

Chairman's Statement

I am delighted to report that we have continued to make further solid progress in the first half year with pre-exceptional profit before tax up by 10.4% on the same period last year.

The strategic review announced last year has already seen a considerable transformation of the group, and it is pleasing to report that we are now seeing the positive impact on our bottom line, cash flow and balance sheet.

To date, in 2004, we have successfully disposed of our freehold property in Stockport for £1.7 million (in line with book value) and we are on track to integrate our Cabana and Balmoral dispense businesses with a target completion date of December 2004. The integration will provide more sales opportunities, improve efficiencies and reduce costs still further.

We have now also successfully relocated the administration aspects of our operating companies under one roof in a new centralised office facility. This facility incorporates shared back office processing functions, which will deliver further efficiencies, reduce costs and improve customer service across the group.

As mentioned in my AGM statement, we have also completed the transfer of our listing onto the AIM market, which we believe is more appropriate and cost effective for a company of our size.

For some time now the Board has been concerned about the strategic fit of Nichols Foods within the group and in particular how Nichols Foods could most successfully grow its markets in the future. In response to these concerns, we appointed our financial advisors, Rothschild, to evaluate the options for the Nichols Foods business.

Having conducted the review we were advised to consider the option of disposing of Nichols Foods and having been through a thorough valuation process the Board has received a conditional offer for Nichols Foods from a newly formed company ("Newco").

Newco has been set up specifically for the purpose of acquiring Nichols Foods and is headed by Gary Unsworth, Group Managing Director of Nichols plc, who was one of the original founders of the Nichols Foods business. In order to pursue this offer, Gary will be stepping down from the Board of Nichols plc with immediate effect, and in the short term, I will be assuming his responsibilities within the Group, with a view to making a new appointment in due course.

Results

Group turnover in the half year to 30 June 2004 was £46.90m (2003: £47.80m) with pre-exceptional profit before tax up 10.4% on last year at £2.01 million (2003: £1.82m).

The reduction in sales was principally due to the annualised effect of exiting unprofitable business in our co-packing operation. Elsewhere we saw stronger sales performances in both our core Soft Drinks Operation and Dispense businesses.

Cash flow from operating activities of £2.2 million, together with the sale of the Stockport freehold property for £1.7 million, has enabled the group to reduce its net borrowings down to £12.4 million at the end of June from £13.5 million at the end of Dec 2003, with the benefit of the Stone Cross freehold asset disposal still to be realised.

Earnings per share (before exceptional items) increased to 3.67 pence (2003: 3.36 pence). Given the progress we have made we intend to maintain the interim dividend at 3.00p. The dividend will be paid on the 15 October 2004 to shareholders registered on 17 September 2004. The ex-dividend date will be 15 September 2004.

Outlook

The intended disposal of the Nichols Foods business represents the final stage of the strategic review process. The board is confident the Nichols group will emerge as a more focused business, with solid cash flows, a stronger balance sheet and will be much better positioned to take advantage of future growth opportunities.

Market conditions remain extremely competitive, but trading is currently in line with expectations.



John Nichols
Chairman
11 August 2004

interim report and financial statements 2004

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Consolidated profit & loss account
Six months ended 30 June 2004

	Half year ended 30 June 2004 £'000	Unaudited			Audited		
		Before exceptional items 30 June 2003 £'000	Exceptional items 30 June 2003 £'000	Half year ended 30 June 2003 £'000	Before exceptional items 31 Dec 2003 £'000	Exceptional items 31 Dec 2003 £'000	Year ended 31 Dec 2003 £'000
Turnover	46,862	47,800	-	47,800	97,110	-	97,110
Operating profit/(loss)	2,380	2,206	(3,994)	(1,788)	7,342	(3,994)	3,348
Net interest payable	370	384	-	384	790	-	790
Profit/(loss) before taxation	2,010	1,822	(3,994)	(2,172)	6,552	(3,994)	2,558
Taxation	663	601	(1,198)	(597)	2,018	(1,198)	820
Profit/(loss) after taxation	1,347	1,221	(2,796)	(1,575)	4,534	(2,796)	1,738
Equity dividends	1,109	1,109	-	1,109	3,253	-	3,253
Retained profit/(loss)	238	112	(2,796)	(2,684)	1,281	(2,796)	(1,515)
Earnings/(loss) per share (basic)	3.67p			(4.33p)			4.78p
Earnings/(loss) per share (diluted)	3.65p			-			4.77p
Earnings per share (basic) before exceptional items	3.67p			3.36p			12.47p
Earnings per share (diluted) before exceptional items	3.65p			3.35p			12.44p
Dividends per share	3.00p			3.00p			8.80p

Notes

Earnings per share are based on the weighted average number of shares in issue in the six months to 30 June 2004 of 36,719,583. (Six months to 30 June 2003 of 36,350,197 and 12 months to 31 December 2003 of 36,370,150).

The interim dividend of 3.00p (2003 : 3.00p) will be paid on 15 October 2004 to shareholders registered on 17 September 2004. The ex-dividend date is 15 September 2004.

The figures for 31 December 2003 are extracted from the financial statements for that year which received an unqualified auditors' report and have been filed with the Registrar of Companies.

The interim results which are unaudited have been prepared in accordance with accounting policies adopted for the year ended 31 December 2003 and have been approved by the board. The information set out in this interim report does not constitute statutory accounts within the meaning of the Companies Act.

Consolidated balance sheet
At 30 June 2004

	Half year ended 30 June 2004 £'000	Unaudited	Audited
		Half year ended 30 June 2003 £'000	Year ended 31 Dec 2003 £'000
Fixed assets			
Intangible assets	1,574	1,669	1,623
Tangible assets	24,957	26,751	27,467
Own shares	547	643	547
	27,078	29,063	29,637
Current assets			
Stocks	7,821	10,321	7,667
Debtors	22,547	24,118	21,088
Cash at bank and in hand	-	311	1,366
	30,368	34,750	30,121
Creditors			
Amounts falling due within one year	27,516	31,049	26,051
Net current assets	2,852	3,701	4,070
Total assets less current liabilities	29,930	32,764	33,707
Creditors			
Amounts falling due after one year	3,184	7,515	6,173
	26,746	25,249	27,534
Provisions for liabilities and charges	953	863	1,979
	25,793	24,386	25,555
Share capital & reserves			
Called up share capital	3,697	3,697	3,697
Share premium account	3,255	3,255	3,255
Capital redemption reserve	1,209	1,209	1,209
Profit and loss account	17,632	16,225	17,394
Equity shareholders' funds	25,793	24,386	25,555

Consolidated cash flow statement
Six months ended 30 June 2004

	Half year ended 30 June 2004 £'000	Unaudited	Audited
		Half year ended 30 June 2003 £'000	Year ended 31 Dec 2003 £'000
Cash flow from operating activities	2,203	3,723	7,953
Returns on investments and servicing of finance	(370)	(384)	(790)
Taxation	(416)	(787)	(1,540)
Capital expenditure and financial investment	805	(416)	(963)
Acquisitions and disposals	-	-	-
Equity dividends paid	(2,144)	(2,144)	(3,253)
Financing	(1,444)	(1,424)	(1,784)
Decrease in Cash	(1,366)	(1,432)	(377)

