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Nichols plc

PRELIMINARY RESULTS & ACQUISITION

“2010 was another outstanding year”

Nichols plc, the soft drinks group, announces its Preliminary results for the year ended 31 December 2010.

Nichols plc is a highly focused soft drinks business. Its brand portfolio includes **Vimto**, which is sold in over 65 countries and **Sunkist & Panda** which are sold in the UK. The Group has a leading market position in both the “Stills” and “Carbonated” drinks categories and also in the soft drinks on dispense market, where its brands include **Cabana, Ben Shaws & Dayla**.

Highlights:

- Group sales up +16% to £83.9m (2009: £72.4m)
- Profit before tax (pre-exceptional) up +23% to 15.1m (2009: £12.2m)
- EPS (pre-exceptional) up +29% to 30.23p (2009: 23.44p)
- Proposed final dividend of 9.1p making the total dividend for the year 13.55p up +11.5% (2009: 12.15p)
- Announced today: acquisition of remaining 50% of Dayla
- Announced today: licence for Levi Roots (Reggae Reggae) brand for UK soft drinks

Commenting John Nichols, Non-Executive Chairman, said:

“2010 was another outstanding year, despite the difficult economic environment. We made excellent progress and were well ahead of 2009, which was also a record year for us and therefore a tough target to beat. In a challenging consumer market, once again we have delivered double digit growth in volume, revenue and profitability.”

“We remain confident in producing further profitable growth in 2011 and beyond.”

Chairman's Statement

I am delighted to report that 2010 was another outstanding year, despite the difficult economic environment and our very strong comparatives from the previous year. In a tough consumer market we have once again delivered double digit growth in volume, revenue and profitability.

Whilst the UK soft drinks market grew by +7% (AC Nielsen, year to 25 December 2010), our UK sales increased by +17%, buoyed by the launch of Cherry Vimto which delivered incremental sales of £3.7m.

Our international revenues increased by +24% to £15.4m, with significant growth coming from Africa (+56%) and the Middle East (+13%). Our overseas operations are a significant contributor to the Group, hedging against the uncertainties of the UK economy and diluting the impact of raw material inflation, currently affecting the food and drink industry in the UK.

Sales of soft drinks on dispense increased by +8%, largely as a result of the acquisition of the Ben Shaws dispense business in January 2010. Today, we are also announcing that we have invested in the future growth of our dispense business by acquiring the remaining 50% equity in Dayla Liquid Packing Ltd (Dayla).

We are also pleased to announce that we have agreed to license the Levi Roots (Reggae Reggae) brand exclusively in the UK soft drinks category and in April 2011 we will launch a range of branded Caribbean soft drinks aimed at the "world food cuisine" category - which is one of the fastest growing sectors in retail.

Results

Group revenue for the year to 31 December 2010 increased by +16% to £83.9m (2009: £72.4m). Profit before tax (pre exceptional items) was £15.1m (2009: £12.2m), growth of +23%. Earnings per share (pre-exceptional items) was 30.23 pence (2009: 23.44 pence) an increase of +29%.

The completion of the acquisition of the balance of Dayla has necessitated a minor restructure of our management and resource requirements, resulting in a small exceptional cost of £0.3m for 2010.

Net cash at 31 December 2010 was £15.0m (2009: £11.2m), with positive net cash flow of £3.8m during the year.

Dividend

Based on our excellent performance in 2010 and the Board's confidence in the ongoing strength of the Group, we are pleased to recommend a final dividend of 9.1 pence per share. This means a total dividend for the year of 13.55 pence (2009: 12.15 pence), an increase of +11.5%. If approved, the final dividend will be paid on 6 May 2011 to shareholders registered at 8 April 2011; the ex-dividend date is 6 April 2011.

People

We have great brands, we also have great people whose enthusiasm, ideas and hard work are fundamental to the success of our company. On behalf of the Board, I would like to thank all of our employees for their contribution to our excellent performance.

During the year, two of our long standing non-executive Board Directors, Jonathan Diggins and John Bee stepped down. I would therefore like to go on record and thank both Jonathan and John for their enormous contribution to the success of the Group over the many years they have been involved.

I am also pleased to welcome two exceptionally able replacements, John Longworth (appointed 30 November 2010) and Eric Healey (appointed 6 January 2011) both of whom are well placed to contribute to our continuing success.

For 2010, we again adopted Derian House Hospice as our chosen charity. The charity provides a fantastic service in supporting terminally ill children and their families.

Outlook

Following our exceptional performance in 2009, we again delivered strong growth in revenue, profit and cash generation in 2010. We have also significantly grown the brand value of Vimto and also our market share in the UK and overseas, whilst maintaining our margin in challenging market conditions.

Raw material cost inflation is a particular challenge facing the food and drink industry and whilst we are not immune to these pressures, our tight control of costs, along with our significant international business, helps to mitigate the adverse impact.

Although it hardly needs saying, the economic and consumer outlook in the UK remains uncertain in the near term. Despite the obvious challenges this will present, we have a robust business and expect to continue to outperform the market, delivering sales growth by ongoing investment in our core brands and by introducing new products.

We therefore remain confident in delivering further profitable growth in 2011 and beyond.

John Nichols
Non-Executive Chairman
10 March 2011

Chief Executive Statement

The Soft Drinks Market

In overall terms, during 2010 the UK soft drinks sector again proved to be resilient, with the total market growing by +7% in value terms and +3 % in volume terms (AC Nielsen data to 25 December 2010). The main growth categories were energy, sports and cola drinks, with carbonated fruit drinks also seeing +9% growth in the year. Nichols is mainly focused on the “still” and “carbonate” sectors.

The macro environment continues to provide challenges, with both consumer confidence and spending under severe pressure, due to the fiscal deficit measures. These trends, combined with another average summer, meant the soft drink market remained extremely competitive throughout last year.

The food and drink industry is also suffering from severe input cost inflation, with limited visibility on key commodity costs and availability. Despite all these challenging factors we continued to make excellent progress, which bodes well for the long term health of our business.

Our strategy, which is to grow our business both organically and through acquisition, whilst pursuing a balanced mix of volume and value growth, was again successful in 2010. This strategy, combined with increased year on year investment in our core brands, has enabled us to continue to grow our market share. It also resulted in a +16% growth in Group sales, whilst maintaining our operating margin. Sales growth in 2009 was also a very healthy +29%, which provided a very testing set of comparatives to beat in 2010.

In January 2010, we acquired the number four player in the soft drinks dispense market, Ben Shaws. This addition consolidated our position as the number three player in this sector.

Group Financial Performance

In 2010 we again delivered a very strong financial performance, above both our internal and external expectations. This has been achieved despite the economic and consumer uncertainties highlighted above, along with high raw material inflation.

In summary, in 2010 we delivered:

- 16% sales growth
- 23% profit growth
- 30% Earnings per share growth (pre-exceptional)
- 11.5% Dividend growth

Additionally, the Group's cash conversion was also ahead of expectations and we finished the year with £15m of cash in the bank, having completed the purchase of the Ben Shaws dispense business and invested more behind our core brands in 2010, than in 2009.

Our highly focused strategy has resulted in a further increase in our market share in the year across both the “still” and “carbonated” categories.

Trading Performance

The Group now sells in the UK and to over 65 countries internationally. We have a leading market position in both the ‘stills’ and ‘carbonated’ drinks categories, through our brand portfolio which includes Vimto, Sunkist, Panda, Cabana and Ben Shaws.

Sales in the UK increased by +15% to £69m (2009: £60m). This was achieved through increased distribution of Vimto in the UK, combined with new customer account wins in the independent sector. The successful launch of Cherry Vimto at the beginning of 2010 also contributed to our strong growth. Our sales of soft drinks on dispense increased by +8 % year on year, a good result given the downturn experienced in the licensed sector, in

particular. This was largely achieved by the acquisition of the Ben Shaws dispense business in January 2010.

We again invested heavily in marketing in 2010, running our “seriously mixed up fruit” campaign for a second year. This award winning campaign has improved market penetration and brought over 1 million new consumers into the Vimto brand.

We have also re-designed the Vimto packaging and this will be launched in the first quarter of 2011. This initiative will update and modernise the brand image with a cleaner more natural look.

In 2008, we acquired a 50% share of Dayla Liquid Packing Ltd (Dayla), with an option to acquire the remaining 50% on agreed terms. On 9 March 2011 we exercised this option and have now completed the 100% acquisition of Dayla. This gives us access to the premium juice, bag in box market in Europe and broadens our product offering and market reach.

Internationally, 2010 was another successful year with sales increasing by +24% to £15.4m. This was driven by Vimto increasing its market share particularly in Africa, the Middle East and Northern Europe.

In Africa, we again increased the level of product that is locally manufactured and increased our marketing investment. These factors resulted in sales increasing by +56% in this region.

In the Middle East sales grew by +13% year on year with growth across both “still” and “carbonated” products.

In summary, growth from our core markets, combined with new product developments and opening new geographical markets in 2010, has enabled us to maintain our strong momentum.

Brand Licensing

The expansion of the Vimto brand franchise into new product categories continues with great success. Revenues from licensing the Vimto brand were again significantly up year on year, with nearly 40 million individual products consumed in 2010.

The Vimto brand is now available in a number of new licensed products including Vimto Fruit Numbers, Vimto Fruit Rope and Vimto Ice Lollies. These are complementary and contribute greatly to improving Vimto’s overall brand awareness and penetration.

Corporate Responsibility

We take our responsibilities seriously and Nichols plc has a sustainable business strategy which includes 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 made good progress against these targets in 2010, including an ongoing review of the packaging and distribution requirements for all our products. This has resulted in reductions in packaging weights and distribution movements including:

- Increased Dilute cases per pallet reducing pallet movements by 1,900 per annum, equivalent to 72 truck loads
- Increased tetra cartons cases per pallet resulting in a reduction in pallet movements by 140 per annum, equivalent to 5 truck loads
- Lightening of Dilute bottles reducing PET usage by over 145 tonnes or 17%
- Dilute bottles now contain 25% recycled PET equivalent to 180 tonnes
- Recycled on pack labels now used for all new labels

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

We are also members of Business in the Community (BITC), a charitable organisation committed to building a sustainable future for people and the planet. With the help of BITC, businesses are challenged to improve performance and benefit society in the areas of community, environment and workplace.

Employees

Our people are crucial to what we do and who we are. Our core values are built on our unique and special culture and cover key areas such as customer service, quality, professionalism, teamwork and mutual support. We have a strong emphasis on learning and development and aim to deliver consistently high results in everything we do. This has again been recognised externally, with Nichols plc being awarded an Outstanding Three Star status in the 2010 Best Companies Survey.

Community

We actively encourage our people to give something back and work with the wider community. In 2010 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 plc Charity Golf Day, which involve our customers, suppliers and advisors.

Brendan Hynes

Chief Executive

10 March 2011

Nichols plc
NOTES TO THE PRELIMINARY ANNOUNCEMENT
Acquisition of Dayla Liquid Packing Ltd

Nichols plc announces the acquisition of the remaining 50% of the issued share capital of Dayla Liquid Packing Ltd (Dayla), for a consideration of £2.3m, based upon the previously agreed earnings valuation mechanism contained in the acquisition agreement dated December 2008. This completes the full acquisition of the company having purchased the initial 50% on 9 December 2008. This acquisition gives us access to the growing premium juice, bag in box market and broadens our product offering.

Ian Richard Jenkins and Christine Myrtle Jenkins are shareholders in and directors of Dayla. Accordingly the acquisition of the remaining 50% of Dayla from them is deemed to be a related party transaction for the purposes of the AIM Rules for Companies.

The Nichols plc Board, excluding Brendan Hynes who is also a Director of Dayla but not a shareholder, having consulted with Brewin Dolphin Ltd, the company's Nominated Adviser, believe that the terms of the acquisition of the remaining 50% of Dayla are fair and reasonable insofar as the Company's shareholders are concerned.

In Dayla's last audited accounts (for the 15 months to 31 December 2009) its sales were £13.0m and operating profits were £1.1m. Total assets less current liabilities were £1.5m, with £0.3m of long term liabilities including debt.

9 March 2011

Consolidated income statement

Year ended 31 December 2010

	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	2010 £'000	2010 £'000	2010 £'000	2009 £'000	2009 £'000	2009 £'000
Revenue	83,899	0	83,899	72,378	0	72,378
Cost of sales	(42,153)	0	(42,153)	(36,198)	0	(36,198)
Gross profit	41,746	0	41,746	36,180	0	36,180
Distribution expenses	(5,450)	0	(5,450)	(4,376)	0	(4,376)
Administrative expenses	(21,179)	(293)	(21,472)	(19,303)	(293)	(19,596)
Operating profit	15,117	(293)	14,824	12,501	(293)	12,208
Finance income	129	0	129	78	0	78
Finance expense	(163)	0	(163)	(360)	0	(360)
Profit before taxation	15,083	(293)	14,790	12,219	(293)	11,926
Taxation	(4,042)	76	(3,966)	(3,651)	79	(3,572)
Profit for the financial year attributable to equity holders of the parent	11,041	(217)	10,824	8,568	(214)	8,354
Earnings per share (basic)			29.63p			22.86p
Earnings per share (diluted)			29.59p			22.57p
Dividends paid per share			12.55p			11.45p

All results relate to continuing operations

Consolidated statement of comprehensive income

Year ended 31 December 2010

	2010 £'000	2009 £'000
Profit for the financial year	10,824	8,354
Other comprehensive income		
Defined benefit plan actuarial gain/(loss)	74	(1,565)
Deferred taxation on pension obligations and employee benefits	28	396
Other comprehensive income for the year	102	(1,169)
Total comprehensive income for the year	10,926	7,185

Statement of financial position

Year ended 31 December 2010

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,288	1,573	477	280
Goodwill	11,914	9,891	0	0
Investments	0	0	14,266	12,371
Deferred tax assets	2,587	2,829	2,514	2,829
Total non-current assets	15,789	14,293	17,257	15,480
Current assets				
Inventories	3,418	2,694	1,754	1,414
Trade and other receivables	16,272	14,730	11,858	10,976
Cash and cash equivalents	14,967	11,215	13,182	9,830
Total current assets	34,657	28,639	26,794	22,220
Total assets	50,446	42,932	44,051	37,700
LIABILITIES				
Current liabilities				
Trade and other payables	14,165	11,789	14,099	11,072
Current tax liabilities	1,533	1,587	826	1,096
Provisions	365	255	278	112
Total current liabilities	16,063	13,631	15,203	12,280
Non-current liabilities				
Pension obligations	4,135	4,744	4,135	4,744
Deferred tax liabilities	72	99	0	0
Total non-current liabilities	4,207	4,843	4,135	4,744
Total liabilities	20,270	18,474	19,338	17,024
Net assets	30,176	24,458	24,713	20,676
EQUITY				
Share capital	3,697	3,697	3,697	3,697
Share premium reserve	3,255	3,255	3,255	3,255
Capital redemption reserve	1,209	1,209	1,209	1,209
Other reserves	(629)	(357)	146	418
Retained earnings	22,644	16,654	16,406	12,097
Total equity	30,176	24,458	24,713	20,676

Consolidated statement of cash flows
Year ended 31 December 2010

	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Profit for the financial year		10,824		8,354
Cash flows from operating activities				
Adjustments for:				
Depreciation	542		619	
Loss on sale of property, plant and equipment	241		12	
Equity-settled share based payment transactions	(627)		334	
Interest receivable	(129)		(78)	
Interest payable	0		29	
Tax expense recognised in the income statement	3,966		3,572	
Change in inventories	(724)		64	
Change in trade and other receivables	(886)		(1,144)	
Change in trade and other payables	2,439		2,654	
Change in provisions	110		74	
Change in pension obligations	(534)		(388)	
		4,398		5,748
Cash generated from operating activities		15,222		14,102
Tax paid		<u>(3,777)</u>		<u>(3,076)</u>
Net cash generated from operating activities		11,445		11,026
Cash flows from investing activities				
Interest received	139		45	
Proceeds from sale of property, plant and equipment	5		5	
Acquisition of property, plant and equipment	(503)		(202)	
Acquisition of joint venture, net of cash acquired	0		0	
Additional consideration in respect of a prior acquisition	0		(1,370)	
Acquisition of business trade and assets	(2,733)		0	
Net cash used in investing activities		(3,092)		(1,522)
Cash flows from financing activities				
Interest paid	0		(6)	
Repurchase of own shares	0		(138)	
Dividends paid	(4,601)		(4,193)	
Net cash used in financing activities		(4,601)		(4,337)
Net increase in cash and cash equivalents		3,752		5,167
Cash and cash equivalents at 1 January		<u>11,215</u>		<u>6,048</u>
Cash and cash equivalents at 31 December		14,967		11,215

Consolidated statement of changes in equity

Year ended 31 December 2010

	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 2009	3,697	3,255	1,209	(574)	13,679	21,266
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)
At 1 January 2010	3,697	3,255	1,209	(357)	16,654	24,458
Dividends	0	0	0	0	(4,601)	(4,601)
Transfer of own shares	0	0	0	(473)	(353)	(826)
Movement in ESOT	0	0	0	2	18	20
IFRS 2 "Share based payment" charge	0	0	0	199	0	199
Transactions with owners	0	0	0	(272)	(4,936)	(5,208)
Profit for the year	0	0	0	0	10,824	10,824
Other comprehensive income	0	0	0	0	102	102
At 31 December 2010	3,697	3,255	1,209	(629)	22,644	30,176

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 2010 and 31 December 2009, but has been derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for the financial year ended 31 December 2010 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.

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 29.63 pence (2009: 22.86 pence)

Basic earnings per share (pre exceptional items) is 30.23 pence (2009: 23.44 pence)

Annual Report

The annual report will be mailed to shareholders on or around 1 April 2011. 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 4 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.