

2014 | INTERIM
REPORT



CHAIRMAN'S STATEMENT



“Nichols has delivered another strong performance during the first half of 2014. Once again the Group has delivered double digit growth in pre-exceptional profit and earnings per share.”

JOHN NICHOLS
NON-EXECUTIVE
CHAIRMAN

A handwritten signature in white ink that reads "P. J. Neal".

I am pleased to report that the Group has delivered another robust performance during the first half of 2014.

During the period we have achieved strong growth of 11% in pre-exceptional profit and 13% in earnings per share.

Group sales for the first six months of 2014 totalled £56.6m, an increase of 3% over the prior year.

The Group's on-going strategy of focusing on value over volume resulted in an enhanced operating performance with operating profit increasing by 12% to £9.9m (2013: £8.9m) and operating margins of

18% (2013: 16%). Pre-exceptional profit before tax grew by 11% to £10.0m (2013: £9.0m).

RESULTS

(PRE-EXCEPTIONAL ITEMS)

	Half Year ended 30 June 2014 £m	Half Year ended 30 June 2013 £m	% movement
Group Revenue	56.6	55.2	+3%
Operating Profit	9.9	8.9	+12%
Operating Profit R.O.S.	18%	16%	
Profit Before Tax	10.0	9.0	+11%
EPS (basic)	21.23p	18.76p	+13%
Interim Dividend	7.1p	6.32p	+12%

TRADING

Continuing the trend from the second half of 2013, our UK sales grew to £43.8m, up by 8% compared to the corresponding period in 2013. This performance is ahead of the UK soft drinks market which grew at 2.7% (Source: Nielsen 6 months to 21 June 2014). Sales growth in the UK was largely driven by the Carbonate category which was 11% ahead compared to the first six months of 2013. Importantly, the incremental sales were achieved whilst maintaining the margin. Our sales into the Still category grew by 3% compared to the prior year.

Our international sales revenue was £12.8m at the half year, 12% behind the prior year which is in line with management expectations. The performance at the half year point is mainly driven by a shift in timing of shipments of Vimto concentrate to the Middle East. Significantly, in-country sales of finished product in the Middle East region are 7% ahead of 2013 and we expect international sales in the second half of 2014 to show improved performance in comparison to both the period and the second half of 2013.

During the period, stronger Sterling rates against both the US Dollar and the Euro have negatively impacted our international sales, accounting for 3ppts of the 12% year on year decline.

EXCEPTIONAL COST

As announced on 2 July 2014, the High Court awarded damages against Nichols plc with regard to the litigation claim from Gul Bottlers (PVT) Ltd. As a consequence, a one-off exceptional cost of £8.0m has been included in the Group's consolidated income statement for the period to 30 June 2014.

DIVIDEND

Reflecting our strong balance sheet and the Board's continued confidence in the outlook, I am pleased to announce that we are recommending an interim dividend of 7.1 pence per share, an increase of 12% over the prior year (2013: 6.32 pence).

The interim dividend will be paid on 29 August 2014 to shareholders registered on 1 August 2014.

OUTLOOK

We expect our UK performance for the remainder of 2014 to maintain the positive trend seen in the first half of the year.

In light of the strong performance of in-country sales and the change in timing of shipments to the Middle East, we anticipate international revenues in the second half of 2014 to be ahead of the prior year.

In summary, the Board believes that full year performance will be in line with current expectations.

JOHN NICHOLS
NON-EXECUTIVE CHAIRMAN
24 JULY 2014

CONSOLIDATED INCOME STATEMENT

	Unaudited before exceptional items	Unaudited exceptional items	Unaudited after exceptional items	Unaudited	Audited before exceptional items	Audited after exceptional items
	Half year ended 30 Jun 2014	Half year ended 30 Jun 2014	Half year ended 30 Jun 2014	Half year ended 30 Jun 2013	Full year ended 31 Dec 2013	Full year ended 31 Dec 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	56,625	0	56,625	55,154	109,881	109,881
Operating profit	9,930	0	9,930	8,860	22,427	22,427
Exceptional items	0	(7,976)	(7,976)	0	0	(3,680)
Finance income	140	0	140	205	347	347
Finance expense	(60)	0	(60)	(61)	(264)	(264)
Profit before taxation	10,010	(7,976)	2,034	9,004	22,510	18,830
Taxation	(2,188)	1,715	473	(2,094)	(5,645)	(4,721)
Profit for the financial period	7,822	(6,261)	1,561	6,910	16,865	14,109
Earnings per share (basic) - all activities	21.23p		4.24p	18.76p		38.30p
Earnings per share (diluted) - all activities	21.21p		4.23p	18.75p		38.25p
Dividends paid per share			13.30p	11.70p		18.02p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Half year ended 30 Jun 2014	Unaudited Half year ended 30 Jun 2013	Audited Full year ended 31 Dec 2013
	£'000	£'000	£'000
Profit for the financial period	1,561	6,910	14,109
Other comprehensive income:			
Defined benefit plan actuarial gain	0	0	1,909
Deferred taxation on pension obligations	0	0	(308)
Other comprehensive income for the period	0	0	1,601
Total comprehensive income for the period	1,561	6,910	15,710

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Jun 2014	Unaudited 30 Jun 2013	Audited 31 Dec 2013
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	4,791	1,379	1,295
Goodwill	16,447	15,973	16,057
Deferred tax assets	1,321	2,148	1,321
Total non-current assets	22,559	19,500	18,673
Current assets			
Inventories	5,694	5,913	4,144
Trade and other receivables	23,998	24,374	22,721
Cash and cash equivalents	32,903	31,208	34,293
Total current assets	62,595	61,495	61,158
Total assets	85,154	80,995	79,831
LIABILITIES			
Current liabilities			
Trade and other payables	20,187	24,531	18,152
Current tax liabilities	508	2,232	1,675
Provisions	9,812	34	2,018
Total current liabilities	30,507	26,797	21,845
Non-current liabilities			
Pension obligations	4,047	6,556	4,047
Deferred tax liabilities	0	47	0
Total non-current liabilities	4,047	6,603	4,047
Total liabilities	34,554	33,400	25,892
Net assets	50,600	47,595	53,939
EQUITY			
Share capital	3,697	3,697	3,697
Share premium reserve	3,255	3,255	3,255
Capital redemption reserve	1,209	1,209	1,209
Other reserves	(598)	(474)	(598)
Retained earnings	43,037	39,908	46,376
Total equity	50,600	47,595	53,939

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Half year ended 30 Jun 2014		Unaudited Half year ended 30 Jun 2013		Audited Full year ended 31 Dec 2013	
	£'000	£'000	£'000	£'000	£'000	£'000
Profit for the financial period		1,561		6,910		14,109
Cash flows from operating activities						
Adjustments for:						
Depreciation		224		253		513
(Gain)/loss on sale of property, plant and equipment		(6)		4		11
Finance income		(140)		(205)		(347)
Finance expense		60		61		0
Tax expense recognised in the income statement		473		2,094		4,721
Change in inventories		(1,518)		(582)		1,103
Change in trade and other receivables		(1,277)		(633)		1,050
Change in trade and other payables		1,964		5,093		(1,224)
Change in provisions		7,794		(13)		1,971
Change in pension obligations		0		0		(600)
		7,574		6,072		7,198
Cash generated from operating activities		9,135		12,982		21,307
Tax paid		(1,640)		(2,052)		(4,765)
Net cash generated from operating activities		7,495		10,930		16,542
Cash flows from investing activities						
Finance income		151		205		316
Proceeds from sale of property, plant and equipment		10		10		148
Acquisition of property, plant and equipment		(3,724)		(371)		(692)
Acquisition of subsidiary, net of cash acquired		(87)		0		0
Acquisition of business trade and assets		(335)		0		0
Net cash used in investing activities		(3,985)		(156)		(228)
Cash flows from financing activities						
Disposal of own shares		0		0		(127)
Dividends paid		(4,900)		(4,311)		(6,639)
Net cash used in financing activities		(4,900)		(4,311)		(6,766)
Net (decrease)/increase in cash and cash equivalents		(1,390)		6,463		9,548
Cash and cash equivalents at beginning of period		34,293		24,745		24,745
Cash and cash equivalents at end of period		32,903		31,208		34,293

1. Basis of Preparation

The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2013, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and on the same basis and using the same accounting policies as used in the financial statements for the year ended 31 December 2013. The Interim Report has not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

2. Dividends

The interim dividend of 7.1p (2013: 6.32p) will be paid on 29 August 2014 to shareholders registered on 1 August 2014. The ex-dividend date is 30 July 2014.

3. Earnings Per Share

Basic earnings per share are based on the weighted average number of shares in issue in the six months to 30 June 2014 of 36,843,875 (six months to 30 June 2013 of 36,826,580 and 12 months to 31 December 2013 of 36,834,655).

Cautionary Statement

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Report should not be relied on by any other party or for any other purpose.



THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2012

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