control of the company including responsibility for deciding the company's strategy and for approving short and medium term plans including targets and budgets. The board has twelve scheduled meetings set annually in advance and an agenda and relevant papers including trading results and all items relevant to the schedule of matters for consideration and discussion by the board are circulated in advance of each meeting. At two of this year's scheduled board meetings there was less than full attendance with I F Greenock and J S Espey each both missing one meeting. The appropriate directors who formed a quorum attended additional technical board meetings during the year

Matters relating to trading cash flows product development and operations are discussed and considered by the management committee which is chaired by the chief executive and consists of the three functional directors and six senior managers. This committee has twelve scheduled meetings annually

The board has also established three board committees each of which has clear terms of reference. These committees are

- the remuneration committee whose composition and report is set out on page 22. The committee met four times during the year all members in attendance
- the audit committee which is comprised of R G Hanna as chairman and J S Espey. The committee met twice during the year with the external auditors and twice also with the internal auditors following which reports were made to the board on the published financial statements systems of internal control risk management systems and processes. At the reviews with the external auditors due consideration was given to the nature and level of non-audit services provided to ensure the objectivity and independence of the external auditors. At the meetings with the internal auditors the effectiveness of the internal auditors work was reviewed. Both members of the committee attended all of the meetings in the year and

- the nominations committee which has responsibility for nominating for approval by the board candidates for appointment to the board. It is chaired by W R G Barr its other members are J S Espey and R G Hanna. The committee met once during the year with all members in attendance

Appropriate training is provided to new members of the board. During the year the board carried out a formal internal review of its overall performance and prior to the end of the year evaluations in respect of the performance of all the individual directors were conducted

Details of directors' remuneration are given in the directors' remuneration report on pages 22 to 26. None of the executive directors currently serve as paid non-executive directors elsewhere

Relations with shareholders

The company has regular discussions with and briefings for analysts and institutional shareholders. The chief executive and finance director normally meet with major shareholders twice annually and brief the next board meeting on their discussions. 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 at the annual general meeting

Internal control

The Combined Code requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the company's assets. The Turnbull Report adopted by the UK Listing Authority provides guidance for compliance with that part of the Code. The company has introduced procedures in line with the Turnbull committee's final guidance on internal controls

These procedures include ongoing monthly functional reviews designed to identify evaluate and manage the significant risks faced by the company. Any issues or incidents are addressed at monthly management committee meetings. Each quarter reports are made by each functional director to the management committee meeting on the risks relating to his area of operation and the complete risk register is reviewed by the full board twice a year. These procedures are assessed on a regular basis for their effectiveness

In addition to the above internal auditors are engaged to assess and report on the systems of internal control throughout the company

The directors acknowledge that they are responsible for the company'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 company's system of financial control are as follows

- The board as a whole is responsible for the company's objectives policies and stewardship of its resources. It 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 company's activities are subject to an annual budget process and the management committee and the full board review the variances highlighted by the monthly management accounts. In addition financial accounts are prepared quarterly from the monthly management accounts. The budgeted annual capital expenditure of the company is compared monthly by the board against actual commitments in concert with a review of the company's cash flow position

Going concern

On the basis of current financial projections and facilities available the directors are satisfied that the company 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

Compliance with the revised Combined Code

During the year to 26th January 2008 the company complied with the provisions set out in section 1 of the Combined Code (revised 2003) except in relation to the notice period of executive directors' contracts

The Combined Code requires a notice period of a maximum of one year. In certain circumstances the notice period reverts to two years for each of the executive directors (see page 23)

Directors' Remuneration Report

The remuneration committee

The remuneration committee comprised

J S Espey (chairman)
R G Hanna

J S Espey is the senior non-executive director of the company and has served from 16th April 1999. R G Hanna non-executive director was appointed to the committee on 19th June 2003.

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 and bonus schemes

(a) All-Employee Share Ownership Plan (AESOP)

The introduction of an All-Employee Share Ownership Plan was approved at the annual general meeting of the company on 21st May 2001 and is HM Revenue and Customs (HMRC) approved. Executive directors participate in both sections of the scheme which is open to all employees.

The partnership share element currently provides that for every three shares an individual purchases in A G BARF plc to a maximum contribution of £125 per month the company has agreed to purchase one matching share which is 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.

The second element relates to free shares. Under the terms of this section all participants can receive shares to the value of a common percentage of their earnings related to the performance of the group. The shares appropriated are to a maximum annual value of £3 000 and are held in trust for five years.

Under the terms of this scheme, the matching shares will be forfeit if employment with the company terminates within three years of the award and all other partnership matching and free shares must be removed from the trust if employment with the company ceases.

(b) Savings Related Share Option Scheme (SAVE)

The Savings Related Share Option Scheme is a HMRC 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 or earlier as provided by the scheme rules.

(c) Performance Related Share Scheme (PRSS)

The purpose of this scheme was to reward executive directors and other senior employees for achieving above average performance in the profits of the group which would also benefit shareholders. The final award under this scheme was provided for the year to 25th January 2003 and the scheme has been replaced by the Lip (2003) at (e) below. Subject to the discretion of the remuneration committee participants were awarded bonuses following an increase in earnings per share of at least 2.7% above the Retail Price Index providing the executive was still in the employment of the company at the end of the scheme year. The annual bonus value awarded to a participant in respect of a scheme year was on a sliding scale commencing at 8.7% and could not exceed 50% of the executive's annual base salary.

The bonuses are released as follows:

- Normally one third of the value of the bonus was in cash and released immediately on award.
- The remainder of the value of the bonus was in the form of shares which would 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 2.7% additional matching shares will be awarded to participants under the rules of the scheme.

The performance conditions described above were chosen to align executives' bonus payments to company performance both in the short-term and over a five to seven year period.

(d) Annual performance bonus

This scheme is principally available to reward senior executives including executive directors for achieving above average performance in the profits of the group if earnings per share in the current year exceeds the previous year's number as adjusted by the Retail Price Index by a sliding scale from 2.5% to over 30%. The bonus reflects this earnings movement and is paid in cash as a percentage of each executive's base salary from 10% to a maximum of 75%.

(e) Long-term Incentive Plan (2003) (Lip)

This scheme was approved by shareholders at the annual general meeting held on 19th May 2003 and replaced the PRSS at (c) above. It is available to reward senior executives including executive directors if the average earnings per share of the three years running up to and including the year of calculation exceeds the average of the three years preceding that period both being adjusted for Retail Price Index by a sliding scale from 10% to over 50%. The award payable in shares is valued as a percentage of the basic salary of executives on a scale from 12.5% to 75% for the maximum award.

(f) Executive Share Option Scheme (ESOS)

This scheme was approved by shareholders at the annual general meeting held on 19th May 2003 but no options have been awarded.

(iii) Elements of remuneration

- Basic salary and benefits
- Performance related components: In the year to 26th January 2008 these were the free share element of the AESOP at (a) above, the PRSS at (c) above, the annual performance bonus at (d) above and the Lip at (e) above.

The balance of these elements is intended to align executives' longer term interests with those of shareholders. In 2008 the performance related elements of the remuneration package amounted to 28.42% of the total. In 2007 this was 23.22% of the total.

Directors' Remuneration Report

(iv) Pension rights

Under the terms of their service contracts executive directors are members of the A G BARF plc Executive Pension Scheme which has been altered to include a defined contribution section. The defined benefit section was closed to new entrants with effect from 14th August 2003.

The defined benefit section (four executive directors) 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 63. Executive directors dismissed for reasons other than gross misconduct are entitled under their contract of employment to have their deferred pension adjusted to allow for the increase in the Retail Price Index between the date of leaving the company and normal retirement date. Any difference between the benefit in the contract of employment and that provided by the pension plan will be met by the company.

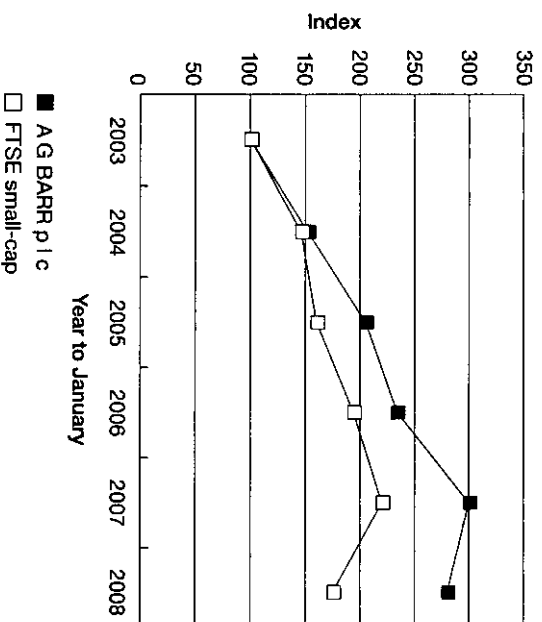
The defined contribution section (one executive director) provides a fund from which a pension may be bought. The level of contribution payable by both member and company varies upwards dependent on either age or length of pensionable service with the company. Where required, benefits based on salary in excess of the earnings cap are provided on an unapproved basis.

(v) Service contracts

The service contracts for each of the executive directors and that of the chairman provide for a period of notice of one year except during the six months following either a takeover of or by the company or a company reconstruction when the notice period reverts in certain circumstances to two years for each of the executive directors. Directors are required to give six months' notice of termination.

Executive directors have no contractual entitlement to termination payments other than those related to their period of notice.

Share price performance



The graph above plots the total shareholder return for the ordinary share capital of A G BARF plc against the FTSE small-cap index which has been selected as the most appropriate measure. In the opinion of the board, no readily identifiable benchmark group of companies exists.

Directors' Remuneration Report

Directors' remuneration

	2008 £000	2007 £000
Salaries	843	803
Benefits	71	97
AE SOP free shares	12	12
Annual performance bonus	174	137
Long-term Incentive Plan	202	146
Pension contributions – Defined contribution plan	21	20
Fees to non-executive directors	64	62
	1 387	1 277

The All Employee Share Ownership Plan free shares are shown when appropriated whereas the Long-term Incentive Plan (2003) deferred shares are accruals for the relevant period

The remuneration of the executive directors was as follows

	W R G Barr £000	R A White £000	A A Bibby £000	I F Greenock £000	J D Kemp £000
Salaries	111	282	150	150	150
Benefits	1	5	21	29	15
AE SOP free shares	–	3	3	3	3
Annual performance bonus	–	66	36	36	36
Long-term Incentive Plan	–	82	40	40	40
12 months to 26th January 2008	112	438	250	258	244
12 months to 27th January 2007	130	381	227	212	245

The aggregate gain made by the directors during the year on the vesting of the LHP award the vesting of the PRSS award and the exercise of SAYE options was £910 977

Directors' pensions					
Increase in accrued pension during year net of inflation	11	7	6	3	
Accrued annual pension entitlement at 26th January 2008	212	33	99	101	
Transfer value of net increase in accrued pension at 26th January 2008	194	48	122	64	
Value of accrued pension at 27th January 2007	3,595	226	1 685	2 209	
Value of accrued pension at 26th January 2008	3 913	344	2,135	2 598	
Total change in value during the year (net of member contributions)	318	96	441	379	

The increase in accrued pension during the year excludes any increase for inflation

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The figures showing the Transfer value of net increase in accrued pension at 26th January 2008 include an allowance for the costs of providing death in service benefits. The change in the amount of the transfer value during the year is made up of the following elements

- transfer value of the increase in accrued pension
- change in the transfer value of accrued pension at the start of the year due to ageing and
- the impact of any change in the economic or mortality assumptions underlying the transfer value basis

Directors pay contributions as required by the Scheme and these amounts are offset in calculating the values shown in the rows entitled Transfer value of net increase in accrued pension at 26th January 2008 and Total change in value during the year (net of member contributions)

J D Kemp is a member of the defined contribution section of the Executive Pension Scheme. During the year the company paid contributions in respect of J D Kemp of £21 060 (2007 £19 900)

Directors' Remuneration Report

Directors' interests Estimated potential performance share awards

	Plan	As at 27 01 07	Awards vesting during the year	Awards lapsing during the year	Awards made during the year	As at 26 01 08	Total potential award available	Date of award	Share price on date of award (pence)	Performance period end January
W R G Barr										
a)		6 362	-	-	-	6 362	6 362	16 04 03	488 3	2008/10
b)		6 197	(6 197)	-	-	-	6 197	19 04 01	462 1	2006/08
		6 362	-	-	-	6 362	6 362	16 04 03	488 3	2008/10
		6 197	(6 197)	-	-	-	6 197	19 04 01	462 1	2006/08
Total		25 118	(12 394)	-	-	12 724				
R A White										
a)		6 997	-	-	-	6 997	6 997	16 04 03	488 3	2008/10
b)		6 997	-	-	-	6 997	6 997	16 04 03	488 3	2008/10
c)		-	-	-	7 446	7 446	16 547	Note	1333 0	2010
		8 812	-	-	-	8,812	19 581	Note	1018 3	2009
		9 209	-	-	-	9 209	20 465	Note	925 0	2008
		11 432	(16 547)	-	5 115	-	25 404	Note	708 5	2007
Total		43 447	(16 547)	-	12 561	39 461				
A.A Bibby										
a)		4 171	-	-	-	4 171	4 171	16 04 03	488 3	2008/10
b)		4 065	(4 065)	-	-	-	4 065	19 04 01	462 1	2006/08
		4 171	-	-	-	4 171	4 171	16 04 03	488 3	2008/10
c)		4 065	(4 065)	-	-	-	4 065	19 04 01	462 1	2006/08
		-	-	-	3 981	3 981	8 847	Note	1330 0	2010
		4 711	-	-	-	4 711	10 469	Note	1018 3	2009
		4 924	-	-	-	4 924	10 942	Note	925 0	2008
		6 112	(8 847)	-	2 735	-	13 583	Note	708 5	2007
Total		32 219	(16 977)	-	6 716	21 958				
I.F Greenock										
a)		4 171	-	-	-	4 171	4 171	16 04 03	488 3	2008/10
b)		3 638	(3 638)	-	-	-	3 638	19 04 01	462 1	2006/08
		4 171	-	-	-	4 171	4 171	16 04 03	488 3	2008/10
c)		3 638	(3 638)	-	-	-	3 638	19 04 01	462 1	2006/08
		-	-	-	3 981	3 981	8 847	Note	1330 0	2010
		4 711	-	-	-	4,711	10 469	Note	1018 3	2009
		4 924	-	-	-	4 924	10 942	Note	925 0	2008
		6 112	(8 847)	-	2 735	-	13 583	Note	708 5	2007
Total		31 365	(16 123)	-	6 716	21 958				
J D Kemp										
c)		-	-	-	3 981	3 981	8 847	Note	1330 0	2010
		4 711	-	-	-	4,711	10 469	Note	1018 3	2009
		4 924	-	-	-	4 924	10 942	Note	925 0	2008
		6 112	(8 847)	-	2 735	-	13 583	Note	708 5	2007
Total		15 747	(8 847)	-	6 716	13 616				

- a) Performance Related Share Scheme deferred shares
b) Performance Related Share Scheme potential matching shares
c) Long-Term Incentive Plan (2003) estimated bonus shares

Note

Refer to Directors' Remuneration Report on page 22
The final award under the Performance Related Share Scheme was for the year ended 25th January 2003

Directors' Remuneration Report

Directors' share options

The options of the executive directors at 26th January 2008 over the ordinary share capital of the company were as under noted

	Options as at 27 01 07	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options as at 26 01 08	Exercise price (pence)	Market price at date of exercise (pence)	Date from which exercisable	Expiry date
A A Bibby	1 703	716	-	-	1 703	776	-	01 08 10	01 02 11
I F Greenock	1 955	-	(1 955)	-	716	975	-	31 10 12	01 02 13
	1 022	-	-	-	-	336	1 172	01 12 07	01 06 08
R A White	-	275	-	-	1 022	776	-	01 08 10	01 02 11
	-	-	-	-	275	975	-	31 10 12	01 02 13
J D Kemp	1 703	-	-	-	1 703	776	-	01 08 10	01 02 11
	1 703	-	-	-	1 703	776	-	01 08 10	01 02 11

The share price as at 26th January 2008 was 1149 Op and the highest and lowest prices during the year were 1240 Op and 883 Sp respectively The beneficial interests of the directors in the ordinary shares of the company are as follows

2008 2007

Executive directors

W R G Barr	1 245 087	1 237 650
R A White	26 957	18 344
A A Bibby	91 991	81 170
I F Greenock	41 411	31 844
J D Kemp	14 896	10 120

Non-executive directors

J S Espey	11 000	11 000
R G Hanna	25 000	25 000

I F Greenock has non-beneficial interests in 348 059 shares (2007 665 743 shares) under trusteeships of various employee share schemes W R G Barr has non-beneficial interests in 1 685 968 shares (2007 1 685 968 shares) as trustee of a charitable trust and several family trusts There have been the following changes notified in the directors' shareholdings between 26th January 2008 and 18th April 2008 I F Greenock an increase in beneficial holding of 40 shares and a reduction in non-beneficial holding of 4 503 shares R A White an increase in beneficial holding of 41 shares A A Bibby an increase in beneficial holding of 14 shares and J D Kemp an increase in beneficial holding of 40 shares

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 During the year the fees to directors were as noted below

	2008 £000	2007 £000
J S Espey	32	31
R G Hanna	32	31
	64	62

Service contracts

Non-executive directors are employed on renewable fixed term contracts not exceeding three years

Information subject to audit

Under part 3 of Schedule 7A of the Companies Act 1985 the following sections of this report are subject to audit directors' remuneration directors' pensions directors' share options and non-executive directors' fees

On behalf of the board

J A Barr

Secretary

Consolidated Income Statement

	Group	
	2008	2007
	£000	£000
Revenue		
Cost of sales	148 377	141 876
	76 068	71 453
Gross profit	72 309	70 423
Net operating expenses	2	51 920
	52 089	
Operating profit before exceptional items	20 389	18 334
Exceptional items		
Restructuring costs	3	639
Exceptional credit	3	(171)
Gain on disposal	3	(2 315)
Exceptional items	468	2 761
Operating profit	19 921	15 573
Finance income	4	924
Finance costs	5	(12)
	158	(377)
Profit before tax	20 833	16 354
Tax on profit	8	3 995
	3 163	
Profit attributable to equity shareholders	16 838	13 191
Dividend per share paid	9	35 75p
	32 25p	
Dividend paid (£000)	9	6 751
	6 077	
Dividend per share proposed	9	28 00p
	24 75p	
Dividend proposed (£000)	9	5 449
	4 817	
Basic earnings per share	10	86 75p
	69 65p	
Diluted earnings per share	10	85 65p
	68 15p	

Statements of Recognised Income and Expense

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Actuarial gain/(loss) recognised on defined benefit pension plans	26	5 167	(907)	5 167
Deferred tax movements on items taken directly to equity	22	(2 649)	366	(2 649)
Current tax movements on items taken directly to equity	8	909	-	366
Net cost recognised directly in equity	3 427	(541)	3 427	(541)
Profit for the period	16 838	13 191	16 668	13 057
Total recognised income and expense for the period	20 265	12 650	20 095	12 516
Attributable to equity shareholders	20 265	12 650	20 095	12 516

Balance Sheets

Directors' Report

Corporate Governance

Directors' Remuneration Report

Primary Statements

Notes to the Accounts

	Note	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Non-current assets					
Intangible assets					
Property plant and equipment	11	10 656	9 742	10 656	9 742
Investment in subsidiaries	12	53 373	52 278	52 751	51 402
Deferred tax assets	13	-	-	205	205
	22	-	699	-	731
		64 029	62 719	63 612	62 080
Current assets					
Inventories	14	12 339	11 409	12 285	11 299
Trade and other receivables	15	25 965	25 406	25 634	24 983
Cash at bank		17 899	19 097	17 593	18 957
Current tax		557	-	648	14
Assets classified as held for sale	16	2 910	-	2 864	-
		59 670	55 912	59 024	55 253
Total assets		123,699	118 631	122 636	117 333
Current liabilities					
Trade and other payables	17	28 163	28 776	29 085	29 347
Provisions	18	284	2 262	284	2 262
Current tax		-	59	-	-
		28 447	31 097	29 369	31 609
Non-current liabilities					
Deferred income	20	72	73	72	73
Retirement benefit obligations	26	8 009	16 084	8 009	16 084
Deferred tax liabilities	22	2 383	-	2 386	-
		10 474	16 157	10 469	16 157
Capital and reserves attributable to equity shareholders					
Called up share capital	21	4 865	4 865	4 865	4 865
Share premium account	28	905	905	905	905
Own shares held	28	(3 717)	(4 439)	(3 717)	(4 439)
Share options reserve	28	964	1 923	964	1 923
Retained earnings	28	81 761	68 123	79 781	66 313
		84 778	71 377	82 798	69 567
Total equity and liabilities		123,699	118 631	122 636	117 333

The financial statements on pages 27 to 55 were approved by the board of directors on 31st March 2008 and were signed on its behalf by


 W.R.G. Barr
 Chairman


 J.F. Greenock
 Finance Director

Cash Flow Statements

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Operating activities				
Profit before tax	20 833	16 354	20 628	16 166
Adjustments for				
Interest receivable	(924)	(1 158)	(913)	(1 152)
Interest payable	12	377	12	377
Depreciation of property, plant and equipment	6 668	5 654	6 393	5 381
Impairment of plant	-	300	-	300
Amortisation of assets classified as held for sale	96	-	-	-
Share options costs	233	160	233	160
Gain on sale of property, plant and equipment	385	359	385	359
Government grants written back	(33)	(1 485)	(33)	(1 485)
	(1)	(538)	(1)	(538)
Operating cash flows before movements in working capital	27 269	20 023	26 704	19 568
Increase in inventories	(930)	(1 727)	(986)	(1 703)
Increase in receivables	(559)	(1,893)	(651)	(1 807)
(Decrease)/increase in payables	(1 922)	6 212	(1 571)	6 236
Decrease in retirement benefit obligations	(2 855)	(1 071)	(2 855)	(1 071)
Cash generated by operations	21 003	21 544	20 641	21 223
Tax on profit paid	(3 259)	(4 786)	(3,216)	(4 734)
Net cash from operating activities	17 744	16 758	17 425	16 489
Investing activities				
Acquisition of intangible assets	(892)	-	(892)	-
Acquisition of Strathmore	-	(15 537)	-	(15 537)
Proceeds on sale of property, plant and equipment	1 043	6 760	993	6 722
Purchase of property, plant and equipment	(12 448)	(14 501)	(12 234)	(14 216)
Interest received	924	1 158	913	1 152
Net cash used in investing activities	(11 373)	(22 120)	(11 220)	(21 879)
Financing activities				
Purchase of own shares	(2 227)	(1 052)	(2 227)	(1 052)
Sale of own shares	1 421	553	1 421	553
Interest paid	(12)	(377)	(12)	(377)
Dividends paid	(6 751)	(6 077)	(6 751)	(6 077)
Net cash used in financing activities	(7 569)	(6 953)	(7 569)	(6 953)
Net decrease in cash and cash equivalents	(1 198)	(12 315)	(1 364)	(12 343)
Cash and cash equivalents at beginning of period	19 097	31 412	18 957	31 300
Cash and cash equivalents at end of period	17 899	19 097	17 593	18 957

Accounting Policies

The financial statements were authorised for issue by the directors on 31st March 2008

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) with its interpretations adopted by the International Accounting Standards Board (IASB)

Standards amendment and interpretations effective in 2008

IFRS 7 Financial instruments Disclosures and the complementary amendment to IAS 1 Presentation of financial statements – Capital disclosures introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments or the disclosures relating to taxation and trade and other payables

IFRIC 8 Scope of IFRS 2 requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2 This standard does not have any impact on the group's financial statements

IFRIC 10 Interm financial reporting and impairment prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date This standard does not have any impact on the group's financial statements

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1st January 2008 or later periods but the group has not early adopted them

IAS 23 (Amendment) Borrowing costs (effective from 1st January 2009) The amendment to the standard is still subject to endorsement by the European Union It requires an entity to capitalise borrowing costs directly attributable to the acquisition construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset The option of immediately expensing those borrowing costs will be removed The group will apply IAS 23 (Amended) from 1st February 2009 but is currently not applicable to the group as there are no qualifying assets

IFRS 8 Operating segments (effective from 1st January 2009) IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 Disclosures about segments of an enterprise and related information The new standard requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes The group will apply IFRS 8 from 1st February 2009 The expected impact is still being assessed in detail by management but it appears likely that the number of reportable segments as well as the manner in which the segments are reported will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker As goodwill is allocated to groups of cash-generating units based on segment level the change will also require management to reallocate goodwill to the newly identified operating segments Management does not anticipate that this will result in any material impairment to the goodwill balance

IFRIC 11 IFRS 2 – Group and treasury share transactions (effective from 1st March 2007) IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies This interpretation does not have an impact on the group's financial statements

IFRIC 14 IAS 19 – The limit on a defined benefit asset minimum funding requirements and their interaction (effective from 1st January 2008) IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset It also explains how the pens on asset or liability may be affected by a statutory or contractual minimum funding requirement The group will apply IFRIC 14 from 27th January 2008 but it is not expected to have any impact on the group's accounts

New standards and interpretations not yet adopted

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1st January 2007 but they are not relevant to the group's operations

IFRIC 9 Re-assessment of embedded derivatives
IFRIC 12 Service concession arrangements

Basis of preparation
The financial statements are prepared on the historical cost basis

The preparation of financial statements which comply with the provisions of IFRS requires management to make judgements estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as well as income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates The critical assumptions made concern the share schemes offered to employees and the retirement benefit obligation The assumptions are detailed in notes 25 and 26

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the group entities

Basis of consolidation

Subsidiaries are entities controlled by the company Control exists when the company has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities in assessing control potential voting rights that presently are exercisable or convertible are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment

No income statement is presented for the company as permitted by s230(4) of the Companies Act 1985

Goodwill

Goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets liabilities and contingent liabilities of the acquiree Subsequent re-measurement is at cost less accumulated impairment losses

Accounting Policies

Intangibles

Intangible assets with a finite useful life are amortised to the consolidated income statement on a straight-line basis over their estimated useful lives which are reviewed on an annual basis. Amortisation commences when the intangible asset is available for use. The residual values of intangible assets are assumed to be zero.

The estimated useful lives of the intangible assets are estimated to be as follows:

Customer relationships 3 to 5 years

Brands

Brands represents the brand intangible assets recognised on the acquisition of the other businesses or acquired individually. For brands acquired individually the cost at acquisition includes professional fees incurred in acquiring the brand. They are deemed to have an infinite life. Subsequent re-measurement is at cost less accumulated impairment losses.

Customer relationships

Customer relationships represents the purchase price of customer lists and contractual relationships purchased on the acquisition of the Strathmore Water business.

Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at cost or as deemed cost less accumulated depreciation. Certain properties have been re-valued to fair value on 1st February 2004, the date of transition to IFRS. Where items of property, plant and equipment have different useful lives they are accounted for as separate assets.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is anticipated that the future economic benefits of the item will flow to the group over its remaining life and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates are as follows:

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

Impairment

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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.

Details of the impairment review are included in note 11.

Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities whereby research findings are applied to a plan or design for the production of new substantially improved products and processes is capitalised if the product or process is technically and commercially feasible.

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 the business less the estimated costs of completion 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 existing location and condition. This includes an appropriate share of overheads based on normal operating activity.

Own shares held

Share capital is purchased to satisfy the liability of various employee share schemes and is held in trust. The amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Purchased shares are classified as own shares held and presented as a deduction from total equity.

Employee benefits

Defined contribution pension plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit pension plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods that benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses that arise in calculating the group's obligation in respect of a plan are recognised in full in the year in which they occur through the Consolidated Statement of Recognised Income and Expense (SoRIE) in accordance with the amendment to IAS 19 issued on 16th December 2004.

Share-based payment transactions

The group issues 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 determined at the grant date of the equity-settled share-based payment 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 the employees' payroll. The group records an expense as the shares are purchased by the employee.

The fair value of the share-based payments is charged to the income statement and credited to the share options reserve. On exercise the fair value is credited to retained reserves from the share options reserve.

Accounting Policies

Deferred income

Government grants in respect of capital expenditure are treated as deferred credits and a proportion of the grants based on the depreciation rate for the related property plant and equipment is credited each year to the income statement

Revenue

Revenue is the net invoiced sales value exclusive of value added tax of goods and services supplied to external customers during the year

Leased assets

Rentals paid under operating leases are charged to the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread to the first rent break period

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Current tax is charged in the income statement except to 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 substantially enacted at the balance sheet 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
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet 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

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments

Non-current assets held for sale

Immediately before classification as held for sale, the measure of the assets is brought up-to-date in accordance with applicable IFRS. On initial classification as assets held for sale, non-current assets and disposal groups are recognised at the lower of the carrying amount and fair value less relevant costs. Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. This also applies to gains and losses on subsequent re-measurement

Exceptional items

Exceptional items are costs and income that are not expected to recur in the normal course of business

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements whilst maximising shareholder value. The company operates controlled treasury policies which are monitored by the board to ensure that the needs of the company are met as they arise

Financial assets

The group classifies its financial assets under the one category of loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The group's loans and receivables comprise of Trade and other receivables and Cash and cash equivalents

The group does not hold any derivative financial instruments or carry out any hedging activities

Trade and other receivables are not interest bearing and are stated at the expected recoverable amount

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated cash flows. No present value calculations are made as no interest is charged on trade receivables. 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 expenses. When a trade receivable is uncollectable it is written off against the bad debt provision

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit and are subject to an insignificant risk of changes in value

Trade and other payables

Trade and other payables are not interest bearing and are stated at cost. Cost is taken to be fair value

Provisions

A provision is recognised if, as the result of a past event, the group has a present or legal 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

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow 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

Risk management is carried out by the finance department under policies approved by the board of directors. The group finance department identifies, evaluates and manages financial risks in close co-operation with the group's operating units. The board provides guidance on overall risk management, including foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity

Accounting Policies

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the group's functional currency. The group operates internationally with one exception: foreign exchange risk is managed through invoicing customers in Sterling. The one exception is a customer who is invoiced in US Dollars using the spot rate. The group bears the risk of adverse exchange rate movements. No forward contracts or derivatives are entered in to as the level of turnover does not make this cost effective.

(ii) Price risk

The group is not exposed to equity securities price risk because no investments are held by the group. The group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

With the exception of Cash at bank, the group has no significant interest-bearing assets or liabilities resulting in the group's income and operating cash flows being substantially independent of changes in market interest rates.

(b) 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 assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to direct to store customers are settled in cash or through invoicing.

Management does not expect any losses from non-performance by these counterparties.

(c) 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 businesses, 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 (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows. This is carried out at a group level. In addition, the group's liquidity management policy involves projecting cash flows for capital expenditure and considering the level of liquid assets necessary to meet these.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the return on capital employed ratio (ROCE). This ratio is calculated as operating profit divided by total assets less current liabilities.

The ROCE figure for the year was 20.9% (2007: 17.8%).

Fair value estimation

The carrying values less impairment provisions of trade receivables and trade payables are assumed to approximate their fair values.

Notes to the Accounts

1 Business and geographical segments

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

The group operates predominantly in the U.K. with some worldwide operations. In the previous year the financial statements disclosed two geographical segments U.K. and Worldwide. The Worldwide segment did not meet the reporting requirements to be a reportable segment under IAS 14 but the directors included the disclosure on a voluntary basis. In the year to 26th January 2008 the directors are of the opinion that there is only one reportable geographical segment.

2 Net operating expenses

	2008 £000	2007 £000
Distribution costs	34 616	32 593
Administration expenses	17 304	19 496
	51 920	52 089

3 Exceptional items

Following on from the announcement last year the Atherton production site activities were scaled down in advance of the site closure. During the closure period a new can line was installed at the Cumberland production site. Due to technical difficulties with the commissioning of the line the Atherton site remained operational longer than had been planned. This resulted in additional costs at Atherton as the site had to remain capable of production up until the new Cumberland line was fully commissioned. This has resulted in the excess costs of keeping Atherton operational being treated as exceptional costs. These costs totalled £440 000. A further £47 000 was incurred in moving the IT infrastructure out of Atherton and into the Cumberland facility as part of the closure.

The company utilised £1 807 000 of the £2 262 000 provision created at 27th January 2007 for the closure of Atherton (note 16). £284 000 of the balance is expected to be required on the sale of the site. This resulted in an exceptional credit of £171 000 arising from the release of the element no longer required.

During the year the Pitcox production site changed its focus to the filling of 19 litre water containers. This resulted in redundancy costs of £56 000 being charged to the income statement. As a result of the change of production focus a bottling line at the site was no longer required and transferred to assets available for sale (see note 16). The post year end sale of the bottling line for a value less than its net book value has resulted in an impairment charge of £96 000 being recognised as an exceptional item in the year to 26th January 2008.

During the year to 27th January 2007 the group completed the re-organisation of its sales and logistics facilities in Scotland and the move to the consolidated facility at its existing Cumberland factory site. The sale of the Scottish distribution sites resulted in a gain of £1 779 000 which included property at Irvine and Wishaw. These two properties were classified as assets available for sale at 28th January 2006. Government grants received at the time of the initial property purchases by the group were released to the income statement with £536 000 being recognised as an exceptional credit. Previously the grants were released over the expected lifetime of the properties. These gains were reduced by redundancy costs of £1 292 000 relating to the site closures and re-organisation and double running costs of £1 128 000. A further £2 356 000 was recognised in relation to the closure of the Atherton site and £300 000 in relation to impairment of assets held at Atherton.

4 Finance income

	2008 £000	2007 £000
Interest receivable	853	1 158
Net finance income relating to retirement and post-employment benefit schemes	71	-
	924	1 158

5 Finance costs

	2008 £000	2007 £000
Interest payable	12	6
Net finance charge relating to retirement and post-employment benefit schemes	-	371
	12	377

Notes to the Accounts

6 Profit for the year

Profit for the year has been arrived at after charging (crediting)

	2008 £000	2007 £000
Depreciation of property plant and equipment	6 668	5 654
Impairment of plant and equipment	-	300
Impairment of assets classified as held for sale	96	-
Amortisation of intangible assets	233	160
Cost of inventories recognised as expense	76 068	71 453
Government grant released	(11)	(538)
Profit on disposal of property plant and equipment	(33)	(18)
Other operating lease rentals payable	-	-
- property	197	197
Trade receivables impairment	-	15
Share-based payment costs	385	359

Services provided by the group's auditor

During the year the group obtained the services listed below from the group's auditor. In the year to 26th January 2008 all of the services with the exception of the tax services were supplied by Baker Tilly UK Audit LLP. In the year to 27th January 2007 all of the services were provided by Baker Tilly.

	2008 £000	2007 £000
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Audit services

Fees payable to company auditor of parent company and consolidated accounts

2008	2007
£000	£000

Non-audit services

Fees payable to the company's auditor for other services

Audit of the company's subsidiaries pursuant to legislation

Other services pursuant to legislation

Tax services

- Baker Tilly Tax & Advisory Services LLP

- Baker Tilly

Other services

Fees in respect of the group's pension plans

Audit

7 Employees and directors

Average monthly number of people employed by the group and the company (including executive directors)

Staff costs for the group for the year

	2008 £000	2007 £000
Wages and salaries	24 754	24 567
Social security costs	2 365	2 320
Other pension costs (see note 26)	1 464	2 346
	28 583	29 233

Notes to the Accounts

8. Tax on profit

	2008 £000	2007 £000
Current tax	4 492	3 623
Adjustments in respect of prior years	(940)	(739)
Total current corporation tax	3,552	2 884
Deferred tax – current year	619	279
(Over)/under provision prior years	(176)	–
	3 995	3 163
Reconciliation of tax charge		
Profit on ordinary activities before tax	20 833	16 354
Tax at 30% (2007 30%) thereon	6,250	4 906
Effects of		
Tax effect of items that are not deductible in determining taxable profit	120	(1 001)
Adjustment in respect of prior year	(1 116)	(739)
Deferred tax movement as a result of a change in tax rates	(333)	–
Net pension deduction	(183)	–
Net share scheme deduction	(145)	–
Permanent difference on transfer of assets available for sale	(610)	–
Marginal relief	(2)	(9)
Other differences	14	6
Current tax charge for period	3 995	3 163

In addition to the current tax expense charged to profit a current tax credit of £909 000 (2007 nil) has been recognised directly in equity. This is in respect of share-based payments. A deferred tax charge of £2 649 000 (2007 credit of £366 000) has been recognised in equity in in the year (see note 22)

During the year as a result of the change in U.K. Corporation Tax rates which will be effective from 1st April 2008 deferred tax balances have been re-measured. Deferred tax relating to temporary differences which are expected to reverse prior to 1st April 2008 is measured at 30% and deferred tax relating to temporary differences expected to reverse after 1st April 2008 is measured at the tax rate of 28% as these are the tax rates that will apply on reversal.

9 Dividends

	2008 £000	2007 £000
Final paid 7th June 2007 (24.75p per share)	4 673	4 143
Interim paid 26th October 2007 (11.00p per share)	2 078	1 934
	6 751	6 077

In respect of the current year the directors propose that a final dividend of 28.00p per share will be paid to shareholders on 6th June 2008. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The final dividend proposed would amount to £5 449 000.

Notes to the Accounts

10 Earnings per share

Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The numbers used in calculating basic and diluted earnings per ordinary share are reconciled below.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are shares options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year.

2008	2007
£000	£000

Net profit attributable to shareholders

Earnings – basic and diluted

16,838	13,191
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Weighted average number of shares in issue

Issued share capital	19,461,463	19,461,463
Own shares held	(334,705)	(517,780)
Weighting adjustment	282,460	(4,617)

Basic

19,409,218	18,939,066
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Calculation adjustments	
Savings related share option scheme	104,979
AESOP Matching share scheme	11,773
LTIP share scheme	44,424
Performance related share scheme	-
Deferred shares	87,326
Matching shares	-
Diluted	19,657,720

19,657,720	19,356,174
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Notes to the Accounts

11. Intangible assets

	Goodwill £000	Brands £000	Customer relationships £000	Water rights £000	Total £000
Cost					
At 28th January 2006	-	-	-	-	-
Acquisitions through business combinations	1 902	7 000	1 000	-	9 902
At 27th January 2007	1 902	7 000	1 000	-	9 902
Additions					
At 26th January 2008	15	390	-	742	1 147
	1 917	7 390	1 000	742	11 049
Amortisation and impairment losses					
At 28th January 2006	-	-	-	-	-
Amortisation for the year	-	-	-	-	-
At 27th January 2007	-	-	160	-	160
Amortisation for the year	-	-	233	-	233
At 26th January 2008	-	-	393	-	393
Carrying amounts					
At 26th January 2008	1 917	7,390	607	742	10 656
At 27th January 2007	1 902	7 000	840	-	9 742

The opening brand value represents the Strathmore brand acquired on the acquisition of the Strathmore Water business. The addition to brands in the year was for the acquisition of the Vitmart and Vitaminsmart brands. As part of the acquisition of the Vitmart and Vitaminsmart brands a small amount of inventory was acquired. After adjusting for the inventory for its fair value goodwill of £15 000 was recognised as part of the acquisition.

The water rights purchased in the year was a payment to obtain the right to draw water from the Findlays Spring in the Lammernur Hills, the source of the water used for the Findlays brand. Previously a royalty payment was made for the volumes drawn from the source and the purchase of the rights has removed the continuing royalty payment.

The group's goodwill balance, brands and water rights are reviewed for impairment annually on a value in use basis. The group assesses impairment by reference to a comparison between the present value of forecast future cash flows and the carrying value (including goodwill) of the group. Both goodwill and the brands have been attributed to the group as a whole as the group is expected to benefit from the acquisition. The group's recoverable amount has been based on value in use. The main assumptions used in this calculation were an estimated growth rate averaging 6%. The average pre-tax rate used to discount the forecast cash flows is 5.5%.

The water rights purchased by A G BARR plc have been attributed to Findlays Limited, a trading subsidiary as only the water business, Findlays Limited, is expected to benefit from the rights purchase.

The amortisation of the customer relationships is recognised in the administration expense in the income statement and has a remaining amortisation period of three years.

Notes to the Accounts

12. Property plant and equipment

	Land and buildings		Plant		Assets		Total
	Freehold £000	Long leasehold £000	equipment & vehicles £000	construction £000	under £000		£000
Group							
Cost or deemed cost							
At 28th January 2006	21 477	556	81 422	7 403			110 858
Additions	55	-	547	14 378			14 980
Transfers from assets under construction	8 460	-	10 231	(18 691)			-
Acquired through acquisition of business	850	-	4 405	-			5 255
Disposals	(3 915)	(19)	(9 253)	-			(13 187)
At 27th January 2007	26 927	537	87 352	3 090			117 906
Additions	1 667	8	7 798	2 306			11 779
Transfers from assets under construction	2 289	-	2 339	(4 628)			-
Transfer to assets classified as held for sale	(3 777)	-	(318)	-			(4 095)
Disposals	(16)	-	(28 182)	-			(28 198)
At 26th January 2008	27 090	545	68 989	768			97 392
Depreciation							
At 28th January 2006	2 826	190	65 507	-			68 523
Amount charged	250	73	5 331	-			5 654
Impairment of plant and equipment	-	-	300	-			300
Disposals	(118)	-	(8 731)	-			(8 849)
At 27th January 2007	2 958	263	62 407	-			65 628
Amount charged	315	75	6 278	-			6 668
Transfer to assets classified as held for sale	(913)	-	(176)	-			(1 089)
Disposals	(16)	-	(27 172)	-			(27 188)
At 26th January 2008	2 344	338	41 337	-			44 019
Net book value							
At 26th January 2008	24 746	207	27 652	768			53,373
At 27th January 2007	23 969	274	24 945	3 090			52 278

Notes to the Accounts

12 Property plant and equipment (continued)

	Land and buildings		Plant		Assets		Total
	Freehold £000	Long leasehold £000	equipment & vehicles £000	construction £000	under construction £000		£000
Company							
Cost or deemed cost							
At 28th January 2006	21 439	405	79 513	7 403	108 760		
Additions	55	-	262	14 378	14 695		
Transfer from assets under construction	8 460	-	10 231	(18 691)	-		
Acquired through acquisition of business	850	-	4 405	-	5 255		
Transfer to subsidiary company	-	-	(1)	-	(1)		
Disposals	(3 915)	(19)	(9 152)	-	(13 086)		
At 27th January 2007	26 889	386	85 258	3 090	115 623		
Additions	1 668	8	7 563	2 306	11 565		
Transfer from assets under construction	2 289	-	2 339	(4 628)	-		
Transfer to assets classed as held for sale	(3 777)	-	-	-	(3 777)		
Disposals	(16)	-	(28 049)	-	(28 065)		
At 26th January 2008	27 053	394	67 131	768	95 346		
Depreciation							
At 28th January 2006	2 825	89	64 412	-	67 326		
Amount charged	248	66	5 067	-	5 381		
Impairment of plant and equipment	-	-	300	-	300		
Disposals	(118)	-	(8 668)	-	(8 786)		
At 27th January 2007	2 955	155	61 111	-	64 221		
Amount charged	314	68	6 010	-	6 392		
Transfer to assets classified as held for sale	(913)	-	-	-	(913)		
Disposals	(16)	-	(27 089)	-	(27 105)		
At 26th January 2008	2 340	223	40 032	-	42 595		
Net book value							
At 26th January 2008	24 713	171	27 099	768	52 751		
At 27th January 2007	23 934	231	24 147	3 090	51 402		

Notes to the Accounts

13 Investment in subsidiaries

Company	
2008	2007
£000	£000

Cost as at 26th January 2008

205 205

Principal operating subsidiaries	Place of incorporation and operation	Principal activity
Barr Leasing Limited	Incorporated in England	Central commercial services
Findlays Limited	Incorporated in Scotland	Natural mineral water bottler

All subsidiaries are wholly owned. Investments in subsidiaries are recorded at cost which is the fair value of the consideration paid.

14 Inventories

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Returnable containers	566	677	553	653
Materials	1 803	1 877	1 764	1 793
Finished goods	9 970	8 855	9 968	8 853
	12,339	11 409	12 285	11 299

15 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade receivables	23 661	23 428	23 661	23 428
Less: Provision for impairment of receivables	(445)	(462)	(445)	(462)
Trade receivables – net	23 216	22 966	23 216	22 966
Other receivables	702	680	206	144
Prepayments and accrued income	2 047	1 760	2 032	1 720
Amounts due by subsidiary companies	–	–	180	153
	25 965	25 406	25 634	24 983

All of the closing group and company trade receivables are U.K. Sterling. There are no other currencies included in the closing balances.

Financial instruments by category
All financial instruments being trade and other receivables and cash and cash equivalents are accounted for as loans and receivables. There are no liabilities which are accounted for as financial instruments.

Credit quality of financial assets
Based on past experience the group believes that no impairment allowance is necessary in respect of trade receivables not past due. 98% of the balance relates to customers that have a good track record with the group.

Notes to the Accounts

15 Trade and other receivables (continued)

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

	2008 £000	2007 £000
Major customers	20,229	19,814
Direct to store customers	3,432	3,614
	23,661	23,428

The group's and company's most significant customer a UK major customer accounts for £3,061,000 of the trade receivables carrying amount at 26th January 2008 (£2,598,000)

The ageing of trade receivables at the reporting date for the group and company was

	Gross 2008 £000	Impairment 2008 £000	Gross 2007 £000	Impairment 2007 £000
Not past due	19,739	-	17,699	-
Past due 0 to 30 days	2,950	-	3,741	-
Past due 31 to 60 days	298	-	766	-
Past due 61 to 120 days	156	-	470	-
More than 120 days	518	445	752	462
	23,661	445	23,428	462

No provision is required in respect of amounts owed by subsidiary companies

Movements in the provision for impairment of receivables for the group and company were as follows

	2008 £000	2007 £000
At 28th January 2007		462
Charge for the year	-	61
Utilised	(17)	(15)
At 26th January 2008	445	462

The provision allowance in respect of trade receivables is used to record impairment losses unless the group and company is 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. 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 credit quality of the holder of the Cash at bank is AA rated. None of the financial assets that are fully performing have been re-negotiated in the last year.

Notes to the Accounts

16 Assets classified as held for sale

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Land and buildings				
Plant	2,864	-	2,864	-
	142	-	-	-
	3,006	-	2,864	-
Impairment of plant following post year end sale	(96)	-	-	-
	2,910	-	2,864	-

The Atherton production site was closed during the year and the land and building qualifies as an asset held for sale as at 26th January 2008. The proceeds of disposals are expected to exceed the net carrying amount of all of the relevant assets and accordingly no impairment loss has been recognised on the classification of these assets as held for sale.

During the year the Pitcoox production site changed its focus to the filling of 19 litre water containers. This resulted in a bottling line at the site being taken out of use during the year and transferred to assets available for sale. Shortly after the year end a buyer for the line was found but the disposal proceeds were £46,000 resulting in an impairment charge of £96,000 being recognised in the year to 26th January 2008.

There are no other assets or liabilities associated with the non-current assets held for sale other than a government grant of £59,000 held in respect of the Atherton site. This deferred credit was previously released in line with the depreciation rate for the property whilst the site was in use. As the site is no longer being depreciated the grant is no longer being released. This will be released to the income statement on the sale of the Atherton site as part of the gain on disposal.

17 Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade payables	6,237	6,147	6,215	6,147
Other taxes and social security costs	2,440	1,854	2,440	1,851
Accruals	19,486	20,775	19,415	20,668
Amounts due to subsidiary companies	-	-	1,015	681
	28,163	28,776	29,085	29,347

The table below summarises the maturity profile of the group's financial liabilities at 26th January 2008 based on contractual undiscounted payments.

	2008		2007	
	Less than one month	Greater than one month	Less than one month	Greater than one month
	£000	£000	£000	£000
Group				
Trade payables	6,237	-	6,147	-
Other taxes and social security costs	2,440	-	1,854	-
Accruals	14,686	4,800	16,775	4,000
Provision for site closure	-	284	-	2,262
Total payable at 26th January 2008	23,363	5,084	24,776	6,262
				31,038

Notes to the Accounts

17. Trade and other payables (continued)

Company	2008		2007			
	Less than one month £000	Greater than one month £000	Total £000	Less than one month £000	Greater than one month £000	Total £000
Trade payables	6 215	-	6 215	6 147	-	6 147
Other taxes and social security costs	2 440	-	2 440	1 851	-	1 851
Accruals	8 101	11 314	19 415	9 595	11 073	20 668
Amounts due to subsidiary companies	1 015	-	1 015	681	-	681
Provision for site closure	-	284	284	-	2 262	2 262
Total payable at 26th January 2008	17 771	11 598	29 369	18 274	13 335	31 609

Change in estimate
During the year the company conducted a formal review of its accrual for customer volume rebates. As a result of the review the level of the accrual was increased by £611 089

18. Provisions

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
At 27th January 2007				
Provision made during the year	2 262	-	2 262	-
Provision utilised during the year	-	2 262	-	2 262
Provision released during the year	(1,807)	-	(1 807)	-
	(171)	-	(171)	-
At 26th January 2008	284	2 262	284	2 262

During the year ended 27th January 2007 the company announced the closure of the Atherton factory. Following the announcement the company recognised a provision of £2 262 000 for expected restructuring costs including consulting fees and employee termination costs. The employee termination costs were based on a detailed plan agreed between management and employee representatives. At 26th January 2008 the site had been classified as an asset available for sale and the remaining £284 000 of the provision will be utilised when the site is sold.

19. Financial instruments

Bank balances and cash

Bank balances and cash held by the group have an original maturity of three months or less. The carrying amount of these assets approximates to their fair values.

Credit risk

The group's principal financial assets are bank balances and cash and trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

Notes to the Accounts

20 Deferred income

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
At 27th January 2007		73		611
Credit to income statement		(1)	(538)	(1)
At 26th January 2008	72	73	72	73

21 Share capital

Ordinary shares of 25p each				
Authorised 24 000 000 (2007 24 000 000)			6 000 000	6 000 000
			2008	2007
			£	£

Issued and fully paid 19 461 463 (2007 19 461 463)			4 865 366	4 865 366
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The company has one class of ordinary shares which carry no right to fixed income

22 Deferred tax

The groups and company's deferred tax assets are offset against deferred tax liabilities where there is a legally enforceable right of offset and there is an intention to settle the balances net. Consequently the group and company have disclosed their deferred tax asset on a net basis. They are set out as below

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Deferred tax assets	2 628	6 181	2 628	6 181
Deferred tax liabilities	(5 021)	(5 482)	(5 016)	(5 450)
At 26th January 2008	(2,393)	699	(2 388)	731

Notes to the Accounts

22 Deferred tax (continued)

Group	Retirement benefit obligations £000	Share-based payments £000	Other timing differences £000	Total deferred tax asset £000	Accelerated tax depreciation £000	Total deferred tax liability £000
At 28th January 2006	4 874	846	57	5 777	(5 030)	(5 030)
(Charge)/credit to equity for the year	272	369	-	641	(275)	(275)
(Charge)/credit to income statement for the year	(321)	86	(4)	(237)	(43)	(43)
Deferred tax liability recognised on acquisition	-	-	-	-	(134)	(134)
At 27th January 2007	4 825	1 303	53	6 181	(5 482)	(5 482)
(Charge)/credit to equity for the year	(1 862)	(809)	-	(2 671)	22	22
(Charge)/credit to income statement for the year	(721)	(108)	(53)	(882)	439	439
At 26th January 2008	2 242	386	-	2 628	(5 021)	(5 021)
Company	Retirement benefit obligations £000	Share-based payments £000	Other timing differences £000	Total deferred tax asset £000	Accelerated tax depreciation £000	Total deferred tax liability £000
At 28th January 2006	4 874	846	57	5 777	(5 009)	(5 009)
(Charge)/credit to equity for the year	272	369	-	641	(275)	(275)
(Charge)/credit to income statement for the year	(321)	86	(4)	(237)	(32)	(32)
Deferred tax liability recognised on acquisition	-	-	-	-	(134)	(134)
At 27th January 2007	4 825	1 303	53	6 181	(5 450)	(5 450)
(Charge)/credit to equity for the year	(1 862)	(809)	-	(2 671)	22	22
(Charge)/credit to income statement for the year	(721)	(108)	(53)	(882)	412	412
At 26th January 2008	2 242	386	-	2 628	(5 016)	(5 016)
No deferred tax asset is recognised in the balance sheet for unused capital losses of £1 908 000 (2007 £1 908 000)						
23 Lease commitments	Total future minimum lease payments under non-cancellable operating leases are as follows for both the group and company					
				Group and Company 2008 £000	Group and Company 2007 £000	
No later than one year				197	197	
More than one year but not more than five years				394	591	
Total lease commitments				591	788	
24 Contingencies and commitments						
Commitments for the acquisition of property plant and equipment				1 996	4 885	

Notes to the Accounts

25. Share-based payments

During the year ended 26th January 2008 the group had ten share-based payment arrangements with its employees. The details of the arrangements are described on the following pages

Arrangement	All-Employee Share Ownership Plan	Savings Related Share Option Plan 2002	Savings Related Share Option Plan 2005	Savings Related Share Option Plan 2007
Nature of the arrangement	Share award	Save as you earn scheme	Save as you earn scheme	Save as you earn scheme
Date of grant	Each month	1st December 2002	1st August 2005	1st November 2007
Number of instruments granted	N/a	543 496	242 602	166 418
Exercise price	Share price at month end date	336p	776p	975p
Share price at the date of grant	Market price	420p	970p	1219p
Contractual life (years)	Nil	5	5	5
Vesting conditions	One share awarded by the company for every three shares purchased by the employee with a three year service period	Completion of five year savings contracts	Completion of five year savings contracts	Completion of five year savings contracts
Settlement	Shares	Shares	Shares	Shares
Expected volatility	N/a	4.92%	4.92%	4.92%
Expected option life at grant date (years)	3	5	5	5
Risk-free interest rate	N/a	5.50%	5.10%	5.10%
Expected dividend (dividend yield)	N/a	4.69%	4.69%	4.69%
Expected departures (grant date)	N/a	0%	0%	0%
Expected outcome of meeting performance criteria (at grant date)	1	N/a	N/a	N/a
Fair value per granted instrument determined at grant date	Market price on date of award each year	77p	166p	209p
Valuation model	N/a	Black-Scholes	Black-Scholes	Black-Scholes
Arrangement	Long-term Incentive Plan 2005	Long-term Incentive Plan 2006	Long-term Incentive Plan 2007	Long-term Incentive Plan 2008
Nature of the arrangement	Share award	Share award	Share award	Share award
Date of grant	24th October 2004	6th April 2005	1st April 2006	20th April 2007
Number of instruments granted	66 153	53 291	50 988	43 086
Exercise price	Nil	Nil	Nil	Nil
Share price at the date of grant	627p	844p	1018p	1330p
Contractual life (years)	3	3	3	3
Vesting conditions	Average EPS of three year period exceeds average EPS of previous three year period	Average EPS of three year period exceeds average EPS of previous three year period	Average EPS of three year period exceeds average EPS of previous three year period	Average EPS of three year period exceeds average EPS of previous three year period
Settlement	Shares	Shares	Shares	Shares
Expected volatility	5.47%	5.06%	5.20%	5.20%
Expected option life at grant date (years)	3	3	3	3
Risk-free interest rate	5.50%	5.50%	5.00%	5.00%
Expected dividend (dividend yield)	4.69%	4.69%	4.69%	4.69%
Expected departures (grant date)	0%	0%	0%	0%
Expected outcome of meeting performance criteria (at grant date)	45%	45%	45%	45%
Fair value per granted instrument determined at grant date	544p	733p	865p	1155p
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

During the year the Long-term Incentive Plan 2005 matured and all of the outstanding share awards were exercised

Notes to the Accounts

25 Share-based payments (continued)

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Arrangement	PRSS Matching Shares 2003	PRSS Deferred Shares 2003	Executive Share Option Scheme
Nature of the arrangement	Share award	Share award	Grant of share options
Date of grant	16th April 2003	16th April 2003	N/A
Number of instruments granted	32 163	32 163	N/A
Exercise price	Nil	Nil	N/A
Share price at the date of grant	486p	486p	N/A
Contractual life (years)	5	5	N/A
Vesting conditions	Five year service period and EPS is greater than the average EPS over the previous five to seven years	Three year service period	N/A
Settlement			
Expected volatility			N/A
Expected option life at grant date (years)	6 10%	Shares 6 10%	N/A
Risk-free interest rate	5	5	N/A
Expected dividend (dividend yield)	5 50%	5 50%	N/A
Expected departures (grant date)	4 69%	6 74%	N/A
Expected outcome of meeting performance criteria (at grant date)	0%	0%	N/A
Fair value per granted instrument determined at grant date	100%	100%	N/A
Valuation model	Black-Scholes	486p	N/A

In addition to the share-based payment arrangements listed are PRSS Matching Share 2001 and PRSS Deferred Shares 2001 arrangements. These matured in the year to 26th January 2008. Both of these arrangements had dates of grant before 7th November 2002 and as a result were accounted for under UK-GAAP as permitted by IFRS 2. The grant date was 19th April 2001 on which date the share price was 462p. A total of 54 714 shares were awarded during the year for these two arrangements.

The Executive Share Option Scheme was approved at the annual general meeting held on 19th May 2003 and replaced the PRSS scheme. As yet no options have been awarded under the scheme. The group uses a Black-Scholes model to value share options and share awards. The expected volatility for the share option arrangements is based on historical volatility determined by the analysis of the monthly share price movements over the past three years.

The following information applies to the Savings Related Share Option plans outstanding at the end of each period.

Range of exercise prices	2008 Number of options	2008 Weighted average exercise price	2007 Number of options	2007 Weighted average exercise price
Outstanding share options at the beginning of the period	591 220	489p	663 943	493p
Granted in period	168 814	975p	-	-
Forfeited in period	(22 579)	764p	(58 790)	569p
Exercised in period	(394 307)	348p	(13 933)	350p
Expired in period	-	-	-	-
Outstanding share options at the end of the period	343 148	872p	591 220	489p
Weighted average remaining contractual life of outstanding share options	4	-	3	-
Exercisable at the end of the period	-	-	-	-

For the options exercised during the year to 26th January 2008 the weighted average share price on the dates that the options were exercised was 1170p.

As at 26th January 2008 employees hold options to subscribe for shares in the company at prices ranging from £7.76 to £9.75.

Notes to the Accounts

26 Retirement benefit plans

During the year the company operated five pension plans, three of which were closed to new employees, the works and the staff pension plans and the executive pension plan defined benefit section. The company created a defined contribution section within the executive pension plan which is now the vehicle for pension provision for new executive entrants. The A G BARR plc (2005) Pension and Life Assurance plan is a defined contribution pension plan which was introduced by the company in 2005 to replace the staff and works pension plans. The plan for works employees is an insured money purchase arrangement while the previous plans for executives and staff provide benefits based on final pensionable pay. The fifth plan is a stakeholder pension plan arrangement.

The assets of the plans are held separately from those of the company and are invested in managed funds. Full valuations of these plans were conducted as at 1st November 2005 using the attained age method. The total assets of the plans at valuation were £43,300,000. 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 return would be 2.2% per annum higher than the growth in pensionable pay in the period after retirement. It was assumed that the investment return would be 0.4% per annum lower than the increase in pensions accruing up to November 2005 and 1.85% per annum higher for pensions accruing thereafter in both the executive and staff plans. The deficit as at 1st November 2005 determined using the above assumptions was £20,400,000.

The valuation used for the two defined benefit plans has been based on market conditions as at the company year end to satisfy this. The full actuarial valuation carried out at 1st November 2005 was updated to 26th January 2006 by a qualified independent actuary.

Defined benefit plan

The group operates a funded defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits based on final pensionable pay. No other post-retirement benefits are provided.

The amounts recognised in the balance sheet are as follows:

	2006 £000	2007 £000
Present value of funded obligations	65,970	68,475
Fair value of plan assets	(57,961)	(52,391)
Funded status	8,009	16,084
Present value of unfunded obligations	-	-
Unrecognised actuarial (losses)	-	-
Unrecognised past service cost	-	-
Net liability	8,009	16,084
Liabilities		
Assets	8,009	16,084
Net liability	8,009	16,084
Total actuarial gain/(cost) recognised in the SoRLE	5,167	(907)

The amounts recognised in the income statement are as follows:

	2006 £000	2007 £000
Current service cost	889	1,335
Interest on obligation	3,504	3,209
Expected return on plan assets	(3,575)	(2,838)
Total cost recognised in the income statement	818	1,706

Notes to the Accounts

26 Retirement benefit plans (continued)

Of the total charge £889 000 (27th January 2007 £1 335 000) has been included in administration costs and £71 000 credited to finance income (27th January 2007 £371 000 charged in finance costs)

	2008 £000	2007 £000
Actual return on plan assets	3 641	2 260
Changes in the present value of the defined benefit obligation are as follows		
	2008 £000	2007 £000
Opening defined benefit obligation	68 475	64 257
Service cost	889	1 335
Interest cost	3 504	3 209
Actuarial (gains)/losses	(5 101)	329
Members contributions	586	543
Benefits paid	(2 383)	(1 383)
Net transfers in	—	185
Closing defined benefit obligation	65 970	68 475
Changes in the fair value of the plans assets are as follows		
	2008 £000	2007 £000
Opening fair value of plan assets	52 391	48 009
Expected return	3 575	2 838
Actuarial gains and (losses)	66	(578)
Contributions by employer	3 726	2 962
Members contributions	586	543
Benefits paid	(2 383)	(1 383)
Closing fair value of plans assets	57 961	52 391
The plans assets do not include any of the group's own financial instruments nor any property occupied by or any other asset used by the group		
The cumulative actuarial gains and (losses) recognised directly in equity are as follows		
	2008 £000	2007 £000
Cumulative amount at 27th January, 2007	(2 666)	(1 759)
Recognised during the period	5 167	(907)
Cumulative amount at 28th January 2008	2,501	(2 666)

Notes to the Accounts

26 Retirement benefit plans (continued)

The principal assumptions at the balance sheet date (expressed as weighted averages)

	2008	2007	2006	2005	2004
Discount rate at year end	5.90%	5.10%	4.90%	5.40%	5.50%
Expected return on plan assets at year end	6.70%	5.80%	6.50%	6.50%	6.50%
Future salary increases	4.65%	4.15%	4.00%	4.00%	4.00%
Inflation on assumption	3.40%	2.90%	2.75%	2.75%	2.75%

The fair value of the plan assets at the balance sheet date is analysed as follows

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Equities	38,834	34,578	27,605	20,699	24,413
Bonds	13,331	13,412	13,923	12,680	4,470
Cash	5,796	4,401	6,481	3,312	2,087
Property	57,961	52,391	48,009	36,691	31,067
Total market value of assets	(65,970)	(68,475)	(64,257)	(53,735)	(49,152)
Actuarial value of liability	(8,009)	(16,084)	(16,248)	(17,044)	(18,085)
Deficit in the plans	2,242	4,825	4,874	5,113	5,426
Related deferred tax asset					

Net pension liability

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
	(5,767)	(11,259)	(11,374)	(11,931)	(12,659)

The history of the plans for the current and prior period is as follows

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Defined benefit obligation	(65,970)	(68,475)	(64,257)	(53,735)	(49,152)
Plan assets	57,961	52,391	48,009	36,691	31,067
Deficit	(8,009)	(16,084)	(16,248)	(17,044)	(18,085)
Experience (gains) and losses on plans liabilities	(100)	1,674	324	231	(1,186)
Difference between actual and expected return on plans assets	66	(578)	4,784	1,461	4,967

The group expects to pay £3,700,000 in contributions to defined benefit plans in the year to 31st January 2009

The pension costs for defined contributions plans are as follows

	2008 £000	2007 £000	2006 £000	2005 £000
Defined contribution plans	640	640	573	437

Notes to the Accounts

27. Related party transactions

Transactions between the company and its subsidiaries which are related parties of the company have been eliminated on consolidation in this note. Details of transactions between the company and related parties are as follows

	Sales of goods and services		Purchases of goods and services	
	2008	2007	2008	2007
	£000	£000	£000	£000
Findlays Limited	-	-	1 004	1 597
Barr Leasing Limited	-	-	84	85
	Amounts owed by related parties	2007	2008	2007
	£000	£000	£000	£000
Findlays Limited	-	-	658	216
Barr Leasing Limited	-	-	169	136

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows

	2008	2007
	£000	£000
Salaries and short-term benefits	2 024	2 156
Post-Employment benefits	291	284
Share-based payments	265	220
	2 580	2 660

The group's retirement benefit plans are administered by an independent third party service provider. During the year the service provider charged the group £447 487 (2007: £375 300) for administration services in respect of the retirement benefit plans. At the year end £nil (2007: £nil) was outstanding to the service provider on behalf of the retirement benefit plans.

Notes to the Accounts

28 Shareholders funds and statement of changes in shareholders equity

Group	Share capital £000	Share premium account £000	Own shares held £000	Share options reserve £000	Retained earnings £000	Total equity £000
At 28th January 2006						
Own shares purchased	4 865	905	(4 298)	1 416	62 056	64 944
Proceeds of share option exercise	-	-	(1 052)	-	-	(1 052)
Recognition of share-based payment costs	-	-	553	-	-	553
Transfer of reserve on share award	-	-	-	359	-	359
Actuarial costs on defined benefit pension plans	-	-	358	(221)	(137)	(907)
Deferred tax on items taken directly to equity	-	-	-	369	(3)	366
Profit for the period	-	-	-	-	13 191	13 191
Dividends paid	-	-	-	-	(6 077)	(6 077)
At 27th January 2007						
Own shares purchased	4 865	905	(4 439)	1 923	68 123	71 377
Proceeds of share option exercise	-	-	(2,227)	-	-	(2,227)
Recognition of share-based payment costs	-	-	1 421	-	-	1 421
Release of shares on share award	-	-	-	385	-	385
Transfer of reserve on share award	-	-	308	-	-	308
Actuarial costs on defined benefit pension plans	-	-	1 220	(535)	(685)	-
Current tax on items taken directly to equity	-	-	-	-	5 167	5 167
Deferred tax on items taken directly to equity	-	-	-	(809)	(1 840)	(2 649)
Profit for the period	-	-	-	-	16 838	16 838
Dividends paid	-	-	-	-	(6 751)	(6 751)
At 26th January 2008						
	4 865	905	(3 717)	964	81 761	84 778

Notes to the Accounts

28 Shareholders' funds and statement of changes in shareholders' equity (continued)

Company	Share capital £000	Share premium account £000	Own shares held £000	Share options reserve £000	Retained earnings £000	Total equity £000
At 28th January 2006	4 865	905	(4 298)	1 416	60 380	63 268
Own Shares purchased	-	-	(1,052)	-	-	(1 052)
Proceeds of share option exercise	-	-	553	-	-	553
Recognition of share-based payment costs	-	-	-	359	-	359
Transfer of reserve on share award	-	-	358	(221)	(137)	(907)
Actuarial costs on defined benefit pension plans	-	-	-	-	(3)	366
Deferred tax on items taken directly to equity	-	-	-	-	13 057	13 057
Profit for the period	-	-	-	-	(6 077)	(6 077)
Dividends paid	-	-	-	-	-	-
At 27th January 2007	4 865	905	(4 439)	1 923	66 313	69 567
Own Shares purchased	-	-	(2 227)	-	-	(2 227)
Proceeds of share option exercise	-	-	1,421	-	-	1 421
Recognition of share-based payment costs	-	-	-	385	-	385
Release of shares on share award	-	-	308	-	-	308
Transfer of reserve on share award	-	-	1 220	(536)	(685)	-
Actuarial costs on defined benefit pension plans	-	-	-	-	5 167	5 167
Current tax on items taken directly to equity	-	-	-	(809)	(1 840)	(2 649)
Deferred tax on items taken directly to equity	-	-	-	-	16 668	16 668
Profit for the period	-	-	-	-	(6,751)	(6 751)
Dividends paid	-	-	-	-	-	-
At 26th January 2008	4 865	905	(3 717)	964	79 781	82 798

Notes to the Accounts

28 Shareholders funds and statement of changes in shareholders equity (continued)
At 26th January 2008 the Own shares held balance represented 334 705 (2007 643 498) shares

During the year to 26th January 2008 the company's trusts purchased 184 081 (27th January 2007 98 196) shares. The total amount paid to acquire the shares has been deducted from shareholders equity and classified as Own shares held. During the year 492 874 shares (27th January 2007 125 466 shares) were released from the company's employee share schemes. The £308 000 release of shares on share award relates to the release of shares awarded under a share scheme which had a grant date before 7th November 2002. This award is not accounted for under IFRS through the exemption provided by IFRS 1 First-time Adoption of International Financial Reporting Standards.

29. Events after the balance sheet date
(a) Dividends

As disclosed in note 9 the directors propose that a final dividend of 28 00p per share will be paid to shareholders on 6th June 2008.

(b) Business combinations

On 26th January 2008 the group acquired 100% of the share capital of Taut International Limited, a group of companies specialising in the marketing of sports drinks. The consideration was £1. No disclosure in respect of this acquisition is included in these financial statements at the date of publication 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 31st January 2009.

(c) Changes to the Corporation Tax System

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantially enacted in the 2007 Finance Act on 26th June 2007. The impact of these has been recognised in these financial statements. Certain other changes are expected to be enacted in the Finance Act 2008. The impact of these changes will be recognised in the period in which the Finance Act 2008 is substantively enacted, which is expected to be in the year to 31st January 2009. The changes to the industrial building allowances available will result in an increase of deferred tax liabilities recognised in respect of land and buildings. The increase will be recognised in the income statement.

(d) Merger of pension schemes

On 31st January 2008 the Revised Staff Pension Scheme and the Executive Pension scheme merged and the new scheme was named the A G BARR plc (2008) Pension and Life Assurance Scheme. The decision to merge the schemes was made as both schemes were funded to a similar level based on the assumptions used to determine the scheme's technical provisions. Technical provisions are a measure used to determine the amount of money that a scheme needs to hold to meet benefits as they fall due. The merger will result in lower administration costs. Both schemes are closed to new members.

Independent Auditor's Report

We have audited the group and parent company financial statements on pages 27 to 55. We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the company's members as a body in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work for this report or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the group financial statements Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the statements of the chairman and the chief executive that is cross referenced from the *Activities of the group* section of the Directors' Report. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, Chairman's Statement, Chief Executive's Statement, Corporate Social Responsibility Board of Directors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and company's circumstances consistently applied and adequately disclosed

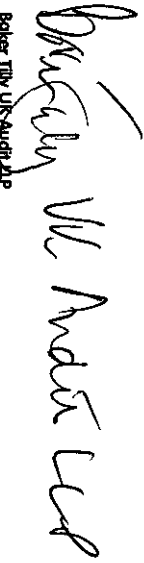
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, 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 financial statements and the part of the Directors' Remuneration Report to be audited

Opinion

In our opinion

- the group financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union of the state of the group's affairs as at 26th January 2008 and of its profit for the year then ended
- the parent company financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985 of the state of the parent company's affairs as at 26th January 2008
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the group financial statements Article 4 of the IAS Regulation and
- the information given in the Directors' Report is consistent with the financial statements

As explained in the accounting policies to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. In our opinion, the group financial statements give a true and fair view in accordance with IFRSs of the state of the group's affairs as at 26th January 2008 and of its profit for the year then ended


Robert Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
Breckinridge House
274 Southshield Street
Glasgow G2 3EH
31st March, 2008

Review of Trading Results

	Prepared under IFRS				Prepared under UK-GAAP	
	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Revenue	148,377	141,876	128,760	127,222	125,235	125,235
Operating profit before exceptional items	20,389	18,334	16,940	15,629	13,198	13,198
Exceptional items	468	2,761	533	-	-	-
Operating profit after exceptional items	19,921	15,573	16,407	15,629	13,198	13,198
Interest receivable	924	1,158	1,557	1,288	599	599
Interest payable	(12)	(377)	(563)	(630)	-	-
Interest	912	781	974	658	599	599
Profit before tax	20,833	16,354	17,381	16,287	13,797	13,797
Tax on profit	3,995	3,163	5,128	4,585	4,085	4,085
Profit after tax	16,838	13,191	12,253	11,702	9,712	9,712
Earnings per share on issued share capital	86.52p	67.78p	62.96p	60.13p	49.90p	49.90p
Dividends recognised as an appropriation in the year	35.75p	32.25p	29.25p	26.25p	25.50p	25.50p

The Earnings per share on issued share capital for each period has been calculated to reflect the shares in issue at the respective year end dates

Conversion to IFRS

The main adjustments that would require to be made to restate the UK-GAAP figures for 2004 into IFRS are as follows

- 1 To treat all share options awards and share awards as prescribed by IFRS 2
- 2 to treat the final salary pension plans as prescribed by IAS 19 with the net finance charge relating to retirement and post-employment benefit plans being included within interest payable
- 3 proposed dividends were recognised as an appropriation in the period to which they related to Under IFRS proposed dividends at the year end date require to be disclosed but not treated as a liability of that year

Notice of Meeting

NOTICE IS HEREBY GIVEN that the one hundred and fourth annual general meeting of the company will be held at the offices of Brechin Tindall Catts 48 St Vincent Street Glasgow G2 5HS on 19th May 2008 at 11 00 a m

Agenda

Ordinary business

- 1 To receive and adopt the audited accounts of the group for the year ended 26th January 2008 together with the reports of the directors and auditors thereon
- 2 To receive and approve the directors remuneration report for 2008
- 3 To declare a final dividend for 2008
- 4 To re-elect W R G Barr as a director
- 5 To re-elect J D Kemp as a director
- 6 To confirm the appointment of A L Memmott as a director
- 7 To confirm the re-appointment of J S Espey as a director
- 8 To re-appoint the auditors and to authorise the directors to fix their remuneration

Special business

- 9 To consider and if thought fit to pass the following resolution which will be proposed as a SPECIAL RESOLUTION

Authority to purchase own shares

That the company be and is hereby unconditionally and generally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of ordinary shares of 25p each in the capital of the company provided that

- (i) the maximum number of ordinary shares that may be purchased is 1 946 146
- (ii) the minimum price which may be paid for each ordinary share is 25p
- (iii) the maximum price which may be paid for each ordinary share is five per cent above the average of the middle market quotations taken from the Stock Exchange Daily Official List for the ten business days before the purchase is made and
- (iv) this authority shall expire on the conclusion of the annual general meeting of the company held in 2009 or if earlier 1st November 2009 (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which may be executed wholly or partly after such expiry) unless such authority is renewed prior to such time

Notice of Meeting

10 To consider and if thought fit to pass the following resolution which will be proposed as a SPECIAL RESOLUTION

THAT with effect from 12 01 a m on 1st October 2008 (or such later date as section 175 of the Companies Act 2006 shall be brought into force) Article 29 of the company's articles of association be deleted in its entirety and replaced by the following new Article 29

29 Directors interests and voting

Paragraphs (a) to (i) of this Article are subject to the provisions of the Statutes and to the provisions of paragraphs (j) to (q).

- (a) No Director or proposed or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any office or place of profit or as vendor purchaser or in any other manner whatever nor shall any contract in which any Director is in any way interested be liable to be avoided nor shall any Director who is so interested be liable to account to the Company or the members for any remuneration profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established
- (b) A Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period (subject to the provisions of the Statutes) and upon such other terms as the Board may decide and may be paid such extra remuneration for so doing (whether by way of salary commission participation in profits or otherwise) as the Board or any committee authorised by the Board may decide and either in addition to or in lieu of any remuneration provided for by or pursuant to any other Article
- (c) A Director may be or become a Director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested or as regards which it has any power of appointment and shall not be liable to account to the Company or the members for any remuneration profit or other benefit received by him as a Director or officer of or from his interest in the other company The Board may also cause any voting power conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit including the exercise of the voting power or power of appointment in favour of the appointment of the Directors or any of them as Directors or officers of the other company or in favour of the payment of remuneration to the Directors or officers of the other company
- (d) A Director may act by himself or his firm in a professional capacity (otherwise than as Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director
- (e) A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment or the settlement or variation of the terms or the termination of his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested but where proposals are under consideration concerning the appointment or the settlement or variation of the terms or the termination of the appointment of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested a separate resolution may be put in relation to each Director and in that case each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another Director to an office or place of profit with a company in which the Company is interested and the Director seeking to vote or be counted in the quorum owns one per cent or more of it
- (f) Save as otherwise provided by these Articles a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board in respect of any actual or proposed transaction or arrangement with the Company in which he has an interest (taken together with any interest of any person connected with him) which is an interest of which he is aware or ought reasonably to be aware does conflict or can reasonably be regarded as likely to give rise to a conflict with the interests of the Company and if he shall do so his vote shall not be counted but this prohibition shall not apply to any resolution where that material interest arises only from one or more of the following matters
 - (i) the giving to him of any guarantee indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings
 - (ii) the giving to a third party of any guarantee indemnity or security in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security
 - (iii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate
 - (iv) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company
 - (v) any contract concerning any other company (not being a company in which the Director owns one per cent or more) in which he is interested directly or indirectly whether as an officer shareholder creditor or otherwise howsoever
 - (vi) any contract concerning the adoption modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates
 - (vii) any contract for the benefit of the employees of the Company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates and
 - (viii) any contract for the purchase or maintenance of insurance against any liability for or for the benefit of any Director or Directors or for or for the benefit of persons who include Directors

Notice of Meeting

- (g) A company shall be deemed to be one in which a Director owns one per cent or more if and for so long as (but only if and for so long as) he taken together with any person connected with him is to his knowledge (either directly or indirectly) the holder of or beneficially interested in one per cent or more of any class of the equity share capital of that company or of the voting rights available to members of that company For the purpose of this paragraph of this Article 29 there shall be disregarded any shares held by the Director or any such person as bare trustee or custodian and in which he has no beneficial interest any shares comprised in a trust in which his or any such person's interest is in reversion or remainder if and so long as some other person is entitled to receive the income of the trust and any shares comprised in an authorised unit trust scheme in which he or any such person is interested only as a unit holder
- (h) Where a company in which a Director owns one per cent or more is interested in a contract he also shall be deemed interested in that contract
- (i) If any question shall arise at any meeting of the Board as to whether the interest of a Director gives rise to a conflict or could reasonably be regarded as likely to give rise to a conflict with the interests of the Company or as to the entitlement of any Director to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum the question shall be decided by a resolution of the Board (for which purpose the Director in question shall not be counted in the quorum and provided that the resolution was agreed to without the Director in question voting or would have been agreed if their votes had not been counted) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the Director (so far as it is known to him) has not been fairly disclosed to the Board
- (j) A Director who is in any way whether directly or indirectly interested in an actual or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration if he knows his interest then exists or in any other case at the first meeting of the Board after he knows that he is or has become so interested For the purposes of this Article a general notice to the Board by a Director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any contract which may after the date of the notice be made with that company or firm or (b) he is to be regarded as interested in any contract which may after the date of the notice be made with a specified person who is connected with him shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given
- (k) References in this Article to a contract include references to any proposed contract and to any transaction or arrangement whether or not constituting a contract
- (l) In respect of any situation in which a Director has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company the Board may authorise the matter on such terms as they may determine provided that
 - (i) the Director has declared the full nature and extent of the situation to the Board and
 - (ii) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed to if that conflicted Director's vote had not been counted
- (m) Any terms determined by the Board under paragraph (i) of this Article may be imposed at the time of authorisation or may be imposed subsequently and may include (without limitation)
 - (i) the exclusion of the interested Director in question from all information and discussion by the Company of the situation in question and
 - (ii) (without prejudice to the general obligations of confidentiality) the application to the interested Director of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the situation in question
- (n) An interested Director under this Article 29 must act in accordance with any terms determined by the Board pursuant to paragraphs (i) or (m) of this Article
- (o) Any authorisation given by the Board under paragraph (i) of this Article may provide that where the interested Director obtains (other than through his position as a Director of the Company) information that is confidential to a third party he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence
- (p) Subject to the provisions of the Statutes the Company may by ordinary resolution suspend or relax the provisions of this Article to any extent or ratify any contract not properly authorised by reason of a contravention of this Article
- (q) For the purposes of this Article an interest of a person who is for the purpose of the Statutes connected with a Director shall be treated as an interest of the Director and in relation to an alternate Director an interest of his appointer shall be treated as an interest of the alternate Director

11 To transact any other competent business

By order of the board



J.A. Barr
Secretary
18th April, 2008

Notice of Meeting

Notes

1 A member entitled to attend and vote at the above meeting may appoint one or more persons as his/her proxy to attend, speak and vote instead of him/her at the meeting. If multiple proxies are appointed they must not be appointed in respect of the same shares. A proxy need not be a member of the company. A form of proxy is enclosed with this Notice. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder.

2 In order to be valid, forms of proxy for the meeting and the power of attorney or other authority (if any) under which it is executed or a notationally certified copy of such power or authority must be received not later than 48 hours before the time fixed for the meeting at the office of the company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZR.

3 As at 17th April 2008 (being the last business day prior to the publication of this Notice) the company's issued share capital amounted to 19,461,463 ordinary shares carrying one vote each. Therefore the total voting rights in the company as at 17th April 2008 were 19,461,463 votes.

4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members of the company as at 11.00 a.m. on 17th May 2008 (or in the event that the meeting is adjourned, only those shareholders registered in the register of members of the company as at 11.00 a.m. on the day which is two days prior to the adjourned meeting) shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5 A person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 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 meeting. 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. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the company.

6 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 one year for executive directors except within a period of six months following either a takeover of or by or a reconstruction of the company during which time the notice period reverts in certain circumstances to two years. The chairman's contract allows for a notice period of one year. For non-executive directors, contracts expire or are determinable within three years.

7 The directors' service contracts and the letters of appointment of the non-executive directors will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the close of the annual general meeting at the registered office of the company and on the date of the annual general meeting at the offices of Brechin Tindall Oatis, 48 St Vincent Street, Glasgow G2 5HS from 10.45 a.m. on 19th May 2008 until the conclusion of the meeting.

8 Resolution 9 – Purchase of shares. The directors are committed to managing the company's capital effectively and consider that the purchase by the company of its ordinary shares may in certain circumstances be advantageous to shareholders. They believe that in common with many other listed companies, the company should obtain from shareholders a general authority to make market purchases on the London Stock Exchange. The authority should be on the basis that in accordance with the company's articles of association, the maximum price for ordinary shares purchased in the market shall not exceed five per cent above the average of the middle market quotations taken from the Stock Exchange Daily Official List for the ten business days before the purchase is made. The minimum price per ordinary share shall not be less than 25p, being the par value of an ordinary share. The number of ordinary shares which may be acquired pursuant to the authority is up to an aggregate of 1,946,146 ordinary shares, this being approximately 10.0 per cent of the issued ordinary share capital of the company. The company will only purchase ordinary shares if the directors believe that it is in the shareholders' best interests and will increase earnings per share. Although the directors have no plans to use the authority at present, this position will be kept under review.

9 Resolution 10 – Amendment of articles of association

The company's articles of association contain provisions in relation to directors' conflicts of interest. It is intended that with effect from 1st October 2008 those provisions will be amended to reflect new provisions of the Companies Act 2006 (the "2006 Act") in relation to directors' conflicts of interests which are expected to come into force on that date. The new provisions are contained in Resolution 10 set out in the notice of the annual general meeting.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1st October 2008, a director must avoid a situation where he/she has or can have a direct or indirect interest that conflicts or may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director is or becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate insofar as the articles of association contain a provision to this effect. The 2006 Act also allows articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to take the relevant decision and secondly, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the articles of association should contain provisions relating to confidential information, attendance at board meetings and the availability of board papers to protect a director being in breach of duty if a conflict of interest or a potential conflict of interest arises.

Notes

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