



2007

# chairman's statement

**I am delighted to report that, for the fifth consecutive year, we have made positive progress during the first half. We have achieved this despite the soft drinks market generally being highly competitive and the extreme wet weather conditions experienced so far this summer.**

## Results

The Interim results to June 2007 are the first set of trading results produced by Nichols PLC using the measurement basis of International Financial Reporting Standards (IFRS). An analysis of the impact of IFRS, together with reconciliation from UK GAAP to IFRS, was reported separately on 30 July 2007.

Turnover in the six months to 30 June 2007 at £27.8 million was 6.1% up on the first half of last year (2006: £26.2 million). This includes £0.5 million of sales relating to Cariel Soft Drinks Limited acquired in April 2007. Profit on continuing activities before tax and exceptional items was up 14.9% at £2.77 million (2006: restated £2.41 million).

Earnings per share decreased by 4.6% to 5.43 pence (2006: restated 5.69 pence) mainly due to the higher effective tax rate in 2007.

The group also had increased positive cash balances of £5.8 million at the end of June 2007 (2006: £2.4 million).

The acquisition of Cariel Soft Drinks Limited, a cold soft drinks on draught business based in Dunblane Scotland, was in line with the aim to grow our core business. This acquisition, combined with the four new distributors signed in the first half of 2007, will help underpin the continued improvement in trading at our Dispense Systems Operation that is anticipated during the remainder of 2007 and beyond.

## Soft Drinks Operation

After a better than expected start to the year,



particularly in April, the months of May and June saw the general soft drinks market dominated by a combination of deep promotional activity and extreme wet weather, both of which have made trading extremely difficult in the first half of the year.

Despite these exceptionally challenging market conditions, I am pleased to report that our core Vimto brand has continued to grow, particularly in the 'Carbonates' and 'Ready to Drink' sectors, both of which have seen market share gains in the first half.

Internationally, the Vimto brand has also performed strongly, particularly in the Middle East, where sales were ahead in the first six months due to the timing of Ramadan. This uplift, however, is largely a timing issue, with forecast sales in the second half consequently being lower than normal, although in total, International sales for the year are expected to be ahead of those made in 2006.

In overall terms we still expect to see growth in the full year from our Soft Drinks Operation.

## Dispense Systems Operation

The transformation of our Dispense Systems Operation to an 'external distributor model' is now complete. This means that in 17 of the 19 UK regions covered, provision of the actual dispense equipment and its subsequent maintenance are

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no longer the responsibility of the group. Having effectively 'out-sourced' these aspects, long term agreements are now in place with the 17 external distributors, whereby Nichols supplies them with the consumable 'syrops' and 'juices' from which the dispense drink product is mixed at the point of sale.

In the first half of 2007 we successfully attracted four new distributors to the division and completed the acquisition of Cariel Soft Drinks Limited, both of which increase geographical coverage and significantly strengthen our market position.

Our Dispense Systems Operation is now firmly positioned as the UK's third major player in this sector and with its turnaround complete, we expect to see the financial benefits of our strategy coming through in the second half of 2007.

## Dividend

This is our fifth consecutive year of improved interim profits which, combined with our strong cash position and our confidence in the future, means the Board has approved a 6.1% increase in the interim dividend to 3.50 pence per share (2006: 3.30 pence).

The interim dividend will be paid on the 7 September 2007 to shareholders registered on the 10 August 2007. The ex-dividend date will be the 8 August 2007

## Outlook

The extremely poor summer weather to date, combined with higher than normal promotional activity in the market, means that we expect the soft drinks market generally to remain fairly volatile throughout the second half of the year.

Despite these factors, however, we still believe our core brands will continue to perform well and that we will see further growth internationally. Combined with the improving performance of our Dispense Systems Operation, we anticipate showing further progress in sales for the full year at group level.

On 19 March 2007, Nichols PLC announced it was in preliminary discussions regarding the possibility of an offer being made for the entire issued and to be issued share capital of the group. These discussions continue, although there is no certainty that an offer will be made. Further announcements will be made as appropriate.

John Nichols  
Chairman,  
2 August 2007.



## Consolidated Income Statement

	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Restated	Restated	Restated	Restated	Restated
	Before	After	Before	After	After
	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
	items	items	items	items	items
	Half year	Half year	Half year	Full year	Full year
	ended	ended	ended	ended	ended
	30 Jun 07	30 Jun 06	30 Jun 06	31 Dec 2006	31 Dec 2006
	£'000	£'000	£'000	£'000	£'000
<b>Revenue - continuing activities</b>	<b>27,802</b>	26,188	26,188	52,296	52,296
<b>Operating profit - continuing activities</b>	<b>2,702</b>	2,446	336	7,897	5,287
Profit on disposal of non-current assets	0	0	128	0	128
Finance income	127	86	86	156	156
Finance expense	(62)	(121)	(121)	(98)	(98)
<b>Profit before taxation</b>	<b>2,767</b>	2,411	429	7,955	5,473
Taxation	767	(284)	379	2,296	1,238
<b>Profit from continuing activities</b>	<b>2,000</b>	2,695	50	5,659	4,235
Profit on disposal of discontinued operations	0	0	2,038	0	2,038
<b>Profit for the period</b>	<b>2,000</b>	2,695	2,088	5,659	6,273
Earnings per share (basic) - total and continuing activities	5.43p		5.69p		17.10p
Earnings per share (diluted) - total and continuing activities	5.42p		5.67p		17.08p
Dividends paid per share	6.50p		3.30p		9.40p

The accompanying notes form an integral part of these financial statements.

## Consolidated Balance Sheet

	Unaudited	Unaudited	Unaudited
	30 June 2007	30 June 2006	31 December 2006
	£'000	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,891	4,053	3,179
Goodwill	10,771	9,504	9,624
Deferred tax asset	1,945	2,125	1,892
<b>Total non-current assets</b>	<b>15,607</b>	15,682	14,695
<b>Current assets</b>			
Inventories	2,689	3,053	2,169
Trade and other receivables	15,615	17,599	12,364
Cash and cash equivalents	5,826	2,448	7,460
<b>Total current assets</b>	<b>24,130</b>	23,100	21,993
<b>Total assets</b>	<b>39,737</b>	38,782	36,688
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12,131	11,979	8,366
Current tax payable	750	1,118	598
<b>Total current liabilities</b>	<b>12,881</b>	13,097	8,964
<b>Non-current liabilities</b>			
Retirement benefit obligations	6,504	6,508	6,504
Provisions	746	2,353	1,211
<b>Total non-current liabilities</b>	<b>7,250</b>	8,861	7,715
<b>Total liabilities</b>	<b>20,131</b>	21,958	16,679
<b>Net assets</b>	<b>19,606</b>	16,824	20,009
<b>Equity</b>			
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
Other reserves	(487)	(698)	(487)
Retained earnings	11,932	9,361	12,335
<b>Total equity</b>	<b>19,606</b>	16,824	20,009

The accompanying notes form an integral part of these financial statements.



## Consolidated Cash Flow Statement

	Unaudited Half year ended 30 June 2007		Unaudited Half year ended 30 June 2006		Unaudited Full year ended 31 December 2006	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Profit for the period</b>		<b>2,000</b>		<b>2,088</b>		<b>6,273</b>
<b>Cash flows from operating activities</b>						
Adjusted for:						
Depreciation	<b>388</b>		573		794	
Non-current asset impairment	<b>0</b>		0		1,935	
Loss/ (profit) on sale of property, plant and equipment	<b>24</b>		(2,158)		(2,136)	
Share option charge	<b>50</b>		0		100	
Interest receivable	<b>(127)</b>		(86)		(156)	
Interest payable	<b>62</b>		121		98	
Taxation expense recognised in the income statement	<b>767</b>		379		1,238	
Change in inventories	<b>(462)</b>		(721)		163	
Change in receivables	<b>(3,000)</b>		(3,806)		(194)	
Change in payables	<b>3,605</b>		1,665		(2,326)	
Change in provisions	<b>(465)</b>		1,698		556	
Change in employee benefits	<b>0</b>		(500)		(504)	
		<b>842</b>		(2,835)		(432)
<b>Cash generated from operations</b>		<b>2,842</b>		(747)		5,841
Interest paid	<b>(62)</b>		(61)		(72)	
Taxation paid	<b>(669)</b>		(482)		(1,654)	
<b>Net cash used in operating activities</b>		<b>(731)</b>		(543)		(1,726)
<b>Cash flows from investing activities</b>						
Interest received	<b>127</b>		86		156	
Proceeds from the sale of property, plant and equipment	<b>424</b>		6,103		7,474	
Acquisition of property, plant and equipment	<b>(348)</b>		(343)		(837)	
Disposal of discontinued operation, net of cash costs	<b>0</b>		6,455		6,455	
Purchase of subsidiary undertakings	<b>(1,251)</b>		0		0	
Net overdrafts acquired with subsidiary	<b>(144)</b>		0		0	
Additional consideration in respect of a prior acquisition	<b>(150)</b>		0		(120)	
<b>Net cash used in investing activities</b>		<b>(1,342)</b>		12,301		13,128
<b>Cash flows from financing activities</b>						
Repayment of borrowings	<b>0</b>		(6,308)		(6,308)	
Dividends paid	<b>(2,403)</b>		(2,255)		(3,475)	
<b>Net cash used in financing activities</b>		<b>(2,403)</b>		(8,563)		(9,783)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(1,634)</b>		2,448		7,460
Cash and cash equivalents at beginning of period		<b>7,460</b>		0		0
<b>Cash and cash equivalents at end of period</b>		<b>5,826</b>		2,448		7,460

## Statement of Recognised Income and Expense

	Unaudited Half Year ended 30 June 2007		Unaudited Half Year ended 30 June 2006		Unaudited Full year ended 31 December 2006	
	£'000	£'000	£'000	£'000	£'000	£'000
Actuarial movement in defined benefit schemes	<b>0</b>		0		91	
Deferred taxation on pension scheme deficit	<b>0</b>		0		(27)	
<b>Net income recognised directly in equity</b>	<b>0</b>		0		64	
<b>Profit for the period</b>	<b>2,000</b>		2,088		6,273	
<b>Total recognised income and expense for the period</b>	<b>2,000</b>		2,088		6,337	

### Notes:

#### 1. Basis of Preparation

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The group's statutory financial statements for the year ended 31 December 2006, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237 (2) of the Companies Act 1985.

The accounting policies for the group can be found in the transition document which was published via the Regulatory News Service (RNS) on 30 July 2007.

#### 2. Dividends

The interim dividend of 3.50p (2006: 3.30p) will be paid on 7 September 2007 to shareholders registered on 10 August 2007. The ex dividend date is 8 August 2007.

#### 3. Earnings Per Share

Earnings per share are based on the weighted average number of shares in issue in the six months to 30 June 2007 of 36,905,548 (six months to 30 June 2006 of 36,693,536 and 12 months to 31 December 2006 of 36,685,868).

#### 4. Acquisitions

On 6 April 2007 the group acquired the assets and liabilities of Cariel Soft Drinks Limited for £1.25m. The acquisition was made to increase the geographical range of the group's dispense business and to enhance Cabana's position as the third largest operator in the dispense sector in the UK. The assets acquired were:

Provisional fair values	£000's
Non-current assets	<b>197</b>
Inventories	<b>58</b>
Trade and other receivables	<b>251</b>
Trade and other payables	<b>(258)</b>
Overdraft	<b>(144)</b>
<b>Net assets acquired</b>	<b>104</b>
<b>Cash consideration</b>	<b>1,251</b>
<b>Provisional goodwill</b>	<b>1,147</b>

The turnover since acquisition was £473,000 and the operating profit was £41,000. These have not been disclosed separately in the income statement as they are not considered to be material.

Management have reviewed the fair value of the assets and liabilities acquired. At this time the review of intangible assets acquired is ongoing. Any necessary adjustments to goodwill following the conclusion of this exercise will be reflected in the year end financial statements.



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