

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
AS Level
H031/02
BUSINESS

The wider business environment
Resource Booklet

TUESDAY 24 MAY 2016: Afternoon
DURATION: 1 hour 30 minutes
plus your additional time allowance
MODIFIED ENLARGED 24pt

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS

This Resource Booklet is required for SECTION B only.

You should refer to it when answering the examination questions, which are printed in a separate booklet.

The business described in this Resource Booklet is a real business.

INFORMATION

Any blank pages are indicated.

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EXTRACT A – What is A.G. Barr?

A.G. Barr has been in the business of satisfying the nation's thirst since it was founded in Falkirk, Scotland in 1875. It produces some of the UK's best-loved soft drinks.

In 1901, A.G. Barr launched their original recipe IRON BREW – spelt IRN-BRU since 1947 following changes to food labelling regulations. IRN-BRU went on to become the popular brand it is today.

As well as IRN-BRU, the company produces a range of other soft drinks brands including Tizer, Strathmore spring water, St Clements juice drinks and Rubicon exotic juice drinks.

A.G. Barr's brands are sold through distributors and retailers around the UK; however, in total, they come to less than 2% of the UK soft drinks market.

The business also has the exclusive rights to sell, market and distribute Snapple (a brand owned and manufactured by Coca-Cola) in the UK and other EU countries.

EXTRACT B – IRN-BRU maker enjoys fizzing profits

A.G. Barr is expected to report record annual profits of £41.5m for the year ending 25 January 2015.

The drinks producer has enjoyed a strong final three months of the financial year, with sales up by 5%.

Fig. 1 – A.G. Barr’s share price January 2013–June 2015



EXTRACT C – A.G. Barr’s Statement of Financial Position (as at 25 January)

	2015	2014
	£000	£000
NON-CURRENT ASSETS		
Intangible assets	80,917	74,107
Property, plant & equipment	<u>79,663</u>	<u>76,314</u>
	160,580	150,421
CURRENT ASSETS		
Inventories	16,761	16,046
Trade and other receivables	51,899	47,475
Cash	<u>25,503</u>	<u>12,932</u>
	94,163	76,453
CURRENT LIABILITIES	56,181	45,149
NON-CURRENT LIABILITIES	42,025	26,489
NET ASSETS	<u>156,537</u>	<u>155,236</u>

EXTRACT D – IRN-BRU maker buys Funkin Ltd

A.G. Barr has expanded into mixer drinks via a £21m deal to buy Funkin Ltd in February 2015.

Funkin, a London-based company, was founded in 1999 to provide consumers in the UK capital city with a range of 100% fruit-based mixer drinks.

The purchase of Funkin by A.G. Barr was NOT referred to the UK competition authorities, unlike the proposed merger between A.G. Barr and Britvic in 2013 (see Extract E).

EXTRACT E – The UK Competition and Markets Authority

The Competition and Markets Authority (CMA) works to promote competition for the benefit of consumers, both within and outside the UK. Its aim is to make markets work well for consumers, businesses and the economy. It is responsible for:

investigating mergers that could restrict competition

conducting investigations in markets where there may be competition and consumer problems

investigating where UK or EU laws may have been broken in relation to anti-competitive agreements and/or abuses of dominant market positions

enforcing consumer protection legislation.

These responsibilities are supported by a range of powers which are based on legislation.

The CMA replaced the Competition Commission (CC) in 2014. It was the CC which approved the planned merger between A.G. Barr and Britvic in July 2013. The CC concluded:

‘The views of most retailers and other customers of the merging companies, suggested that the two companies’ brands were not close competitors. The CC also did not consider that the increased size of the merged company would mean new entrants and smaller companies would be disadvantaged significantly in obtaining access at retailers.’

The merger did not go ahead, as Britvic pulled out of the deal in August 2013. Some commentators reported that this was due to the near six-month delay in the merger caused by the CC investigation.

EXTRACT F – A.G. Barr says ‘why work for us?’

We wouldn't be the innovative, creative and successful company that we are today without the people who work for us. Our skilled, loyal and committed people are critical to the future success of the company and we continually invest in our employees to increase their skills, develop their talent and support the delivery of our ambitious business objectives.

We believe in creating the right environment to develop successful careers at A.G. Barr and we work with employees to help them deliver their personal, team and business goals.

As an employee of the company you'll be entitled to many of the benefits you would expect from a company of our size and status, including a pension scheme that offers a wide range of benefits for employees. Some of the other benefits you could enjoy include:

share ownership schemes

profit sharing bonus scheme

33 days' annual holiday entitlement

flexible holiday scheme allowing the option to buy or sell more days of holiday

discounted products.

As a responsible business, A.G. Barr has also introduced a number of social responsibility programmes. These include:

gaining the Environmental Standard ISO 14001 which ensures clear procedures to measure environmental performance and to focus on improving energy use, carbon emissions, water

consumption and waste in areas such as packaging and raw materials

voluntary membership of the Government's 'Public Health Responsibility Deal', which helps people to focus on leading healthier lives. This involves the company agreeing to reduce the calorie content of its soft drinks by 5% by the end of 2016, putting nutrition labelling on all products, offering healthier eating options in the staff restaurant and encouraging more physical activity in the workplace

supporting the 'Keep Scotland Beautiful' campaign which aims to change long-term behaviour and attitudes in Scotland by making littering unacceptable. Roger White, Chief Executive of A.G. Barr said, "Litter is a stain on our landscape and as a reasonable company we want to encourage everyone to do the right thing and dispose of their soft drinks packaging properly."

IRN-BRU becoming the official soft drink sponsor of the English Football League in March 2015.

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