

**Date:** Embargoed until 07.00am, Wednesday 24 March 2010

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## Nichols plc

### PRELIMINARY RESULTS

#### “An exceptional performance”

Nichols plc is a highly focused soft drinks and soft drinks on dispense business, comprising two operations:

1. **Soft Drinks** (sales and marketing of the **Vimto** brand throughout the world, where it is now available in over 65 countries, and of the **Panda & Sunkist** brands in the UK).
2. **Dispense** (namely the **Cabana, Beacon, Ben Shaws** (dispense), **Cariel** and **Dayla** soft drinks on draught 'dispense' businesses).

#### Highlights:

- Group sales up 29%
- Operating profits up 27%
- Profit before tax and exceptional items up 22%
- Vimto brand sales up 28% in the UK
- International sales up 33%
- Dispense sales up 36%
- Dividend up 9%
- Positive cash of £11.2 million at year-end

#### John Nichols, Non-Executive Chairman, commented:

“2009 was an exceptional year for us. Not only did we produce outstanding financial results across all of our operations, we also continued to out-perform our competitors and increased market share”.

“Although the general economic outlook remains uncertain and the consumer market is still highly competitive, we are confident of delivering further growth this year”.

## **Chairman's Statement**

I have great pleasure reporting an exceptional performance for 2009. Building on the momentum from the half year, the Group continued to outperform the market in the second half year and in overall terms delivered double digit growth in volume, revenue, profit and earnings per share.

This exceptional performance was delivered against a UK soft drinks market showing 2% growth in both volume and value, a backdrop of global economic recession and another disappointing summer in the UK.

Revenue from our core Vimto brand grew by 28% in the UK and by 33% overseas. Our Dispense Operation increased revenues by 36%, including the acquisition of 50% of Dayla Liquid Packing Ltd ("Dayla"). Excluding Dayla, acquired in December 2008, revenues increased by 5%, which was very creditable in a difficult market.

On 21 January 2010 we announced the strategic acquisition of the trade and assets of the Ben Shaws Dispense business. This acquisition firmly consolidates our position as the number three player in the UK soft drinks dispense market and provides a platform to maintain the strong growth of the last two years.

### **Results**

Group turnover was up 29% at £72.4 million (2008: £56.2 million). Profit before tax (pre exceptional items) was £12.2 million (2008: £10.0 million) an increase of 22%. Earnings per share (pre-exceptional items) was 23.44 pence (2008: 20.03 pence) an increase of 17%.

EPS growth was lower than profit growth due to an increase in the effective rate of tax, driven by timing differences.

In preparation for the integration of the Ben Shaws business we have undertaken a minor restructure of our Dispense business resulting in a small exceptional cost of £0.3m for 2009.

Net cash at 31 December 2009 was £11.2million (2008: £6.0 million), with positive net cash flow of £5.2million during the year.

### **Dividend**

On 4 March 2010 we announced a second interim dividend of 8.1 pence per share for the year ended 31 December 2009, taking the total dividend to 12.15 pence, an increase of 9% (2008: 11.15 pence).

The increased dividend reflects the Board's confidence in the business and its future growth prospects. The second interim dividend will be paid on 31 March 2010 to shareholders registered 12 March 2010; the ex-dividend date was 10 March 2010.

The Board anticipates that future dividend payments will be paid in line with our normal dividend schedule.

### **People**

An exceptional performance requires exceptional people, on behalf of the Board, I would like to thank all of our employees for their hard work, passion and dedication during the year.

I announced on 20 November 2009 the appointment of Tim Croston as Group Finance Director. Tim has been with the Group for four and a half years, most recently in the role of Finance and Operations Director for our Soft Drinks division and took up his position on the Board from 1 January 2010.

For 2009, we again adopted Derian House Hospice as our chosen charity – an admirable organisation that provides support to terminally ill children and their families.

**Outlook**

We delivered an outstanding performance in 2009, whilst at the same time increasing our marketing investment behind our core brands and maintaining momentum in a very challenging consumer market.

Although the general economic outlook remains uncertain and the consumer market is still highly competitive, we are confident that our business will deliver further growth in 2010 and beyond.

**John Nichols**  
**Non-Executive Chairman**  
**23 March 2010**

## **Chief Executive's Review**

### **The Soft Drinks Market**

The soft drinks sector proved to be remarkably resilient in 2009 growing by 2.0% in value terms and 2.0% in volume terms (AC Nielsen data to 26 December 2009). The main growth categories were energy, dilute to taste and carbonated drinks. Our business is mainly centred upon the last two product categories.

The general economic uncertainty continued throughout 2009 with consumers continuing to look for good value as well as quality. These trends, combined with another poor summer, meant the market remained extremely competitive throughout the year. Despite this, our core brand Vimto continued to outperform the market, both here in the UK and internationally, in all of its available versions.

Our strategy is to continue to grow our business both organically and through acquisition whilst pursuing a balanced mix of volume and value growth. This approach, combined with above average marketing investment behind our core brands, has enabled us to grow our market share and increase Group sales by 29% year on year and profit before tax (pre-exceptional items), by 22%. At the same time we have managed to maintain our operating margin.

The soft drinks on dispense market was particularly affected by the performance of the licensed trade which was again significantly down in 2009 by circa 10% year on year. Whilst the rate of pub closures slowed during last year, the market continued to contract.

In recent years we have re-focused our Dispense Operation into other markets and moved our product offering into growth product categories such as energy and juice drinks. Our acquisition of 50% of Dayla in December 2008 built on this trend.

In January 2010 we acquired the number four player in the dispense market, Ben Shaws. This provides us with another strong brand and consolidates our position as the number three player in this sector.

We have now successfully scaled up our Dispense Operation, which has again outperformed the sector and significantly improved its year on year financial performance.

### **Group Financial Performance**

During the course of 2009 we have delivered another outstanding financial performance despite the deteriorating economic and consumer backdrop. In summary we achieved significant:

- sales growth
- profit growth
- earnings per share growth (pre and post exceptional)
- dividend growth
- cash generation

Cash generation during the year was strong and we finished the year with £11.2 million of cash in the bank having invested a third more behind our brand marketing in 2009.

### **Soft Drinks Operation**

The Group's Soft Drinks Operation consists of the sales and marketing of the Vimto brand throughout the world, where it is available in over 65 countries, along with the sale of the Panda and Sunkist brands in the UK.

Sales in 2009 increased by 27% to £55.1 million (2008: £43.5 million), with operating profits increasing by 20 % to £11.5 million (2008: £9.6 million). Increased distribution and marketing of Vimto in the UK, combined with new customer account wins in the independent sector, helped

grow our business along with overseas growth, particularly in the Middle East, Africa and Northern Europe.

We invested heavily in marketing in 2009, with a new multimedia marketing campaign built around the theme “seriously mixed up fruit”. This highly successful campaign helped drive market penetration and bring nearly one million new consumers into the Vimto brand (TNS World Panel Data).

The soft drinks market remains highly competitive but with the help of our new marketing campaign, we continued to win market share in all three categories of dilutes, carbonates and ready to drink.

Internationally, we had another successful year in 2009 with sales increasing by 33% to £12.0 million.

In the Middle East sales grew by 40% year on year with growth across both cordial and carbonated products.

In Africa we increased the level of locally manufactured product, invested more in marketing and launched Vimto into South Africa, which resulted in sales increasing by 11% in this region.

In summary, growth in our existing core markets combined with the new markets developed in 2009, continues to drive our presence globally. In total, consumption of the Vimto brand outside the United Kingdom reached a record 413 million litres in the year.

### **Brand Licensing**

The selective expansion of the Vimto brand franchise into new product categories continues to meet with great success. Revenues from licensing the brand were again significantly up year on year, with nearly 40 million individual (non-drink) products now consumed.

The Vimto brand is now available in a number of new licensed product formats including Vimto Candy Spray, Vimto Fruit Numbers, Vimto Lollipops and Vimto Ice Lollies, contributing to improving Vimto’s overall brand awareness and market penetration.

### **Dispense Operation**

Nichols is the strong number three in the ‘soft drinks on draught dispense’ market, behind Coca Cola and Britvic (Pepsi). In addition to signing up new accounts during the year, our market position has been strengthened further with bolt on acquisitions over the last two years.

In 2008 we acquired a 50% share of Dayla Liquid Packing Limited, with an option to acquire the remaining 50%. This gave us access to the premium juice dispense market in Europe.

Sales in the Dispense Operation (including Dayla) increased by 36 % to £17.3 million (2008: £12.7 million) with operating profits increasing 91% to £1.7 million from £0.9 million in 2008.

At the beginning of 2010 we acquired the trade, brand and assets of Ben Shaws’ UK soft drinks dispense business. Ben Shaws was the number four player in this sector and this acquisition further strengthens our number three market position.

### **Corporate Responsibility**

Nichols plc has a sustainable business strategy which takes into account our environmental and wider social responsibilities.

### **Sustainability and the Environment**

We continue to actively work with the British Soft Drinks Association (BSDA), the Food and Drink Federation (FDF) and our key suppliers on environmental improvements, with four key areas targeted. These are:

- climate change
- waste and packaging
- water
- transport

We have made good progress against these targets in 2009, including a full review of packaging and distribution requirements for all our products which has resulted in reductions in packaging weights and distribution movements.

Examples include:

- 500ml still drinks cases per pallet increased from 132 to 150, saving 13% distribution movements
- 500ml carbonated drinks cases per pallet increased from 120 to 132, saving 10% distribution movements
- pallet layer pads removed from Panda Still and Spring products, saving 2.4Kg cardboard per pallet
- pouch boxes per pallet increased from 112 to 119, reducing distribution movements by 6%
- 250ml glass bottle size number of cases per pallet increased from 75 to 90, reducing distribution movements by 20%
- changed 500ml carbonated drink sleeves from PVC to PET compatible with closed-loop recycling

These early achievements have also laid the groundwork for further changes in 2010 which will result in additional reductions in both the number of distribution movements and the quantity of plastic packaging waste generated.

To underline our continued commitment we have now also signed up to the Courtauld Commitment (phase 2) and look forward to working with Waste Resources Action Programme (WRAP) to achieve their aims.

### **Employees**

We are proud of our unique and special culture built around our core values of customer service, quality, professionalism, teamwork and mutual support. We continue to have a strong emphasis on learning, development and fun, whilst at the same time delivering consistently high results in everything we do, as evidenced by our results for 2009.

This has again been recognised externally with Nichols plc being awarded Outstanding Accreditation status in the 2009 Best Companies survey.

### **Community**

We are conscious that we are very much part of the wider community and in 2009 our charity team once again worked hard on behalf of our chosen charity Derian House, holding a wide variety of events, including the annual Nichols' Charity Golf Day, which involves our customers, suppliers and advisors.

**Brendan Hynes**  
**Chief Executive**  
**23 March 2010**

## Consolidated income statement

Year ended 31 December 2009

	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	2009 £'000	2009 £'000	2009 £'000	2008 £'000	2008 £'000	2008 £'000
Revenue	72,378	0	<b>72,378</b>	56,221	0	56,221
Cost of sales	(36,198)	0	<b>(36,198)</b>	(27,520)	0	(27,520)
<b>Gross profit</b>	36,180	0	<b>36,180</b>	28,701	0	28,701
Distribution expenses	(4,376)	0	<b>(4,376)</b>	(3,892)	0	(3,892)
Administrative expenses	(19,303)	(293)	<b>(19,596)</b>	(15,005)	(5,940)	(20,945)
<b>Operating profit</b>	12,501	(293)	<b>12,208</b>	9,804	(5,940)	3,864
Finance income	78	0	<b>78</b>	288	0	288
Finance expense	(360)	0	<b>(360)</b>	(54)	0	(54)
<b>Profit before taxation</b>	12,219	(293)	<b>11,926</b>	10,038	(5,940)	4,098
Taxation	(3,651)	79	<b>(3,572)</b>	(2,732)	1,591	(1,141)
<b>Profit for the financial year attributable to equity holders of the parent</b>	8,568	(214)	<b>8,354</b>	7,306	(4,349)	2,957
Earnings per share (basic)			<b>22.86p</b>			8.10p
Earnings per share (diluted)			<b>22.57p</b>			8.10p
Dividends paid per share			<b>11.45p</b>			10.65p

All results relate to continuing operations

## Consolidated statement of comprehensive income

Year ended 31 December 2009

	2009 £'000	2008 £'000
<b>Profit for the financial year</b>	<b>8,354</b>	2,957
<b>Other comprehensive income</b>		
Defined benefit plan actuarial loss	(1,565)	(1,286)
Deferred taxation on pension obligations and employee benefits	396	132
<b>Other comprehensive income for the year</b>	<b>(1,169)</b>	(1,154)
<b>Total comprehensive income for the year</b>	<b>7,185</b>	1,803

## Statement of financial position

Year ended 31 December 2009

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,573	2,006	280	372
Goodwill	9,891	9,521	0	0
Investments	0	0	12,371	12,001
Deferred tax assets	2,829	2,705	2,829	2,697
<b>Total non-current assets</b>	<b>14,293</b>	<b>14,232</b>	<b>15,480</b>	<b>15,070</b>
<b>Current assets</b>				
Inventories	2,694	2,758	1,414	1,287
Trade and other receivables	14,730	13,575	10,976	11,009
Cash and cash equivalents	11,215	6,048	9,830	4,458
<b>Total current assets</b>	<b>28,639</b>	<b>22,381</b>	<b>22,220</b>	<b>16,754</b>
<b>Total assets</b>	<b>42,932</b>	<b>36,613</b>	<b>37,700</b>	<b>31,824</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	11,789	10,136	11,072	8,525
Current tax liabilities	1,587	1,308	1,096	894
Provisions	255	181	112	0
<b>Total current liabilities</b>	<b>13,631</b>	<b>11,625</b>	<b>12,280</b>	<b>9,419</b>
<b>Non-current liabilities</b>				
Pension obligations	4,744	3,567	4,744	3,567
Deferred tax liabilities	99	155	0	0
<b>Total non-current liabilities</b>	<b>4,843</b>	<b>3,722</b>	<b>4,744</b>	<b>3,567</b>
<b>Total liabilities</b>	<b>18,474</b>	<b>15,347</b>	<b>17,024</b>	<b>12,986</b>
<b>Net assets</b>	<b>24,458</b>	<b>21,266</b>	<b>20,676</b>	<b>18,838</b>
<b>EQUITY</b>				
Share capital	3,697	3,697	3,697	3,697
Share premium	3,255	3,255	3,255	3,255
Capital redemption reserve	1,209	1,209	1,209	1,209
Other reserves	(357)	(574)	418	201
Retained earnings	16,654	13,679	12,097	10,476
<b>Total equity</b>	<b>24,458</b>	<b>21,266</b>	<b>20,676</b>	<b>18,838</b>

## Consolidated statement of cash flows

Year ended 31 December 2009

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Profit for the financial year</b>		<b>8,354</b>		2,957
<b>Cash flows from operating activities</b>				
Adjustments for:				
Depreciation	619		656	
Loss on sale of property, plant and equipment	12		20	
Impairment of goodwill and property, plant and equipment	0		5,615	
Equity-settled share based payment transactions	334		543	
Interest receivable	(78)		(288)	
Interest payable	29		54	
Tax expense recognised in the income statement	3,572		1,141	
Change in inventories	64		342	
Change in trade and other receivables	(1,144)		347	
Change in trade and other payables	2,654		(1,032)	
Change in provisions	74		(353)	
Change in pension obligations	(388)		(588)	
		<b>5,748</b>		6,457
<b>Cash generated from operating activities</b>		<b>14,102</b>		9,414
Tax paid		<b>(3,076)</b>		<b>(2,595)</b>
<b>Net cash generated from operating activities</b>		<b>11,026</b>		6,819
<b>Cash flows from investing activities</b>				
Interest received	45		288	
Proceeds from sale of property, plant and equipment	5		135	
Acquisition of property, plant and equipment	(202)		(220)	
Acquisition of joint venture, net of cash acquired	0		(2,908)	
Acquisition of joint venture's net overdraft	0		(131)	
Additional consideration in respect of a prior acquisition	(1,370)		(480)	
Payment on settlement of pension obligations	0		(809)	
<b>Net cash used in investing activities</b>		<b>(1,522)</b>		(4,125)
<b>Cash flows from financing activities</b>				
Interest paid	(6)		(11)	
Repurchase of own shares	(138)		(535)	
Dividends paid	(4,193)		(3,914)	
<b>Net cash used in financing activities</b>		<b>(4,337)</b>		(4,460)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,167</b>		(1,766)
Cash and cash equivalents at 1 January		<b>6,048</b>		7,814
<b>Cash and cash equivalents at 31 December</b>		<b>11,215</b>		6,048

## Consolidated statement of changes in equity

Year ended 31 December 2009

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total Equity £'000
At 1 January 2008	3,697	3,255	1,209	(492)	15,828	23,497
Dividends	0	0	0	0	(3,914)	(3,914)
Purchase of own shares	0	0	0	(535)	0	(535)
Movement in ESOT	0	0	0	(90)	(38)	(128)
IFRS 2 "Share based payment" charge	0	0	0	543	0	543
Transactions with owners	0	0	0	(82)	(3,952)	(4,034)
Profit for the year	0	0	0	0	2,957	2,957
Other comprehensive income	0	0	0	0	(1,154)	(1,154)
<b>At 1 January 2009</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>(574)</b>	<b>13,679</b>	<b>21,266</b>
Dividends	0	0	0	0	(4,193)	(4,193)
Purchase of own shares	0	0	0	(138)	0	(138)
Movement in ESOT	0	0	0	21	(17)	4
IFRS 2 "Share based payment" charge	0	0	0	334	0	334
Transactions with owners	0	0	0	217	(4,210)	(3,993)
Profit for the year	0	0	0	0	8,354	8,354
Other comprehensive income	0	0	0	0	(1,169)	(1,169)
<b>At 31 December 2009</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>(357)</b>	<b>16,654</b>	<b>24,458</b>

## Nichols plc

### NOTES TO THE PRELIMINARY FINANCIAL INFORMATION

#### Basis of Preparation

The preliminary financial information does not constitute statutory accounts for the financial years ended 31 December 2009 and 31 December 2008, but has been derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for the financial year ended 31 December 2009 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts and their reports were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, in respect of the accounts for 2009; nor a statement under section 237(2) or (3) of the Companies Act 1985, in respect of the accounts for 2008.

#### Earnings per Share

The calculation of basic earnings per share is based on earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held in the Employee Share Ownership Trust and Employee Benefit Trust are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the assumed conversion of all dilutive options.

Basic earnings per share is 22.86 pence (2008: 8.10 pence)

Basic earnings per share (pre exceptional items) is 23.44 pence (2008: 20.03 pence)

#### Annual Report

The annual report will be mailed to shareholders on or around 16 April 2010. Copies will be available after that date from: The Secretary, Nichols plc, Laurel House, Woodlands Park, Ashton Road, Newton le Willows, WA12 0HH.

**Annual General Meeting**

The annual general meeting will be held at the Registered Office, Laurel House, Woodlands Park, Ashton Road, Newton le Willows, WA12 0HH on 20 May 2010 at 11.00am.

Copies of the announcement can be found on the Investors Relations section of the company's website: [www.nicholsplc.co.uk](http://www.nicholsplc.co.uk).

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