

annual report and financial statements 2009





The group

The group is a soft drinks business comprising two divisions; Soft Drinks and Dispense Operation.

Soft Drinks

Our brand portfolio in the main consists of; Vimto, Panda and Sunkist.

In the UK, the division sells into major retail, wholesale and cash and carry customers.

Outside of the UK, Vimto is available in over 65 countries. Our typical business model is to work with local partners who share our passion for building the Vimto brand and providing consumers with the Vimto flavour experience.

Dispense Operation

The Dispense Operation provides consumers with a broad range of cold soft drinks on draught and was previously referred to as the Dispense Systems Operation. Typically our products are available to consumers via pubs, clubs, restaurants and other leisure outlets.

The division comprises; Cabana, Cariel and Beacon businesses. The group's 50% holding in Dayla Liquid Packing Limited, acquired in December 2008 is also now part of the division.



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Chairman's statement



John Nichols
Non-Executive Chairman
23 March 2010

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.

29%
growth in
group sales

“we delivered an outstanding performance in 2009... we are confident that our business will deliver further growth in 2010 and beyond”



Chief Executive's review



Brendan Hynes
Chief Executive
23 March 2010

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.

“we achieved significant sales growth, profit growth and earnings per share growth”



“in 2009 soft drinks sales increased by 27% to £55.1 million”

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.

The 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 £11.2 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.

33%

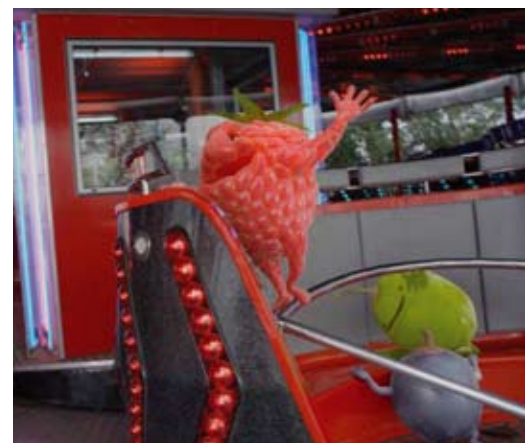
increase in international sales

net cash



£5.2m

ahead of last year



“Nichols is the strong number three in the ‘soft drinks on draught dispense’ market”



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.

36%
increase in
dispense sales



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.



“we are proud of our unique and special culture built around our core values of customer service, quality, professionalism, team work and mutual support”

Financial review



T J Croston
Group Finance Director
23 March 2010

Income Statement

Revenue for the group grew by 29% in 2009, totalling £72.4 million (2008: £56.2 million). All divisions of the business contributed to this exceptional performance:

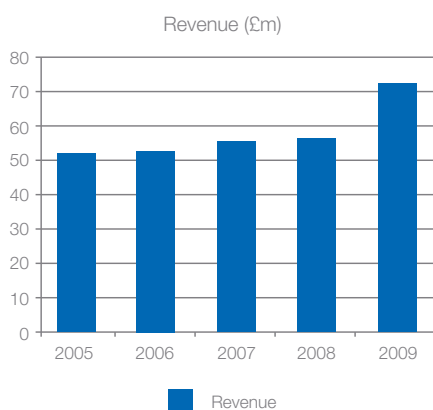
Soft Drinks revenue was up 27% to £55.1 million (2008: £43.5 million).

- UK revenue driven by distribution gains was up 25% to £42.7 million
- International revenue increased by 33% on the back of growth in the Middle East and Africa to £12 million
- Revenue from brand licensing totalled £0.4 million

Dispense Operation revenue increased by 36% to £17.3 million (2008: £12.7 million).

- Like for like revenue grew 5% to £13.4 million
- Our 50% acquisition of Dayla Liquid Packing Ltd in December 2008 added a further £3.9 million revenue during the year

Revenue



2005 adjusted to show like for like revenue (excluding £11.8m for Balmoral, sold January 2006)

Operating profit before exceptional items was also up significantly at £12.5 million, a 28% increase on 2008. Importantly and despite the exceptional top line growth, the operating margin was maintained at 17%, the same as 2008.

The net financing costs increased by £0.51 million to £0.28 million (2008: net income of £0.23 million), this was due to reduced bank interest received and lower expected return on the defined benefit pension plan assets (per IAS19 disclosure requirements).

Profit Before Tax and exceptional items increased 22% to £12.2 million (2008: £10.0 million).

Exceptional items totalling £0.29 million relate to restructuring costs for our Dispense Operation business.

The tax charge was £3.6 million, an effective rate of 30% (2008: 28%), the increase in effective rate is due to the inclusion of prior year charges of £0.14 million.

Statement of Financial Position (formerly Balance Sheet)

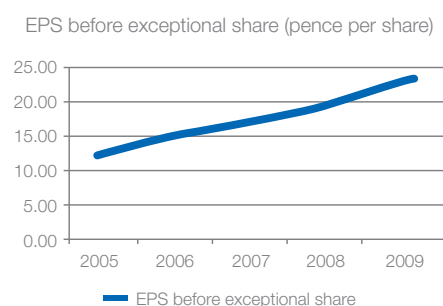
By exception, points of note are:

Inventories at the year-end were valued at £2.7 million which despite the 29% revenue growth this was 2% lower than the prior year. This has been achieved through improved demand forecasting and better stock management resulting in lower working capital and reduced risk of write-offs.

The group generated £5.2 million of positive cash flow, closing the year with a cash balance of £11.2 million (2008: £6.0 million).

Earnings Per Share

Earnings Per Share (EPS) before exceptional items was 23.44 pence, 17% up on 2008. EPS has increased by 84% since 2005.



Dividend

On 31 March 2010 we paid a second interim dividend for 2009 of 8.1 pence, taking the total dividend for the year to 12.15 pence, an increase of 9% on the prior year (2008:11.15 pence).

Internal Control

The Nichols group complies with the principles of good corporate governance and has an established process of control and risk management.

Internal Financial Control

The Board is ultimately responsible for maintaining sound internal control systems to safeguard the investment of shareholders and the company's assets. The systems are reviewed by the Board and are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss.

Audit Committee

The Audit Committee consists of P J Nichols, J B Diggins and J D Bee. The terms of reference of the Committee include keeping under review the scope and results of the external audit. The Committee ensures the independence and objectivity of the external auditors, including the nature and extent of non-audit services supplied. Any further services with a value over £25,000 would require Nichols plc Board approval.

Risks and Uncertainties

The Soft Drinks division continues to be fully dependent on third party suppliers for all products. To manage this risk we have appropriate and adequate audit procedures and resource at our disposal to ensure that the division sells product of the highest quality.

Following the acquisition of 50% of the shares in Dayla Liquid Packing Limited (December 2008), the Dispense Operation division has direct influence over product supply.

A large proportion of our international business is with the Middle East and Africa. Any political instability in these key regions could lead to volatility in our trading patterns.

In common with many businesses we are now also highly dependent on the availability of IT systems to carry out many trading activities.

We have robust business continuity plans and stress test procedures in place to minimise all risks and exposures that the group faces.

Shareholders

We consider that both the FTSE AIM index and FTSE Fledgling index serve well as ongoing performance comparatives against the Total Shareholder Return (TSR) delivered by Nichols plc.



Going Concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Directors & advisors



A handwritten signature in black ink, appearing to read 'P. J. Nichols'.

John Nichols
Non-Executive Chairman

A handwritten signature in black ink, appearing to read 'B Hynes'.

Brendan Hynes
Chief Executive

A handwritten signature in black ink, appearing to read 'T. Croston'.

Tim Croston
Group Finance Director & Secretary



A handwritten signature in black ink, appearing to read 'J Diggins'.

Jonathan Diggins
Senior Non-Executive Director

A handwritten signature in black ink, appearing to read 'J Bee'.

John Bee
Non-Executive Director

Auditors

Grant Thornton UK LLP
4 Hardman Square Spinningfields
Manchester M3 3EB

Bankers

The Royal Bank of Scotland plc
1 Spinningfields Square
Manchester M3 3AP

Solicitors

DLA Piper 101 Barbirolli Square
Manchester M2 3DL

Stockbrokers and Nominated Advisor

Brewin Dolphin Limited PO Box 512
National House 36 St Ann Street
Manchester M60 2EP

Financial Advisors

N M Rothschild & Sons Limited
82 King Street Manchester M2 4WQ

Registrars

Capita Registrars Limited Northern
House Woodsome Park Fenay Bridge
Huddersfield HD8 0GA

Registered Office

Laurel House Woodlands Park Ashton
Road Newton-le-Willows WA12 0HH

Registered Number

238303

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities and business review

The company and its principal operating subsidiaries are engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

A review of the group's trading during the year and its prospects are contained in the Chairman's Statement on pages 4 and 5, the Chief Executive's Review on pages 6 to 9 and the Financial Review on pages 10 and 11.

Details of significant events since the balance sheet date are contained in the Chairman's Statement and the Financial Review.

Reconciliation of profit for the financial year to retained earnings movement

	2009		2008	
	£'000	£'000	£'000	£'000
Profit for the financial year		8,354		2,957
Interim dividend 4.05p (2008: 3.75p) per share paid 2 September 2009	(1,482)		(1,374)	
2008 final dividend 7.40p (2007: 6.90p) per share paid 21 May 2009	(2,711)		(2,540)	
Other comprehensive income and movement on ESOT	(1,186)		(1,192)	
		(5,379)		(5,106)
Retained earnings movement		2,975		(2,149)

Non-executive Directors

J B Diggines (57) – senior non-executive director

Mr Diggines is Chief Executive of Enterprise Ventures Limited. He was appointed to the Board of Nichols plc in July 1995.

J D Bee (68)

Mr Bee has held a number of non-executive directorships with both public and private companies and is Chairman of the Manchester Building Society. He was appointed to the Board of Nichols plc in January 2002.

P J Nichols (60)

Mr Nichols has been a director of the company since 1976. He was appointed Managing Director in 1986 and Chairman in 1999. In November 2007, Mr Nichols moved to non-executive Chairman.

All of the above are members of the audit and remuneration committees of the Board.

Executive Directors

B M Hynes (49)

Mr Hynes joined the company as Group Finance Director in 2002 and was appointed Chief Executive Officer in November 2007. He has previously been Group Finance Director at William Baird plc and KPS plc.

T J Croston (46)

Mr Croston initially joined the company as Group Financial Controller in 2005 and moved to Finance and Operations Director for the Soft Drinks Division in 2007. He was appointed Group Finance Director on 1 January 2010.

On 7 September 2009 T Purkis resigned as a director.

Financial risk management objectives and policies

Business risks and uncertainties are included within the Financial Review on pages 10 and 11 and financial risks are set out in note 22 to the financial statements.

Creditor payment policy

The group's policy is to agree terms of payment at the start of business with all suppliers, to abide by these terms and to pay in accordance with its contractual and other legal obligations. At 31 December 2009 there were 47 (2008: 48) creditor days outstanding.

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always fully considered bearing in mind the qualification and abilities of the applicants. In the event of employees becoming disabled every effort is made to ensure their continued employment.

The management of the individual operating companies consult with employees and keep them informed on matters of current interest and concern to the business.

Charitable and political donations

Charitable donations during the year amounted to £7,000 (2008: £11,000). There were no political donations in either 2009 or 2008.

Share options

The company operates a Save As You Earn share option scheme. In conjunction with this it makes donations to an Employee Share Ownership Trust to enable shares to be bought in the market to satisfy the demand from option holders.

Share capital

The resolutions concerning the ability of the Board to purchase the company's own shares and to allot shares are again being proposed at the Annual General Meeting.

In exercising its authority in respect of the purchase and cancellation of the company's shares the Board takes as its major criterion the effect of such purchases on future expected earnings per share. No purchase is made if the effect is likely to be deterioration in future expected earnings per share growth. During the year the company purchased 60,000 of its own shares for a value of £138,000.

The Board believes that being permitted to allot shares within the limits set out in the resolution without the delay and expense of a general meeting gives the ability to take advantage of circumstances that may arise during the year.

Auditors

In accordance with Section 489 of the Companies Act 2006 a resolution will be proposed at the Annual General Meeting that Grant Thornton UK LLP be re-appointed auditors.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Indemnity

The group has agreed to indemnify its directors against third party claims which may be brought against them and has in place an officers' insurance policy.

Directors' Remuneration

	Salary and fees	Benefits in kind	Bonuses	Pension contributions	Loss of office	Total 2009	Total 2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P J Nichols	75	37	0	0	0	112	191
B M Hynes	198	1	72	22	0	293	296
T M Purkis	88	1	22	8	121	240	62
J B Diggines	22	0	0	0	0	22	22
J D Bee	22	0	0	0	0	22	22
Total	405	39	94	30	121	689	593

P J Nichols is a member of the final salary pension scheme; B M Hynes and T M Purkis have a personal pension plan. The company contributions to the respective schemes are shown in the above table.

By order of the Board



T J Croston
Secretary

Laurel House
Woodlands Park
Ashton Road
Newton le Willows
WA12 0HH

23 March 2010

Independent auditor's report to the members of Nichols plc

We have audited the financial statements of Nichols plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the group and parent company statements of financial position, the consolidated and parent company statements of cash flow, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs

As explained in Note 2 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

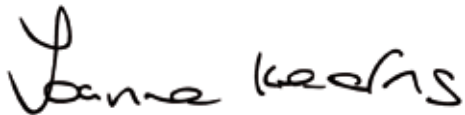
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Joanne Kearns**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

23 March 2010

Financial statements





Vimto

ORIGINAL

Adalca Vitamin C

Consolidated income statement

Year ended 31 December 2009

	Notes	Before exceptional items 2009 £'000	Exceptional items 2009 £'000	Total 2009 £'000	Before exceptional items 2008 £'000	Exceptional items 2008 £'000	Total 2008 £'000
Revenue	3	72,378	0	72,378	56,221	0	56,221
Cost of sales		(36,198)	0	(36,198)	(27,520)	0	(27,520)
Gross profit		36,180	0	36,180	28,701	0	28,701
Distribution expenses		(4,376)	0	(4,376)	(3,892)	0	(3,892)
Administrative expenses	5	(19,303)	(293)	(19,596)	(15,005)	(5,940)	(20,945)
Operating profit	4	12,501	(293)	12,208	9,804	(5,940)	3,864
Finance income	6	78	0	78	288	0	288
Finance expense	6	(360)	0	(360)	(54)	0	(54)
Profit before taxation		12,219	(293)	11,926	10,038	(5,940)	4,098
Taxation	8	(3,651)	79	(3,572)	(2,732)	1,591	(1,141)
Profit for the financial year attributable to equity holders of the parent		8,568	(214)	8,354	7,306	(4,349)	2,957
Earnings per share (basic)	10			22.86p			8.10p
Earnings per share (diluted)	10			22.57p			8.10p
Dividends paid per share	9			11.45p			10.65p

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

All results relate to continuing operations.

Consolidated statement of comprehensive income

Year ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the financial year	8,354	2,957
Other comprehensive income:		
Defined benefit plan actuarial loss (see note 27)	(1,565)	(1,286)
Deferred taxation on pension obligations and employee benefits (see note 14)	396	132
Other comprehensive income for the year	(1,169)	(1,154)
Total comprehensive income for the year	7,185	1,803

Statement of financial position

Year ended 31 December 2009

	Notes	Group		Parent	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	1,573	2,006	280	372
Goodwill	12	9,891	9,521	0	0
Investments	13	0	0	12,371	12,001
Deferred tax assets	14	2,829	2,705	2,829	2,697
Total non-current assets		14,293	14,232	15,480	15,070
Current assets					
Inventories	15	2,694	2,758	1,414	1,287
Trade and other receivables	16	14,730	13,575	10,976	11,009
Cash and cash equivalents	21	11,215	6,048	9,830	4,458
Total current assets		28,639	22,381	22,220	16,754
Total assets		42,932	36,613	37,700	31,824
LIABILITIES					
Current liabilities					
Trade and other payables	17	11,789	10,136	11,072	8,525
Current tax liabilities	17	1,587	1,308	1,096	894
Provisions	18	255	181	112	0
Total current liabilities		13,631	11,625	12,280	9,419
Non-current liabilities					
Pension obligations	27	4,744	3,567	4,744	3,567
Deferred tax liabilities	14	99	155	0	0
Total non-current liabilities		4,843	3,722	4,744	3,567
Total liabilities		18,474	15,347	17,024	12,986
Net assets		24,458	21,266	20,676	18,838
EQUITY					
Share capital	19	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
Total equity		24,458	21,266	20,676	18,838

The financial statements on pages 22 to 54 were approved by the Board of Directors on 23 March 2010 and were signed on its behalf by:

P J Nichols

Non-Executive Chairman

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

Registered number 238303

Consolidated statement of cash flows

Year ended 31 December 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Profit for the financial year			8,354		2,957
Cash flows from operating activities					
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	6	(78)		(288)	
Interest payable	6	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)	
			5,748		6,457
Cash generated from operating activities			14,102		9,414
Tax paid			(3,076)		(2,595)
Net cash generated from operating activities			11,026		6,819
Cash flows from investing activities					
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	27	0		(809)	
Net cash used in investing activities			(1,522)		(4,125)
Cash flows from financing activities					
Interest paid		(6)		(11)	
Repurchase of own shares		(138)		(535)	
Dividends paid	9	(4,193)		(3,914)	
Net cash used in financing activities			(4,337)		(4,460)
Net increase/(decrease) in cash and cash equivalents			5,167		(1,766)
Cash and cash equivalents at 1 January			6,048		7,814
Cash and cash equivalents at 31 December	21		11,215		6,048

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

Parent company statement of cash flows

Year ended 31 December 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Profit for the financial year			7,000		2,230
Cash flows from operating activities					
Adjustments for:					
Depreciation		165		234	
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		2		53	
Tax expense recognised in the income statement		3,111		806	
Change in inventories		(127)		259	
Change in trade and other receivables		43		190	
Change in trade and other payables		3,551		(460)	
Change in provisions		112		(117)	
Change in pension obligations		(388)		(588)	
			6,725		6,247
Cash generated from operating activities					
Tax paid			(2,645)		(2,324)
Net cash generated from operating activities					
			11,080		6,153
Cash flows from investing activities					
Interest received		68		288	
Acquisition of property, plant and equipment		(73)		(104)	
Acquisition of joint venture		0		(2,908)	
Additional consideration in respect of a prior acquisition		(1,370)		(480)	
Payment on settlement of pension obligations	27	0		(809)	
Net cash used in investing activities					
			(1,375)		(4,013)
Cash flows from financing activities					
Interest paid		(2)		(10)	
Repurchase of own shares		(138)		(535)	
Dividends paid	9	(4,193)		(3,914)	
Net cash used in financing activities					
			(4,333)		(4,459)
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at 1 January			4,458		6,777
Cash and cash equivalents at 31 December					
	21		9,830		4,458

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

Statement of changes in equity

Year ended 31 December 2009

Group	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)
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 31 December 2009	3,697	3,255	1,209	(357)	16,654	24,458
Parent						
	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	283	13,352	21,796
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	2,230	2,230
Other comprehensive income	0	0	0	0	(1,154)	(1,154)
At 1 January 2009	3,697	3,255	1,209	201	10,476	18,838
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	7,000	7,000
Other comprehensive income	0	0	0	0	(1,169)	(1,169)
At 31 December 2009	3,697	3,255	1,209	418	12,097	20,676

Notes to the financial statements

Year ended 31 December 2009

1. Reporting entity

Nichols plc (the "company") is a company domiciled in the United Kingdom. The address of the company's registered office is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH. The consolidated financial statements of the company as at and for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as the "group"). The group is primarily engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

2. Accounting policies

Basis of preparation

The consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements were approved by the Board of Directors on 23 March 2010.

The financial statements have been prepared on the historical cost basis.

The accounting policies have been applied consistently by the group.

A third balance sheet has not been prepared as required by IAS 1 (revised) as the information is unchanged from the previously published financial statements.

An income statement is not provided for the parent company as permitted by Section 408 of the Companies Act 2006. The profit dealt with in the financial statements of Nichols plc was £7,000,000 (2008: £2,230,000).

Functional and presentation currency

These consolidated financial statements are presented in sterling, which is also the functional currency of the parent company.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following is the critical judgement, apart from those involving estimations (see below), that management have made in the process of applying the group's accounting policies that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making their judgement, management have considered the detailed criteria for the recognition of revenue from the sale of goods as outlined in IAS 18 "Revenue" and in particular where the group has transferred to the customer the significant risks and rewards of ownership of the goods. Management are satisfied that recognition of all such revenue in the current year is appropriate and that the significant risks and rewards attached to such sales have been transferred to the buyer.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The "value in use" calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 12).

The carrying amount of goodwill at the balance sheet date was £9.9 million (2008: £9.5 million).

Notes to the financial statements

Year ended 31 December 2009

Share options

The assumptions on the expected life of share options, volatility of shares, risk free yield to maturity and expected dividend yield on shares are used in the IFRS fair value calculation of the group's share options outstanding at the balance sheet date (see note 20).

Defined benefit obligations

For the group's defined benefit plan, the main assumptions used by the actuary are the rate of future salary increases, the rate of increase in pensions in payment, the discount rate and the expected rate of inflation (see note 27).

Useful lives of property, plant and equipment

As described within the property, plant and equipment paragraph below, the group reviews the estimated useful lives of property, plant and equipment at least annually.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2009. Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities whose economic activities are jointly controlled by the group and other ventures independent of the group are accounted for using the proportionate consolidation method.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. All group companies have coterminous year ends.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with group accounting policies. Goodwill is stated after separating out identifiable assets. Goodwill represents the excess of acquisition costs over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

The group has elected not to apply IFRS 3 "Business combinations" retrospectively to business combinations established prior to 1 January 2006.

Accordingly, the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under IFRS and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume discounts and excluding VAT. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be measured reliably, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Transfer of risks and rewards vary depending on the individual term of the contract of sale. For sales in the UK, transfer occurs when the product is despatched to the customer. However, for some international shipments, transfer occurs either upon loading the goods onto the relevant carrier or when the goods have arrived in the overseas port.

Notes to the financial statements

Year ended 31 December 2009

Segmental reporting

This year the group adopted IFRS 8 "Operating segments" which replaces IAS 14 "Segment reporting". The standard is applied retrospectively. The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In contrast, IAS 14 required the group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. This change in accounting standards has not had an impact on group segmental reporting.

In identifying its operating segments, management generally follows the group's service lines which represent the main products and services provided by the group.

The group operates two main business segments: Soft Drinks; Dispense Operation. The Soft Drinks segment sells and markets the Vimto brand throughout the world together with the Panda and Sunkist brands in the UK. The Dispense Operation provides consumers with a broad range of cold soft drinks on draught. These operating segments are managed separately as they each require different resources as well as marketing approaches.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group entities at exchange rates at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the consolidated income statement in the period in which they arise.

Exceptional items

Exceptional items are material items which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence in order to assist in understanding the group's financial performance (see note 5).

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using rates which are enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, with no discounting, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, provided they are enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements

Year ended 31 December 2009

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable assets acquired, is capitalised and reviewed annually for impairment. Goodwill is measured at cost less accumulated impairment losses.

As part of its transition to IFRS, the group elected to restate only those business combinations that occurred on or after 1 January 2006. In respect of acquisitions prior to 1 January 2006, the net book value of goodwill at the date of transition is the deemed cost of goodwill to the group under IFRS.

For acquisitions on or after 1 January 2006, goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in the group income statement.

Goodwill written off to reserves prior to the date of transition to IFRS remains in reserves. There is no re-instatement of goodwill previously amortised on the transition to IFRS. Goodwill previously written off to reserves is not written back to the income statement on subsequent disposal.

Other reserves

Other reserves incorporate purchase of own shares, movements in the group's ESOT and the IFRS 2 "Share-based payment" charge for the year.

Impairment

The carrying values of the group's non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is reviewed for impairment annually. All property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication of impairment exists then the asset's recoverable amount is estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the cost of capital that reflects the current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment losses are recognised in the income statement.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant, property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis to write down the cost less estimated residual value on property, plant and equipment over their estimated useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Property, plant and equipment 3-10 years

Material residual value estimates and useful economic lives are updated at least annually.

Notes to the financial statements

Year ended 31 December 2009

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Financial assets

The group's financial assets comprise primarily cash, bank deposits and trade receivables that arise from its business operations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise deposits with banks and bank and cash balances.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade receivables is established when there is evidence that the group will not be able to collect all amounts due according to the original terms of the receivable.

Financial liabilities

The group's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instruments. Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Leased assets

Operating leases and the payments are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Employee benefits

Defined contribution plan

Obligations for contributions to the group's defined contribution pension plan are recognised as an expense in the income statement when they are due.

Defined benefit plan

The group's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognised in the statement of comprehensive income. Interest expenses related to pension obligations are included in "finance costs" in the group income statement. All other post employment benefits are included in administrative expenses in the group income statement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Notes to the financial statements

Year ended 31 December 2009

Share-based payment transactions

The group's equity-settled share-based payments comprise the grant of options under the group's share option schemes.

In accordance with IFRS 2 "Share-based payment", the group has recognised an expense to the income statement representing the fair value of outstanding equity-settled share-based payment awards to employees which have not vested as at 1 January 2009 for the year ending 31 December 2009.

Those fair values were charged to the income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels. The group has calculated the fair market value of the nil cost options as being based on the market value of a company share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

The total amount to be expensed over the vesting period is determined with reference to the fair value of options granted, excluding the impact of any non market vesting conditions. Non market vesting conditions are included in the assumptions about the number of options expected to vest. At each balance sheet date the group revises its estimate of the number of options expected to vest. It recognises the impact of revisions to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transactions costs, are credited to share capital and share premium when the options are exercised.

Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and are recognised in the income statement.

Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Employee Share Ownership Trust

The assets and liabilities of the Employee Share Ownership Trust ("ESOT") have been included in the consolidated financial statements.

The costs of purchasing own shares held by the ESOT are shown as a deduction against equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated income statement.

Investments in subsidiaries

Investments in subsidiaries are shown in the parent company balance sheet at cost less any provision for impairment.

Notes to the financial statements

Year ended 31 December 2009

Standards and interpretations in issue not yet adopted

As of 31 December 2009, the following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Improvements to IFRSs (Issued 16 April 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)

See below for further issues relating to various IFRICs:

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation - was adopted by the EU and published in the Official Journal on 5 June 2009 with a mandatory effective date in the endorsed version of financial years starting after 30 June 2009 rather than the effective date in the text itself of periods commencing on or after 1 October 2008. However, the EU-adopted version still permits earlier application than the mandatory EU date.
- IFRIC 17 Distribution of Non-cash Assets to Owners - was adopted by the EU and published in the Official Journal on 27 November 2009 with a mandatory effective date in the endorsed version of financial years starting after 31 October 2009 rather than the effective date in the text itself of periods commencing on or after 1 July 2009. However, the EU-adopted version still permits earlier application than the mandatory EU date.
- IFRIC 18 Transfers of Assets from Customers - was adopted by the EU and published in the Official Journal on 1 December 2009 with a mandatory effective date in the endorsed version of financial years starting after 31 October 2009 rather than the effective date in the text itself of periods commencing on or after 1 July 2009. However, the EU-adopted version still permits earlier application than the mandatory EU date.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2009 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

Notes to the financial statements

Year ended 31 December 2009

3. Segmental information

a. Primary reporting format-by business segment

	Revenue (sales to third parties)		Operating profit		Assets		Liabilities		Net assets	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Soft Drinks	55,103	43,479	11,163	9,526	15,256	13,649	(11,370)	(8,614)	3,886	5,035
Dispense Operation	17,275	12,742	1,728	905	16,461	16,916	(2,360)	(3,166)	14,101	13,750
	72,378	56,221	12,891	10,431	31,717	30,565	(13,730)	(11,780)	17,987	18,785
IAS 19 "Employee benefits" charge			(56)	(84)	0	0	(4,744)	(3,567)	(4,744)	(3,567)
IFRS 2 "Share-based payment" charge			(334)	(543)	9,830	4,458	0	0	9,830	4,458
Operating profit before exceptional items and interest			12,501	9,804	1,385	1,590	0	0	1,385	1,590
Exceptional items (see note 5) - Soft Drinks			0	(5,713)	42,932	36,613	(18,474)	(15,347)	24,458	21,266
Exceptional items (see note 5) - Dispense Operation			(293)	(227)						
Operating profit			12,208	3,864						
Finance income - Soft Drinks			78	288						
Finance expense - Soft Drinks			(360)	(54)						
Profit before tax			11,926	4,098						
Taxation - Soft Drinks			(3,111)	(805)						
Taxation - Dispense Operation			(461)	(336)						
Profit after tax			8,354	2,957						

The group is managed according to two operating divisions: Soft Drinks and Dispense Operation. These divisions are the basis on which the group reports its primary segment information. Central costs are allocated to the operating subsidiaries and divisions. Exceptional items include amounts directly attributable to a segment, in addition to those costs that can be allocated on a reasonable basis.

Capital expenditure

Capital expenditure costs within Soft Drinks totalled £73,000 (2008:£103,000), and within Dispense Operation totalled £129,000 (2008: £117,000).

Depreciation

Depreciation costs within Soft Drinks totalled £165,000 (2008: £234,000), and within Dispense Operation totalled £454,000 (2008: £422,000).

Notes to the financial statements

Year ended 31 December 2009

3. Segmental information (continued)

b. Secondary reporting format-by geographic segment

Revenue by geographic destination

	2009	2009	2008	2008
	£'000	%	£'000	%
Middle East	8,453	11.7	6,058	10.8
Africa	2,925	4.0	2,627	4.7
Rest of the World	592	0.8	297	0.5
Total exports	11,970	16.5	8,982	16.0
United Kingdom	60,408	83.5	47,239	84.0
	72,378	100.0	56,221	100.0

Revenue from continuing operations arose principally from the provision of goods.

The group's business segments operate in the Middle East, Africa, the Rest of the World and the United Kingdom. The group's Head Office operations are located in the United Kingdom. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and not on the legal entity in which the transaction occurred.

No individual customer accounts for 10% or more of the group's revenue in either 2009 or 2008.

Total assets

The assets of the group at 31 December 2009 and 31 December 2008 are entirely located within the United Kingdom.

Capital expenditure

The capital expenditure of the group for the years ended 31 December 2009 and 31 December 2008 was entirely made within the United Kingdom.

Depreciation

The group's depreciation charges for the years ended 31 December 2009 and 31 December 2008 are against fixed assets all retained within the United Kingdom.

Notes to the financial statements

Year ended 31 December 2009

4. Operating profit

	2009 £'000	2008 £'000
Operating profit is stated after charging/(crediting):		
Inventory amounts charged to cost of sales	36,198	27,462
Auditors' remuneration - audit of the company's annual accounts	35	35
Fees payable to the auditors for other services:		
Audit of the company's subsidiaries	15	15
Depreciation of property, plant and equipment	619	656
Operating lease rentals payments	563	472
Equity-settled share-based payments	334	543
Loss/(gain) on foreign exchange differences	255	(672)
Loss on sale of property, plant and equipment	12	20

During 2008 depreciation of £30,000 has not been charged through the income statement as a provision was made for this cost at the end of 2007.

5. Exceptional items

	2009 £'000	2008 £'000
Soft Drinks brands portfolio review	0	5,713
Dispense Operation restructuring costs	293	227
Total	293	5,940

The cash impact in 2009 of the exceptional items is £38,000 (2008: £104,000).

6. Finance income and expense

	2009 £'000	2008 £'000
Finance income comprises:		
Bank interest receivable	78	288
Finance expense comprises:		
Bank interest payable	29	11
Expected return on defined benefit pension scheme assets	(737)	(1,102)
Interest on defined benefit pension scheme obligations	1,068	1,145
Finance expense	360	54

Notes to the financial statements

Year ended 31 December 2009

7. Directors and employees

a. Average number of persons employed during the year, including directors:	2009 Number	2008 Number
Soft Drinks	62	60
Dispense Operation	59	67
	121	127

b. Group employment costs were as follows:	2009 £'000	2008 £'000
Wages and salaries	5,845	5,678
Social security costs	519	514
Pension costs - defined contribution scheme	266	227
Pension costs - defined benefit scheme (see note 27)	56	84
Equity-settled share-based payments	334	543
	7,020	7,046

The employment costs for the parent company amounted to £5,324,000 (2008: £5,000,000).

	2009 £'000	2008 £'000
Directors' remuneration for the year, including pension costs	689	593

The highest paid director has received £292,881 (2008: £295,780) including pension contributions.

Benefits are accruing to 2 directors (2008: 2 directors) under a defined contribution scheme.

Equity-settled share-based payments in respect of directors, not included in the above figures, amounted to nil (2008: £302,000).

Further information regarding directors' remuneration is provided in the directors' report on pages 14 to 17.

c. Key management personnel are deemed to be the executive directors of the company and members of the Executive Committee.

The compensation payable to key management in the year is detailed below:

	2009 £'000	2008 £'000
Wages and salaries	1,058	939
Pension costs - defined contribution scheme	52	40
Pension costs - defined benefit scheme	16	12
Equity-settled share-based payments	315	525
	1,441	1,516

Notes to the financial statements

Year ended 31 December 2009

8. Taxation

	2009 £'000	2008 £'000
a. Analysis of expense recognised in the consolidated income statement		
Current taxation:		
UK corporation tax on income for the year	3,397	2,539
Adjustments in respect of prior years	(41)	229
Total current tax charge for the year	3,356	2,768
Deferred tax:		
Origination and reversal of temporary differences	35	(1,541)
Adjustments in respect of prior years	181	(86)
Total deferred tax charge/(credit) for the year	216	(1,627)
Total tax expense in the consolidated income statement	3,572	1,141

The tax expense is wholly in respect of UK taxation.

	2009 £'000	2008 £'000
b. Tax reconciliation		
Profit before taxation	11,926	4,098
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008: 28.5%)	3,339	1,168
Effect of:		
Expenses not deductible for tax purposes	99	38
Tax exempt revenues	0	(231)
Adjustments to the tax charge in respect of prior years	140	143
Differences in tax rates	(6)	(5)
Reduction in tax rate to 28% in respect of deferred taxation	0	28
Total tax expense in the consolidated income statement	3,572	1,141

The effective rate of tax for the year of 30.0% (2008: 27.8%) is higher than the standard rate of corporation tax in the United Kingdom (28%). The differences are explained above.

c. The effective rate of tax on profit before exceptional items is 29.9% (2008: 27.2%).

d. Tax on items charged to equity

In addition to the amount credited to the consolidated income statement, £396,000 (2008: charge £132,000) has been charged directly to equity, being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

9. Equity dividends

	2009 £'000	2008 £'000
Interim dividend 4.05p (2008: 3.75p) paid 2 September 2009	1,482	1,374
Final dividend proposed in 2008 7.40p (2007: 6.90p) paid 21 May 2009	2,711	2,540
	4,193	3,914

The interim dividend for the prior year of £1,374,000 was paid on 3 September 2008.

In accordance with IAS 10 "Events after the balance sheet date", the 2009 second interim dividend of £2,963,000 (8.1p per share) has not been accrued as it had not been approved by the year end.

Notes to the financial statements

Year ended 31 December 2009

10. Earnings per share

	2009	2008
Earnings per share (basic)	22.86p	8.10p
Earnings per share (diluted)	22.57p	8.10p
Earnings per share (basic) - before exceptional items	23.44p	20.03p
Earnings per share (diluted) - before exceptional items	23.15p	20.01p

Earnings per share - after exceptional items

	2009			2008		
	Earnings	Weighted	Earnings	Earnings	Weighted	Earnings
	£'000	average	per share	£'000	average	per share
		number of			number of	
		shares			shares	
Basic earnings per share	8,354	36,548,553	22.86p	2,957	36,480,421	8.10p
Dilutive effect of share options		457,169			24,879	
Diluted earnings per share	8,354	37,005,722	22.57p	2,957	36,505,300	8.10p

Earnings per share before exceptional items has been presented in addition to the earnings per share as defined in IAS 33 "Earnings per share" since in the opinion of the directors, this provides shareholders with a more meaningful representation of the earnings derived from the group's operations. It can be reconciled from the basic earnings per share as follows;

Earnings per share - before exceptional items

	2009			2008		
	Earnings	Weighted	Earnings	Earnings	Weighted	Earnings
	£'000	average	per share	£'000	average	per share
		number			number	
		of shares			of shares	
Basic earnings per share	8,354	36,548,553	22.86p	2,957	36,480,421	8.10p
Exceptional items	293			5,940		
Taxation in respect of exceptional items	(79)			(1,591)		
Basic earnings per share before exceptional items	8,568	36,548,553	23.44p	7,306	36,480,421	20.03p
Dilutive effect of share options		457,169			24,879	
Diluted earnings per share before exceptional items	8,568	37,005,722	23.15p	7,306	36,505,300	20.01p

Notes to the financial statements

Year ended 31 December 2009

11. Property, plant and equipment

Group	Property, plant and equipment
Cost	£'000
At 1 January 2008	5,683
Acquisitions through business combinations	312
Additions	220
Impairment	(300)
Disposals	(568)
At 1 January 2009	5,347
Additions	202
Disposals	(134)
At 31 December 2009	5,415
Depreciation	
At 1 January 2008	3,235
Charge for the year	686
Impairment	(165)
On disposals	(415)
At 1 January 2009	3,341
Charge for the year	619
On disposals	(118)
At 31 December 2009	3,842
Net book value at 31 December 2009	1,573
Net book value at 31 December 2008	2,006
Parent	
Cost	Property, plant and equipment
Cost	£'000
At 1 January 2008	1,780
Additions	103
Impairment	(300)
At 1 January 2009	1,583
Additions	73
At 31 December 2009	1,656
Depreciation	
At 1 January 2008	1,142
Charge for the year	234
Impairment	(165)
At 1 January 2009	1,211
Charge for the year	165
At 31 December 2009	1,376
Net book value at 31 December 2009	280
Net book value at 31 December 2008	372

Notes to the financial statements

Year ended 31 December 2009

12. Goodwill

Group Cost	£'000
At 1 January 2008	10,910
Additions	4,091
Impairment	(5,480)
At 1 January 2009	9,521
Additions	370
At 31 December 2009	9,891

Parent Cost	£'000
At 1 January 2008	5,480
Impairment	(5,480)
At 31 December 2008 and 31 December 2009	0

Goodwill relates to the Dispense Operation which is considered by management to be one cash-generating unit.

Goodwill is tested at least annually for impairment and whenever there are indications that goodwill might be impaired. The recoverable amount of a cash-generating unit is based on its value in use. Value in use is the present value of the projected cash flows of the cash-generating unit. The key assumptions regarding the value in use calculations were forecast growth in revenues and the discount rate applied. Budgeted revenue growth is estimated based on actual performance over the past two years and expected market changes. The discount rate used is a pre-tax rate and reflects the risks specific to the relevant cash-generating unit. Dispense Operation cash flow projections are based on the most recent financial budgets approved by management. Management have applied an annual growth rate of 6% in projecting the cash flows for a period of five years. Cash flows beyond this period are extrapolated using a growth rate of 1.1%. The discount rate applied was 9%.

Goodwill additions for 2009 consist entirely of additional consideration for the acquisition of Beacon Drinks Limited in a prior year. The total goodwill is entirely attributable to the Dispense Operation.

13. Investments: shares in group undertakings

Parent Cost and net book amount	£'000
At 1 January 2008	7,696
Additions	4,305
At 1 January 2009	12,001
Additions (see * below)	370
At 31 December 2009	12,371

*Parent company additions comprise £370,000 relating to Beacon Drinks Limited, a prior year acquisition, in respect of earn-out arrangements on the shares acquired by the group.

Notes to the financial statements

Year ended 31 December 2009

13. Investments: shares in group undertakings (continued)

All non current investments relate to group undertakings. Listed below are the trading subsidiaries and the ownership of their ordinary share capital by the group.

	%
Beacon Holdings Limited	100
Beacon Drinks Limited *	100
Cabana (Holdings) Limited	100
Cabana Soft Drinks Limited **	100
Cariel Soft Drinks Limited	100
Dayla Liquid Packing Limited	50

The company directly owns Cabana (Holdings) Limited, Beacon Holdings Limited, Cariel Soft Drinks Limited and 50% of Dayla Liquid Packing Limited.

*Beacon Drinks Limited is directly owned by Beacon Holdings Limited.

**Cabana Soft Drinks Limited is directly owned by Cabana (Holdings) Limited.

All group undertakings are consolidated.

The above companies and the parent company were all incorporated and operate in the United Kingdom.

Particulars of non-trading companies are filed with the annual return.

All companies in the group are engaged in the supply of soft drinks and other beverages.

Notes to the financial statements

Year ended 31 December 2009

14. Deferred tax assets and liabilities

Movement in temporary differences during the year

	Net balance at 1 January 2009	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2009
Group	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(21)	43	0	0	22
Goodwill	1,341	(64)	0	0	1,277
Employee benefits	1,189	(157)	396	0	1,428
Provisions	41	(38)	0	0	3
	2,550	(216)	396	0	2,730

	Net balance at 1 January 2008	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2008
Group	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(59)	88	0	(50)	(21)
Goodwill	(192)	1,533	0	0	1,341
Employee benefits	1,059	(2)	132	0	1,189
Provisions	33	8	0	0	41
	841	1,627	132	(50)	2,550

	Net balance at 1 January 2009	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2009
Parent	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	134	(13)	0	0	121
Goodwill	1,341	(64)	0	0	1,277
Employee benefits	1,189	(157)	396	0	1,428
Provisions	33	(30)	0	0	3
	2,697	(264)	396	0	2,829

	Net balance at 1 January 2008	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2008
Parent	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	95	39	0	0	134
Goodwill	(192)	1,533	0	0	1,341
Employee benefits	1,059	(2)	132	0	1,189
Provisions	33	0	0	0	33
	995	1,570	132	0	2,697

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Group	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	121	134	(99)	(155)	22	(21)
Goodwill	1,277	1,341	0	0	1,277	1,341
Employee benefits	1,428	1,189	0	0	1,428	1,189
Provisions	3	41	0	0	3	41
	2,829	2,705	(99)	(155)	2,730	2,550

	Assets		Liabilities		Net	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Parent	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	121	134	0	0	121	134
Goodwill	1,277	1,341	0	0	1,277	1,341
Employee benefits	1,428	1,189	0	0	1,428	1,189
Provisions	3	33	0	0	3	33
	2,829	2,697	0	0	2,829	2,697

Notes to the financial statements

Year ended 31 December 2009

15. Inventories

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Finished goods	2,694	2,758	1,414	1,287

In 2009 the group write-down of inventories to net realisable value amounted to £88,000 (2008: £107,000).

16. Trade and other receivables

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade receivables	13,517	12,215	10,364	9,121
Amounts owed by group undertakings	0	0	243	1,717
Other receivables	896	1,079	127	19
Prepayments and accrued income	317	281	242	152
	14,730	13,575	10,976	11,009

Other receivables include an amount of £436,000 (2008: £327,000) due in more than one year. All other amounts above are short-term debt. The difference between the carrying value and fair value of all receivables is not considered to be material.

All trade and other receivables have been reviewed for indicators of impairment and a provision of £919,000 (2008: £674,000) has been recorded accordingly.

In addition, some of the unimpaired trade receivables are past due at the reporting date. The age of receivables past due but not impaired is as follows:

Group	2009	2008
	£'000	£'000
Up to 30 days overdue	2,140	1,332
Over 30 days and up to 60 days overdue	587	612
Over 60 days and up to 90 days overdue	203	343
Over 90 days overdue	0	299
	2,930	2,586

Parent	2009	2008
	£'000	£'000
Up to 30 days overdue	1,605	1,037
Over 30 days and up to 60 days overdue	500	590
Over 60 days and up to 90 days overdue	227	339
Over 90 days overdue	0	347
	2,332	2,313

Notes to the financial statements

Year ended 31 December 2009

16. Trade and other receivables (continued)

	At 1 January 2009 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2009 £'000
Group				
Bad debt provision	674	272	(27)	919
	At 1 January 2008 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2008 £'000
Group				
Bad debt provision	544	159	(29)	674
	At 1 January 2009 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2009 £'000
Parent				
Bad debt provision	610	247	(11)	846
	At 1 January 2008 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2008 £'000
Parent				
Bad debt provision	481	131	(2)	610

17. Trade and other payables and current tax liabilities

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade payables	3,866	2,264	3,146	1,026
Amounts owed to group undertakings	0	0	910	805
Other taxes and social security	615	778	484	645
Accruals and deferred income	7,308	7,094	6,532	6,049
	11,789	10,136	11,072	8,525
Current tax liabilities	1,587	1,308	1,096	894
	13,376	11,444	12,168	9,419

All amounts shown above are short-term. The carrying values are considered to be a reasonable approximation of fair value. At 31 December 2009, liabilities have contractual maturities which are summarised below:

Group	2009		2008	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	3,866	0	2,264	0
Other short term financial liabilities	7,308	0	6,094	1,000
	11,174	0	8,358	1,000
Parent	2009		2008	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	3,146	0	1,026	0
Other short term financial liabilities	6,532	910	5,049	1,805
	9,678	910	6,075	1,805

Notes to the financial statements

Year ended 31 December 2009

17. Trade and other payables and current tax liabilities (continued)

In addition to the above, the contractual maturity of the forward exchange contracts outstanding at 31 December was as follows:

Group and parent	2009		2008	
	Within 6 months	Within 6 to 12 months	Within 6 months	Within 6 to 12 months
	£'000	£'000	£'000	£'000
Forward exchange contracts	0	0	582	0

18. Provisions

Group	At 1 January 2009 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2009 £'000
Exceptional cost provision	181	255	(181)	255

Parent	At 1 January 2009 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2009 £'000
Exceptional cost provision	0	112	0	112

An amount of £255,000 was charged against the provision in 2009 in respect of the costs committed but not incurred at the reporting date.

19. Share capital

	2009 £'000	2008 £'000
Authorised 52,000,000 (2008: 52,000,000) 10p ordinary shares	5,200	5,200
Allotted, issued and fully paid 36,968,772 (2008: 36,968,772) 10p ordinary shares	3,697	3,697

The share capital of Nichols plc consists only of ordinary 10p shares. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

There were no movements in the group's authorised and allotted, issued and fully paid share capital for the financial years ending 31 December 2009 and 31 December 2008.

Purchase of own shares

During the year, the group purchased 60,000 of its own 10p ordinary shares. The shares acquired represent 0.2% of the group's total called up share capital. The purchase of own shares occurred because the group opted to hold a pre-determined number of its shares in treasury for a fixed period of time.

Notes to the financial statements

Year ended 31 December 2009

20. Share options

The group operates a Long Term Incentive Plan (LTIP) for senior managers which is based upon the achievement of performance targets over a three year period. The group also operates a Save As You Earn (SAYE) scheme for all other employees. The estimated fair values of options which fall under the IFRS 2 "Share-based payment" accounting charge and inputs used in the Binomial model to calculate those fair values, are as follows:

Save As You Earn Scheme

Date of Grant	Number granted	Share price on grant date	Exercise price	Fair values on grant date	Vesting period	Expected dividend yield	Lapse rate	Risk free rate	Volatility
14 October 2004	24,052	£1.60	£1.26	£0.33	5.00 years	3.50%	5.00%	4.50%	24.08%
26 September 2005	28,991	£2.05	£1.63	£0.40	5.00 years	3.50%	5.00%	3.91%	22.65%
3 October 2006	60,376	£2.51	£1.92	£0.46	5.00 years	3.50%	5.00%	4.38%	21.13%
1 September 2008	30,796	£2.45	£1.77	£0.66	3.00 years	4.35%	5.00%	4.36%	20.31%
1 September 2008	11,398	£2.45	£1.77	£0.65	5.00 years	4.35%	5.00%	4.37%	20.31%

Long Term Incentive Plan

Date of Grant	Number granted	Share price on grant date	Exercise price	Fair values on grant date	Vesting period	Expected dividend yield	Lapse rate	Risk free rate	Volatility
11 June 2008	125,000	£2.43	£0.00	£2.37	0.56 years	4.28%	0.00%	5.22%	19.93%
11 June 2008	150,000	£2.43	£0.00	£2.28	1.56 years	4.28%	0.00%	5.26%	19.93%
11 June 2008	150,000	£2.43	£0.00	£2.18	2.55 years	4.28%	0.00%	5.22%	19.93%

Expected volatility

The volatility of the company's share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the company's stock, calculated over five years back from the date of the grant, where applicable.

Risk-free rate

The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option.

Expected life

The expected life of a SAYE option is equal to the vesting period plus a six month exercise period and for an LTIP share option is equal to the vesting period.

Notes to the financial statements

Year ended 31 December 2009

20. Share options (continued)

The following options for 10p ordinary shares under the SAYE and LTIP schemes were outstanding at the year end:

	At 1 January 2009	Granted	Exercised	Lapsed	At 31 December 2009	Exercise price per share
Date of grant:						
14 October 2004	5,245	0	(2,622)	0	2,623	126p*
26 September 2005	9,666	0	0	0	9,666	163p
3 October 2006	91,897	0	(41,754)	0	50,143	192p
11 June 2008	125,000	0	0	0	125,000	0p
11 June 2008	150,000	0	0	0	150,000	0p
11 June 2008	150,000	0	0	0	150,000	0p
1 September 2008	42,194	0	0	0	42,194	177p
	574,002	0	(44,376)	0	529,626	

Options are exercisable at the end of a three or five year savings contract commencing on the date of grant and for a period of six months thereafter. The share price during 2009 varied between 189.5p and 310p and the weighted average price for the year was 257p. At 31 December 2009, options over 104,626 shares were outstanding under Employee Share Option Plans.

*Indicates share options exercisable at 31 December 2009

The total number and value of the options outstanding under both of the company's share option schemes are as follows:

	2009		2008	
	Number	Weighted average exercise price in pence	Number	Weighted average exercise price in pence
Outstanding on 1 January	574,002	141.71	452,702	116.59
Granted	0	0	467,194	177.00
Exercised	(44,376)	188.10	(260,696)	126.81
Lapsed	0	0	(85,198)	191.38
Outstanding on 31 December	529,626	137.82	574,002	141.71

21. Cash and cash equivalents

Group	At 1 January 2009 £'000	Cash flow £'000	At 31 December 2009 £'000
Cash at bank and in hand	6,048	5,167	11,215

Parent	At 1 January 2009 £'000	Cash flow £'000	At 31 December 2009 £'000
Cash at bank and in hand	4,458	5,372	9,830

Notes to the financial statements

Year ended 31 December 2009

22. Financial instruments

Exposure to interest rate, credit and currency risks arises in the normal course of the group's business.

Treasury management

The group's treasury activities are targeted to provide suitable, flexible funding arrangements to satisfy the group's requirements. Interest rate and liquidity risk are managed at a group level. Foreign currency risk is managed, in consultation with group management, in subsidiaries which are responsible for the majority of purchases. The group's policy for investing any surplus cash balances is to place such amounts on deposit.

Liquidity risk

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs. The acquisition of companies and the continuing investment in non-current assets will be achieved by a mix of operating cash and short term borrowing facilities. Short term flexibility is achieved by bank overdraft.

Interest rate risk

The group finances its activities through a mixture of retained profits and borrowings. All borrowings are in sterling at floating rates of interest, based upon the prevailing base rate or LIBOR. The group has reviewed the impact of sensitivity on interest rate fluctuations and has concluded that there would be no impact on the income statement following the effects of such variances.

Credit risk

The group has no significant concentrations of credit risk. The group has implemented stringent policies that ensure that credit evaluations are performed on all potential customers before sales commence. Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely. Cash at bank is held only with major UK banks with high quality external credit ratings or government support.

Foreign currency risk

The group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the group. The currencies giving rise to this risk are primarily US Dollars (USD) and Euros (€). The group uses forward exchange contracts to hedge its foreign currency risk. Forward purchase contracts in Euros are made to cover at least the full year of projected purchases. The forward foreign currency purchase contracts, which are a mixture of firm contracts and conditional options, mature in line with expected purchases throughout 2009. The directors have reviewed the fair value of the forward contracts outstanding at the balance sheet date, and have concluded that this amount is not material.

	2009	2008
	£'000	£'000
Foreign currency assets		
US Dollar	1,502	2,133
Euro	590	38
CNY	13	0
	2,105	2,171

Foreign currency sensitivity

Some of the group's transactions are carried out in US Dollars and Euros.

As a result, management have undertaken sensitivity analysis to consider the financial impact if Sterling had both strengthened and weakened against the US Dollar and the Euro.

If Sterling had strengthened against the US Dollar and Euro by 5% (2008: 5%), then this would have had the following impact:

	2009				2008			
	£'000				£'000			
	USD	Euro	CNY	Total	USD	Euro	CNY	Total
Net result for the year	(72)	(28)	(1)	(101)	(102)	(2)	0	(104)

If Sterling had weakened against the US Dollar and Euro by 5% (2008: 5%), then this would have had the following impact:

	2009				2008			
	£'000				£'000			
	USD	Euro	CNY	Total	USD	Euro	CNY	Total
Net result for the year	79	31	0	110	112	2	0	114

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to currency risk.

Notes to the financial statements

Year ended 31 December 2009

23. Summary of financial assets and liabilities by category

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current assets				
Trade receivables and other receivables	14,413	13,294	10,734	10,857
Cash and cash equivalents	11,215	6,048	9,830	4,458
Total receivables	25,628	19,342	20,564	15,315

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current liabilities				
Other financial liabilities at amortised cost				
Trade and other payables	3,866	2,264	3,146	1,026

24. Capital management policies and procedures

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. This strategy remains unchanged from 2008.

At 31 December 2009 the group had no debt, and therefore the capital structure consists of equity only.

The directors regularly monitor the level of net assets of the company in accordance with Section 656 of the Companies Act 2006 (Serious Loss of Capital).

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Within one year	428	533	311	390
Between one and five years	328	443	105	144
More than five years	178	213	0	0
	934	1,189	416	534

The group leases its headquarters, Laurel House, under a non-cancellable operating lease agreement and also leases dispensing and certain other plant and equipment under non-cancellable operating lease agreements which have varying terms, escalation clauses and renewal rights.

Notes to the financial statements

Year ended 31 December 2009

26. Related party transactions

Parent company

The parent company entered into the following transactions with subsidiaries during the year:

	Transaction value		Balance outstanding	
	Year ended 31 December		as at 31 December	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sale of goods and services (including recharge of costs)	2,220	2,741	174	690

All balances with the related parties are on an arm's length basis.

27. Employee benefits

The group operates two employee benefit plans, a defined benefit plan which provides benefits based on final salary which is now closed to new members and a defined contribution group personal plan.

The group personal plan consists of individual contracts with contributions from both the employer and employee.

The charge for the year for the group personal plan was £266,000 (2008: £227,000).

The company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2008 and updated at 31 December 2009 by an independent qualified actuary. The company paid an additional £0.7 million into the plan in the year (2008: £0.5 million) and will continue to monitor the deficit.

The principal actuarial assumptions used by the actuary at the reporting date (expressed as weighted averages) were as follows:

	31 December 2009	31 December 2008	31 December 2007
Future salary increases	4.50%	3.10%	3.90%
Rate of increase in (post 1997) pensions in payment (a)	3.50%	2.60%	3.40%
Discount rate at 31 December	5.70%	6.70%	5.80%
Expected rate of inflation	3.50%	2.60%	3.40%
Overall expected return on plan assets	6.20%	6.00%	5.80%

The expected return on plan assets is based on the the long term rates of return on the market values of equities, fixed interest assets, corporate bonds and cash and other assets at 31 December.

Other material actuarial assumptions were the rate of salary increases and mortality assumptions.

In terms of future salary increases, the actuary is recommending an assumption of approximately 1% in excess of inflation based on historic differences between price inflation and salary inflation.

Assumptions regarding future mortality experience are set based on the advice of actuaries and in accordance with published statistics. Life expectancies have been estimated as 92 years for men (2008: 92 years) and 92 years for women (2008: 92 years).

(a) Increases on pre-6 April 1997 pensions are fixed at 3% per annum. Post-6 April 1997 increases are in line with price inflation, subject to a minimum of 3% and a maximum of 5%.

Over the year the company contributed to the plan at the rate of 18.6% of salaries. The charge to the consolidated income statement was £56,000 (2008: £84,000). The company will continue to contribute at this rate pending the results of the next actuarial valuation. The plan is now closed to new entrants. This means that the average age of the membership can be expected to rise which in turn means that the future service cost (as a percentage of scheme members' pensionable salaries) can be expected to rise.

Notes to the financial statements

Year ended 31 December 2009

27. Employee benefits (continued)

The assets of the group's defined benefit plan and the expected rates of return on these assets are summarised as follows:

	31 December 2009	Long term rate of return expected at			
		31 December 2008	31 December 2007	31 December 2006	31 December 2005
Equity securities	7.20%	6.60%	7.50%	7.50%	7.50%
Gilts	4.20%	3.60%	4.50%	4.50%	4.50%
Government bonds	5.40%	6.50%	5.80%	4.90%	4.90%
Cash and other	0.50%	1.50%	5.50%	4.80%	4.50%

	31 December 2009 £'000	Market value of assets at			
		31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000	31 December 2005 £'000
Equity securities	11,004	8,826	12,009	11,771	10,659
Gilts	1,772	1,610	2,094	1,852	1,722
Government bonds	1,800	1,502	2,042	1,849	1,721
Cash and other	963	602	425	456	0
	15,539	12,540	16,570	15,928	14,102

The following amounts were measured in accordance with IAS 19 "Employee benefits".

The amounts recognised in the statement of financial position are determined as follows:

	31 December 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000	31 December 2005 £'000
Fair value of plan assets	15,539	12,540	16,570	15,928	14,102
Present value of defined benefit obligations	(20,283)	(16,107)	(20,205)	(22,432)	(21,110)
Recognised liability for defined benefit obligations	(4,744)	(3,567)	(3,635)	(6,504)	(7,008)

The expense is recognised in the following line items in the consolidated income statement:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Operating profit					
Current service costs	(56)	(84)	(161)	(158)	(51)
Total operating charge	(56)	(84)	(161)	(158)	(51)
Finance expense					
Expected return on plan assets	737	1,102	1,085	981	755
Interest on obligation	(1,068)	(1,145)	(1,088)	(1,007)	(887)
Total finance expense	(331)	(43)	(3)	(26)	(132)
Total charge to the consolidated income statement	(387)	(127)	(164)	(184)	(183)
Group consolidated statement of comprehensive income					
Actual return less expected return on plan assets	1,901	(4,782)	(634)	256	1,004
Experience gains and losses arising on plan liabilities	120	1,113	(22)	836	(1,194)
Changes in the assumptions underlying the present value of the plan liabilities	(3,586)	2,383	3,178	(1,001)	(2,316)
Actuarial movement in defined benefit plan recognised in statement of comprehensive income	(1,565)	(1,286)	2,522	91	(2,506)

Notes to the financial statements

Year ended 31 December 2009

27. Employee benefits (continued)

The movement during the year in the liability for defined benefit obligations was as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Liability for defined benefit obligations at 1 January	(3,567)	(3,635)	(6,504)	(7,008)	(5,319)
Current service costs	(56)	(84)	(161)	(158)	(51)
Contributions paid into the plan	775	672	511	597	1,000
Gain on settlement of obligations	0	809	0	0	0
Other finance costs	(331)	(43)	(3)	(26)	(132)
Actuarial (loss)/gain recognised in statement of comprehensive income	(1,565)	(1,286)	2,522	91	(2,506)
Liability for defined benefit obligations at 31 December	(4,744)	(3,567)	(3,635)	(6,504)	(7,008)

The movement during the year in the present value of the plan assets was as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Opening fair value of plan assets	12,540	16,570	15,928	14,102	11,447
Expected return on plan assets	737	1,102	1,085	981	755
Actuarial gain/(loss)	1,901	(4,782)	(634)	256	1,004
Contributions by the group	361	417	191	589	896
Assets distributed on settlement of obligations	0	(767)	0	0	0
Closing fair value of plan assets	15,539	12,540	16,570	15,928	14,102

The movement during the year in the present value of defined benefit obligations was as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Opening defined benefit obligations	16,107	20,205	22,432	21,110	16,766
Current service costs	56	84	161	158	51
Contributions by participants	(414)	(255)	(320)	(8)	(104)
Other finance costs	1,068	1,145	1,088	1,007	887
Actuarial loss/(gain)	3,466	(3,496)	(3,156)	165	3,510
Liabilities discharged on settlement	0	(1,576)	0	0	0
Closing defined benefit obligations	20,283	16,107	20,205	22,432	21,110

Difference between expected and actual return on plan assets

	2009	2008	2007	2006	2005
Amount	1,901	(4,782)	(634)	256	1,004
Percentage of plan assets	12.2%	(38.1%)	(3.8%)	1.6%	7.1%
Experience gains and losses on plan liabilities					
Amount	120	1,113	(22)	836	(1,194)
Percentage of present value of plan liabilities	0.6%	6.9%	(0.1%)	3.7%	(5.7%)
Gain and losses on changes in assumptions					
Amount	(3,586)	2,383	3,178	(1,001)	(2,316)
Percentage of present value of plan liabilities	(17.7%)	14.8%	15.7%	(4.5%)	(11.0%)
Total actuarial gains and losses					
Amount	(1,565)	(1,286)	2,522	91	(2,506)
Percentage of present value of plan liabilities	(7.7%)	(8.0%)	12.5%	0.5%	(11.9%)

Notes to the financial statements

Year ended 31 December 2009

28. Post balance sheet events

On 12 January 2010 the group acquired the trade, brand and assets of the Ben Shaws 'soft drinks on draught' business. Due to the timing of the acquisition it is impracticable to disclose a description of the factors that contribute to a cost that resulted in goodwill.

Five year summary

Years ended 31 December

	2009 £'000	IFRS		UK GAAP	
		2008 £'000	2007 £'000	2006 £'000	2005 £'000
Revenue	72,378	56,221	55,276	52,296	63,336
Operating profit before exceptional items, IAS 19 and IFRS 2 charges	12,891	10,431	9,098	8,181	7,756
Exceptional items	(293)	(5,940)	(978)	(2,482)	(1,002)
IAS 19 operating profit charges	(56)	(84)	(164)	(184)	(51)
IFRS 2 operating profit charges	(334)	(543)	(192)	(100)	(33)
Operating profit after exceptional items	12,208	3,864	7,764	5,415	6,670
Profit on disposal of business	0	0	0	2,038	0
Net interest (payable)/receivable	(282)	234	284	58	(707)
Profit before tax	11,926	4,098	8,048	7,511	5,963
Tax	(3,572)	(1,141)	(2,379)	(1,238)	(1,999)
Profit after tax	8,354	2,957	5,669	6,273	3,964
Dividends paid	(4,193)	(3,914)	(3,697)	(3,475)	(3,309)
Retained profit/(loss)	4,161	(957)	1,972	2,798	655
Earnings per share - (basic)	22.86p	8.10p	15.49p	17.10p	10.82p
Earnings per share - (diluted)	22.57p	8.10p	15.47p	17.08p	10.79p
Earnings per share - (basic) before exceptional items	23.44p	20.03p	17.36p	15.43p	12.74p
Earnings per share - (diluted) before exceptional items	23.15p	20.01p	17.34p	15.41p	12.70p
Dividends paid per share	11.45p	10.65p	10.00p	9.40p	8.95p

The above amounts for 2005 are presented under UK GAAP and have not been restated to comply with IFRS. The main adjustments required to these amounts to comply with IFRS are as follows:

- reversal of goodwill amortisation charges
- corresponding deferred tax adjustments on reversal of amortisation charges

Notice of annual general meeting

Notice is hereby given that the eightieth Annual General Meeting of Nichols plc ("Company") will be held at its registered office at Laurel House, Woodlands Park, Ashton Road, Newton le Willows WA12 0HH on Thursday, 20 May 2010 at 11.00 a.m. for the purpose of transacting the following business.

As ordinary business:

1. To receive the company's annual accounts and directors' and auditors' reports for the year ended 31 December 2009.
2. To reappoint B M Hynes, who retires by rotation, as a director of the company.
3. To reappoint J B Diggins, who retires by rotation, as a director of the company.
4. To reappoint T J Croston, who has been appointed by the board since the last Annual General Meeting, as a director of the company.
5. To reappoint Grant Thornton UK LLP as auditors of the company.
6. To authorise the directors to determine the remuneration of the auditors.

As special business:

To consider and if thought appropriate approve the following resolutions of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 to 10, will be proposed as special resolutions.

Ordinary resolution:

7. That, pursuant to section 551 of the Companies Act 2006 ("Act"), the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £184,843, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 20 August 2011 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Special resolutions:

8. That, subject to the passing of resolution 7 and pursuant to sections 570 and 573 of the Companies Act 2006 ("Act"), the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 7 and to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:
 - 8.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - 8.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - 8.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - 8.2 otherwise than pursuant to paragraph 8.1 of this resolution, up to an aggregate nominal amount of £184,843, and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 20 August 2011 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under section 95 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

9. That, pursuant to section 701 of the Companies Act 2006 ("Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Shares"), provided that:
- 9.1 the maximum aggregate number of Shares which may be purchased is 3,696,877;
- 9.2 the minimum price (excluding expenses) which may be paid for a Share is 10p;
- 9.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 20 August 2011 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.
10. That:
- 10.1 the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006 are to be treated as provisions of the Company's articles of association; and
- 10.2 the draft articles of association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company (see general note 8).

By order of the Board

T J Croston

Secretary

16 April 2010

Registered office
Laurel House
Woodlands Park
Ashton Road
Newton le Willows
WA12 0HH

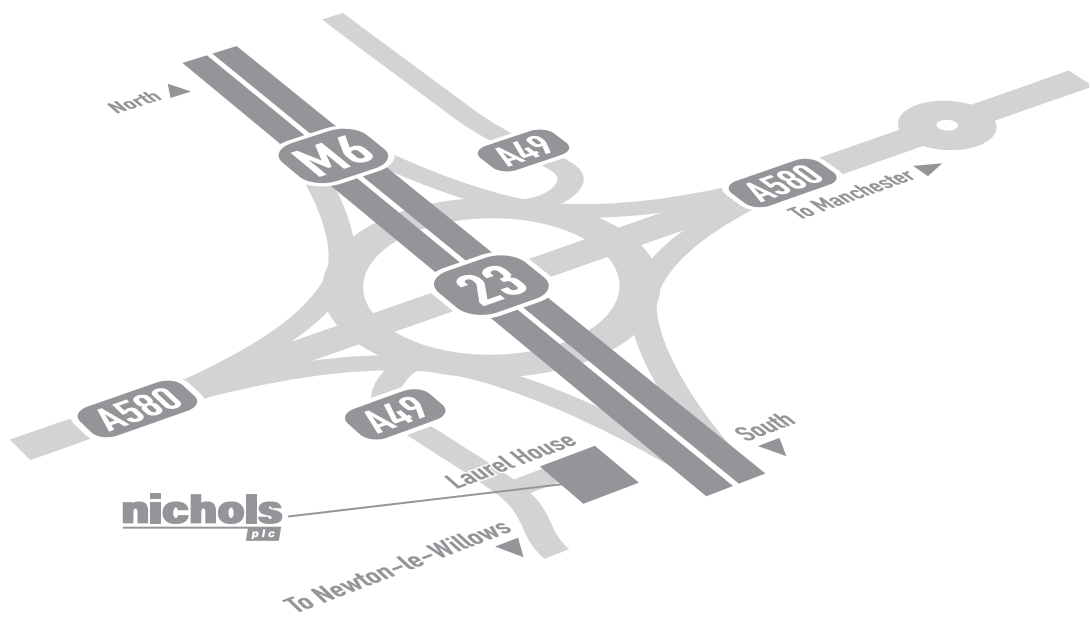
Registered in England and Wales No. 238303

General notes

1. Copies of the executive directors' service agreements and non-executive directors letters of appointment will be available for inspection at the registered office of the Company during normal business hours (excluding weekends and public holidays) from the date of this notice until the conclusion of the Annual General Meeting.
2. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 11.00 a.m. on Tuesday, 18 May 2010 (or, if the meeting is adjourned, 11.00 a.m. on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
3. A member is entitled to appoint another person as his or her proxy to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained from the Company's registrar on shareholder.services@capitaregistrars.com or on 07811 664 0300 (calls cost 10p per minute plus networks own charges) or you may photocopy the proxy form already in your possession. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of those held by the member, may result in the proxy appointment being invalid.
4. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
5. A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11.00 a.m. on Tuesday 18 May 2010 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's Registrar, Capita Registrars (CREST ID RA10) no later than 11.00 a.m. on Tuesday 18th May 2010 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. The Company proposes to adopt new articles of association ("New Articles"). These incorporate amendments to the Company's current articles of association ("Current Articles") to reflect, inter alia, the changes in company law brought about by the Companies Act 2006 ("Act"). The principal changes introduced in the New Articles are summarized in Appendix 1 which follows this notice. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act have not been noted in the Appendix. The New Articles are available for inspection at the Company's registered office.

Directions to the Annual General Meeting:

Leave the M6 at Junction 23 and take the A49 south towards Newton. Woodlands Park is on the left in approximately 0.3 miles. On entering the estate, Laurel House is accessed from the fourth exit of the roundabout.



Appendix

Explanatory Notes of Principal Changes to the Company's Articles of Association

The material differences between the Current Articles and the New Articles are summarised below. Changes of a minor, conforming or purely technical nature have not been mentioned specifically.

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the wide scope of activities the Company is authorised to undertake.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act the objects clause and all other provisions which are contained in a company's memorandum for existing companies at 1 October 2009 are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 10.1 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the members of the Company.

2. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Act a company can change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

3. Authorised share capital and unissued shares

The Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can allot at any time because allotment authority continues to be required under the Act, save in respect of employee share schemes.

4. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation.

5. Authority to purchase own shares, consolidate and sub-divide shares and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or (subdivide) its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

6. Provision for employees on cessation of business

The Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

7. Use of seals

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by a director in the presence of a witness, in addition to the current provisions for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

8. Vacation of office by directors

The Current Articles specify the circumstance in which a director must vacate office. The New Articles update these provisions.

9. Voting by proxies on a show of hands

The Act provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if the proxy has been instructed by one of more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

10. Voting by corporate representatives

The Act allows a corporate shareholder to appoint more than one corporate representative to exercise its voting rights at a general meeting. In addition, the Act allows multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

11. Electronic conduct of meetings

The Act now provides for the holding and conducting of electronic meetings. The New Articles contain provisions which reflect this.

12. Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote at shareholder meetings in the event of an equality of votes.

13. Untraced shareholders

The New Articles contain provisions for the Company to sell the shares of any shareholder who is untraced for a period of twelve years. The Company will however be indebted to the former shareholder for an amount equal to the net proceeds of any such sale.

14. Scrip dividends and dividend reinvestment

The New Articles set out the powers of the Company to pay scrip dividends and put in place dividend reinvestment plans. These provide flexibility to the Board should they consider the offering of such dividends or plans to be advantageous to the Company in the future. The Board, however, does not have any present intention to offer shareholders the right to receive scrip dividends.

15. Conflicts of interest

The Act sets out directors' general duties which largely codify the existing law but with some changes. A director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts or possibly may conflict with the company's interests. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provisions to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

16. Electronic and web communications

Provisions of the Act enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

17. Directors' indemnities and loans to fund expenditure

The Act has widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now applies to associated companies. The New Articles contain provisions which reflect this.

18. General

Provisions in the Current Articles which replicate provisions contained in the Act are in the main removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. In addition, other miscellaneous non material changes have been made to reflect current law and practice.





Financial calendar

Preliminary results announced
24th March 2010

Annual general meeting
20th May 2010

Interim results announced
4th August 2010



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