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We value teamwork

chairman's statement

In my statement last year I said the group was a stronger, more focused business, with a stable of well performing brands and that we expected further progress to be made.

2008 is Vimto's centenary, so I am delighted to report in this very special year that in 2007 the group continued to perform strongly and we produced an excellent set of results. This news is particularly pleasing when taken against the backdrop of extreme wet weather conditions that prevailed throughout last summer.

When combined with the successful transformation of our Dispense Systems Operation, I believe our overall progress is testament to the strength of our business. An increasing international presence has also helped our resilience, especially given the difficult UK trading conditions.

Results
In the year to 31 December 2007, group profit before tax and exceptional items increased by 13.9% to £9.0 million (2006: £7.9 million), on revenues up 5.7% to £55.3 million (2006: £52.3 million). Turnover includes £1.4 million of sales relating to Cariel Soft Drinks Limited acquired in April 2007.

Earnings per share (pre-exceptional items) increased 12.5% to 17.36 pence (2006: 15.43 pence).

An exceptional charge of £0.98 million is shown in the accounts, which includes the professional charges associated with the lapsed Offer discussions that ended in September 2007 and the costs of integrating Cariel into our Dispense Systems Operation.

IAS 19 costs, including interest charges, relate to the group's adoption of the new accounting standard in relation to the final salary pension scheme, now closed to new members.

As at 31 December 2007 the group had net positive cash of £7.8 million, up from £7.5 million in 2006.

Dividend
Given the underlying strength of the business and our confidence in the future, the Board is pleased to recommend an increase of 6.1% in the final dividend to 6.90 pence per share (2006: 6.50 pence). Together with the interim dividend, this would bring the total dividend for the year to 10.40 pence (2006: 9.80 pence), representing an increase of 6.1% on last year.

If approved, the final dividend will be paid on 15 May 2008 to shareholders registered on 18 April 2008, the ex-dividend date being 16 April 2008.

People
I would also like to thank our Board, management and employees for the hard work and commitment shown in the year, particularly during the uncertainty created by the Offer Period discussions. Our progress stands testament to their combined efforts, for which I am most grateful.

In November 2007 we announced the Board had accepted my request to move from being Executive Chairman to become Non-Executive Chairman. At the same time I was delighted to announce the appointment of Brendan Hynes, formerly Group Finance Director, to Group Chief Executive. The new structure is working well and we are in the process of recruiting a new Finance Director, to complete the executive team.

In line with our commitment to the wider community, during 2007 we raised funds for our chosen charity, the Derian House Hospice, an outstanding organisation that exists to provide care and support to life threatened children and their families.

Outlook
These are a strong set of results, especially given the degree of weather-related difficulty generally experienced by the soft drinks sector during 2007.

I am also pleased to report we have a strong, focused business that continues to generate good returns and positive cash.

Our core brand Vimto is well positioned both in the UK and internationally and it continues to outperform the market. Our Dispense Systems Operation, which had a very good year in 2007, continues to perform strongly.

Despite the uncertainty around the economic and consumer environment for 2008, we will continue to pursue our successful strategy of focusing on growing UK market share while continuing to develop our business overseas.

We are confident these measures will deliver further progress in the coming year.

John Nichols
Non-Executive
Chairman
17 March 2008

business review

We are pleased with the excellent progress made in 2007, with our core Vimto brand again outperforming the market - despite trading being difficult in a highly competitive sector, exacerbated by the extremely poor summer weather of 2007. We are also pleased with the continuing improvement in our Dispense Systems Operation, which is now very well positioned as we move into 2008.

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 sales of the Panda and Sunkist brands in the UK.

2007 revenues in the Soft Drinks Operation increased by 4.5% to £41.7 million (2006: £39.9 million) and operating profits increased by 6.4% to £8.3 million (2006: £7.8 million). The strong increase was mainly as a result of overseas growth, particularly in our core Middle East and African markets.

In the UK, the poor summer weather followed by abnormally deep, market wide promotional activity, presented difficult and challenging conditions for the sector as a whole. Despite this, however, we continued to win market share, particularly in the 'carbonate' and 'ready to drink' categories, although inevitably at lower margins in order to remain competitive.

We view as exceptional the promotional activity experienced in the UK during 2007, therefore our core strategy of driving volume growth whilst maintaining margin, remains in place.

As reported previously, we re-launched and re-positioned Panda, our children's drinks brand in 2006 and it continues to grow its share of the 'still' and 'water' categories. Panda carbonates suffered, however, as a result of the general trend towards non-fizzy drinks, particularly in the children's category.

Overseas our expansion into new territories remains a key area of opportunity and growth and we made good progress in 2007 on a number of fronts. Within the Soft Drinks Operation, international revenues for 2007 reached a record £8.9 million (2006: £6.8 million) showing very healthy year on year growth of 31%.

Working with our local partners, we were able to create and execute sustainable brand awareness and increased visibility, which continues to build the Vimto brand presence abroad. This was reflected in strong volume growth of 12% during 2007, with annualised consumption of the Vimto brand reaching a record 342 million litres during the year (2006: 306 million litres).

soft drinks operation

In the Middle East, a 'viral' marketing campaign via "YouTube", as well as more traditional in-store displays and presentations, helped us reach our target consumers. The results achieved delivered another record year for sales of Vimto Cordial in this important territory for us.

We also continue to optimise sales of the Vimto brand in other areas around the world, through the use of differing products and formats which best meet the demands of our local consumers. In Africa, for instance, we accelerated the expansion of locally manufactured carbonated Vimto in PET plastic bottles, with a major launch in Senegal at the end of 2007.

New Products and Brand Extensions

During the year, new pack sizes for the Vimto range were also developed for the UK market, including a three pack 'tetra-pack' for the discount market channel, a new improved 500ml still bottle and a new shape 500ml fizzy bottle.

Under the Panda brand we developed "Panda Juice" in 250ml 'tetra-prisma' cartons for the foodservice sector. "Panda Still" and "Panda Spring" were also developed in multi-packs too, primarily for the multiple retail channel.

Over the years, the Vimto brand has been extended into a range of licensed products, including Vimto Chewy Sweets, Vimto Tongue Ticklers, Vimto Bon-Bons, Vimto Lollipops and Vimto Ice Lollies. These products continue to help increase Vimto's brand awareness among our core target audiences.

dispense systems operation

In 2007 we began to see the benefits of having transformed the Operation into an ‘external distributor model’ - designed to reduce operating costs whilst increasing brand share and penetration. This change means the costs of providing both the original dispense equipment and its subsequent ongoing maintenance are now the responsibility of third party distributors.

The external distributors have long term agreements with the group, for its Dispense Systems Operation to supply them with the consumable soft drink ‘syrups’ and ‘juices’ from which the dispensed drinks are made at the point of sale.

It is pleasing the switch to this new model is bearing fruit and as a result, the Dispense Systems Operation delivered increased sales of 9.7% to £13.6 million (2006: £12.4 million) during the year and produced operating profits up 100% to £0.8 million (2006: £0.4 million).

To strengthen Cabana’s presence in Scotland, in April 2007 we acquired Cariel Soft Drinks Limited and we are now in the process of fully integrating it into our Scottish operation. Once this has been completed, we will then have in place a national distribution network and the scale to continue to grow market share in the dispense market.

We value partnerships

corporate responsibility

Nichols plc takes its Corporate Responsibility extremely seriously and has sustainable business strategies which take into account our environmental and wider social responsibilities.

Sustainability and the Environment

Working with our key suppliers, the group's high standards in health and safety, environment and packaging systems were maintained throughout 2007 and as a member of Valpak, which ensures our compliance with waste regulations, we aim to control and minimise the direct impact our business activities have on the external environment.

Specifically, during the year we reviewed the removal of trays from carbonated drinks, the use of recycled PET bottles, 'light-weighting' existing bottles and 'blowing' bottles on line at our suppliers to reduce HGV transportation movements.

We are also reviewing the design of our products and evaluating changes to the PET sleeves to facilitate recycling.

Community

Our commitment to the community continued throughout 2007 and our staff again worked hard for charity, this year raising funds on behalf of the Derian House Hospice for children.

We value development

Derian House
Children's Hospice

financial review

Income Statement
In 2007, revenues from continuing operations were £55.3 million, an increase of 5.7% (2006: £52.3 million). Operating profit on continuing operations (before exceptional items) increased by 10.1% to £8.7 million (2006: £7.9 million).

Operating profits were calculated taking into account the following charges:

IAS 19 "Employee benefits" charges
£164,000 (2006: £184,000)

IFRS 2 "Share-based payment" charges
£192,000 (2006: £100,000)

Due to the weakness of the US Dollar during the year we also incurred £129,000 (2006: £76,000) of foreign exchange translation losses.

Exceptional Items
In March 2007, the group entered an offer period which incurred unplanned advisory costs. Following the offer period the group re-structured the Nichols plc Board and Vimto Soft Drinks businesses which gave rise to further exceptional people costs of £0.55 million. Costs of £0.43 million have been incurred due to the integration of Cariel Soft Drinks into the Cabana business in Scotland. These costs are mainly severance costs and property costs.

Cash Flow
Cash generated from operations was £7.2 million (2006: £5.8 million). Net cash used in investing activities was £1.1 million, which consisted mainly of the acquisition of Cariel Soft Drinks Limited in April 2007, including associated debt.

Capital expenditure was £0.34 million (2006: £0.84 million).

Borrowing and Interest
At 31 December 2007 the group had positive cash balances of £7.8 million (2006: £7.5 million).

Net bank interest earned during the year amounted to £287,000 (2006: £84,000).

Earnings Per Share
Earnings per share (basic) – before exceptional items was 17.36 pence (2006: 15.43 pence).
Earnings per share (basic) – after exceptional items was 15.49 pence (2006: 17.10 pence).

Dividend
The Board is recommending a final dividend of 6.90 pence per ordinary share (2006: 6.50 pence) payable to shareholders on the register at 18 April 2008. The final dividend of 6.90 pence together with the interim dividend of 3.50 pence, gives a total dividend of 10.40 pence per share for the full year (2006: 9.80 pence).

We value integrity

financial review

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.

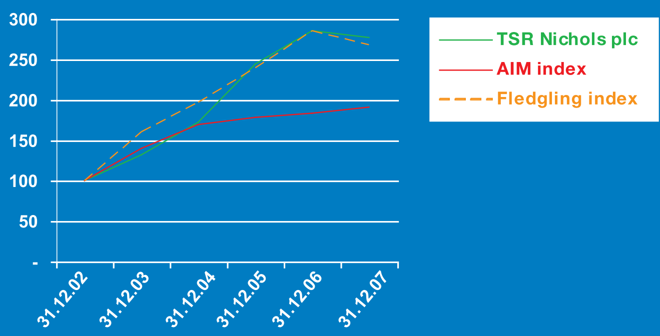
Audit Committee
The Audit Committee consists of J B Diggines and J D Bee. The terms of reference of the Committee include keeping under review the scope and results of the external audit. The Committee ensures the independence and objectivity of the external auditors, including the nature and extent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

Risks and Uncertainties
As a group we are dependent on third party suppliers for all our products and therefore have expanded our audit checks to ensure we are selling stock of the highest quality. Outsourcing has reduced the risks of employer's liability associated with manufacturing and has also reduced our direct environmental risks, but has increasingly moved the risk of interruption of supply outside our direct control.

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. To minimise this risk we have rigorous back-up and disaster recovery procedures in place.

Shareholders
Shareholders of Nichols plc have enjoyed another successful year in terms of Total Shareholder Return. This is shown in the chart relative to the FTSE AIM index and the FTSE Fledgling index, which we have used as benchmarks in previous years.

Nichols plc TSR vs AIM and Fledgling indices



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.

B M Hynes
Chief Executive Officer, Nichols plc
17 March 2008

directors & advisors

J B Diggines
Senior Non-executive Director

PJ Nichols BSc
Non-executive Chairman

B M Hynes MBA FCMA
Chief Executive Officer

J D 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 101 Barbirolli Square Manchester M2 3DL

Stockbrokers & Nominated Advisor
Brewin Dolphin Securities PO Box 512
National House 36 St Ann Street Manchester M60 2EP

Financial Advisors
N M Rothschild & Sons Limited
82 King Street Manchester M2 4W

Registrars
Capita Registrars 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 2007.

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 Business Review on pages 6 to 11 and the Financial Review on pages 13 to 14.

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

Reconciliation of profit for the financial year to retained earnings movement	**2007**		2006	
	£'000	**£'000**	£'000	£'000
Profit for the financial year		**5,669**		6,273
Interim dividend 3.50p (2006: 3.30p) per share paid 7 September 2007	**(1,294)**		(1,220)	
2006 final dividend 6.50p (2005: 6.10p) per share paid 15 May 2007	**(2,403)**		(2,255)	
Other recognised gains and losses and movement on ESOT (note 20)	**1,521**		49	
		(2,176)		(3,426)
Retained earnings movement		**3,493**		2,847

Non-executive directors

J B Diggines (55) – 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 (66)
Mr Bee has held a number of non-executive directorships with both public and private companies and is currently Chairman of the Manchester Building Society. He was appointed to the Board of Nichols plc in January 2002.

P J Nichols (58)
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 (47)
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.

Financial risk management objectives and policies
Business risks are included within the Financial Review on page 14 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 2007 there were 42 (2006: 54) creditor days outstanding.

directors' report

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 £17,000 (2006: £6,000). There were no political donations in either 2007 or 2006.

Substantial share holdings

The following parties have notified the company of disclosable interests in shares. The figures in brackets represent the percentage of the issued share capital at 17 March 2008.

S J Harper	3,395,055	(9.18)
Invesco Asset Management	2,897,158	(7.84)
K Irvine	2,500,000	(6.76)
UBS Global Asset Management	1,703,190	(4.61)
S C Nichols	1,311,350	(3.54)

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 100,000 of its own shares for a value of £224,000.

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 385 of the Companies Act 1985 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 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, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the group together with a description of the principal risks and uncertainties that it faces.

directors' report

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 1985. 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.

Transition to IFRS

The June 2007 interim statements were the first set of results published by Nichols plc under IFRS, and the December 2007 financial statements are the first full set of accounts and notes published by Nichols plc under IFRS.

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	Contract termination	Total 2007	Total 2006
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P J Nichols	195	32	45	30	250	552	289
B M Hynes	154	1	39	21	-	215	206
J B Diggines	17	-	-	-	-	17	17
J D Bee	17	-	-	-	-	17	17
Total	383	33	84	51	250	801	529

P J Nichols moved from executive director to non executive director on 31 December 2007. Severance payments made were those due under his service contract.

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

The executive directors are members of the group Save As You Earn scheme. The options outstanding under the scheme are as follows:

	Exercisable	Issue price	Number at 31 December 2007	Number at 31 December 2006
P J Nichols	16 October 2011	192p	8,203	8,203
B M Hynes	16 October 2009	192p	4,922	4,922

The options are exercisable on the date shown above and for six months thereafter. There were no changes to the directors' share options between 31 December 2007 and 17 March 2008. The share price during 2007 varied between 221p and 317p and the share price at 31 December 2007 was 228p.

By order of the Board
B M Hynes
Secretary

Laurel House, Ashton Road , Newton le Willows WA12 0HH
17 March 2008

report of the independent auditor to the members of Nichols plc

We have audited the group and parent company financial statements (the ''financial statements") of Nichols plc for the year ended 31 December 2007, which comprise the group income statement, the group and parent company balance sheets, the group and parent company statements of cash flows, the group and parent company statement of recognised income and expense, the reconciliations of UK GAAP to IFRS and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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
The directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union, are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Business Review and the Financial Review, that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Business Review, the Financial Review and the Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary, in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:
- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
MANCHESTER
17 March 2008

Financial

Statements 2007

Financial Statements 2007

Consolidated income statement
Year ended 31 December 2007

	Notes	Before exceptional items 2007 £'000	Exceptional items 2007 £'000	**Total 2007 £'000**	Before exceptional items 2006 £'000	Exceptional items 2006 £'000	Total 2006 £'000
Revenue	3	55,276	0	**55,276**	52,296	0	52,296
Cost of sales		(27,321)	0	**(27,321)**	(24,764)	0	(24,764)
Gross profit		27,955	0	**27,955**	27,532	0	27,532
Distribution expenses		(3,795)	0	**(3,795)**	(3,721)	0	(3,721)
Administrative expenses	5	(15,418)	(978)	**(16,396)**	(15,914)	(2,482)	(18,396)
Operating profit		8,742	(978)	**7,764**	7,897	(2,482)	5,415
Finance income	6	291	0	**291**	156	0	156
Finance expense	6	(7)	0	**(7)**	(98)	0	(98)
Profit before taxation		9,026	(978)	**8,048**	7,955	(2,482)	5,473
Taxation	8	(2,672)	293	**(2,379)**	(2,296)	1,058	(1,238)
Profit from continuing operations		6,354	(685)	**5,669**	5,659	(1,424)	4,235
Profit on disposal of discontinued operations	5	0	0	**0**	0	2,038	2,038
Profit for the financial year		6,354	(685)	**5,669**	5,659	614	6,273
Earnings per share (basic) - all activities	10			**15.49p**			17.10p
Earnings per share (diluted) - all activities	10			**15.47p**			17.08p
Earnings per share (basic) - continuing operations	10			**15.49p**			11.54p
Earnings per share (diluted) - continuing operations	10			**15.47p**			11.53p
Dividends paid per share	9			**10.00p**			9.40p

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

Consolidated and parent company balance sheets

Year ended 31 December 2007

		Group		Parent	
		2007	2006	**2007**	2006
	Notes	**£'000**	£'000	**£'000**	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**2,448**	3,179	**638**	750
Goodwill	12	**10,910**	9,624	**5,480**	5,480
Investments	13	**0**	0	**7,696**	6,331
Deferred tax assets	14	**1,197**	2,201	**1,187**	2,142
Total non-current assets		**14,555**	15,004	**15,001**	14,703
Current assets					
Inventories	15	**2,509**	2,169	**1,546**	1,162
Trade and other receivables	16	**13,177**	12,364	**11,199**	11,361
Cash and cash equivalents		**7,814**	7,460	**6,777**	6,714
Total current assets		**23,500**	21,993	**19,522**	19,237
Total assets		**38,055**	36,997	**34,523**	33,940
LIABILITIES					
Current liabilities					
Trade and other payables	17	**8,828**	8,366	**7,941**	7,553
Current tax liabilities	17	**1,058**	598	**842**	700
Provisions	18	**681**	1,211	**117**	424
Total current liabilities		**10,567**	10,175	**8,900**	8,677
Non-current liabilities					
Pension obligations	27	**3,635**	6,504	**3,635**	6,504
Deferred tax liabilities	14	**356**	309	**192**	86
Total non-current liabilities		**3,991**	6,813	**3,827**	6,590
Total liabilities		**14,558**	16,988	**12,727**	15,267
Net assets		**23,497**	20,009	**21,796**	18,673
EQUITY					
Share capital	19	**3,697**	3,697	**3,697**	3,697
Additional paid in capital	20	**3,255**	3,255	**3,255**	3,255
Capital redemption reserve	20	**1,209**	1,209	**1,209**	1,209
Other reserves	20	**(492)**	(487)	**283**	288
Retained earnings	20	**15,828**	12,335	**13,352**	10,224
Total equity		**23,497**	20,009	**21,796**	18,673

The financial statements on pages 22 to 62 were approved by the Board of Directors on 17 March 2008 and were signed on its behalf by:

P J Nichols
Chairman

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

Consolidated statement of cash flows

Year ended 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Profit for the financial year			**5,669**		6,273
Cash flows from operating activities					
Adjustments for:					
Depreciation		**782**		794	
Loss/(profit) on sale of property, plant and equipment		**27**		(98)	
Sale of discontinued operations		**0**		(2,038)	
Equity-settled share-based payment transactions		**192**		100	
Interest receivable		**(291)**		(156)	
Interest payable		**7**		98	
Tax expense recognised in the income statement		**2,379**		1,238	
Change in inventories		**(299)**		163	
Change in trade and other receivables		**(570)**		(194)	
Change in trade and other payables		**159**		(2,326)	
Change in provisions		**(530)**		2,491	
Change in pension obligations		**(347)**		(504)	
			1,509		(432)
Cash generated from operating activities			**7,178**		5,841
Tax paid			**(1,800)**		(1,654)
Net cash generated from operating activities			**5,378**		4,187
Cash flows from investing activities					
Interest received		**291**		156	
Proceeds from sale of property, plant and equipment		**455**		7,474	
Acquisition of property, plant and equipment		**(336)**		(837)	
Disposal of discontinued operation, net of cash disposed of		**0**		6,455	
Acquisition of subsidiary, net of cash acquired	13	**(1,365)**		(120)	
Acquisition of subsidiary's net overdraft	13	**(144)**		0	
Net cash used in investing activities			**(1,099)**		13,128
Cash flows from financing activities					
Interest paid		**(4)**		(72)	
Repayment of borrowings		**0**		(6,308)	
Repurchase of own shares	20	**(224)**		0	
Dividends paid	9	**(3,697)**		(3,475)	
Net cash used in financing activities		**0**	**(3,925)**		(9,855)
Net increase in cash and cash equivalents			**354**		7,460
Cash and cash equivalents at 1 January			**7,460**		0
Cash and cash equivalents at 31 December	21		**7,814**		7,460

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

Parent company statement of cash flows

Year ended 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Profit for the financial year			**5,304**		8,549
Cash flows from operating activities					
Adjustments for:					
Depreciation		**238**		198	
Profit on sale of property, plant and equipment		**0**		(55)	
Equity-settled share-based payment transactions		**192**		100	
Interest receivable		**(291)**		(156)	
Interest payable		**7**		98	
Tax expense recognised in the income statement		**2,208**		1,597	
Change in inventories		**(384)**		(5)	
Change in trade and other receivables		**162**		1,715	
Change in trade and other payables		**214**		206	
Change in provisions		**(308)**		(231)	
Change in pension obligations		**(347)**		(504)	
			1,691		2,963
Cash generated from operating activities			**6,995**		11,512
Tax paid			**(1,807)**		(1,482)
Net cash generated from operating activities			**5,188**		10,030
Cash flows from investing activities					
Interest received		**291**		156	
Proceeds from sale of property, plant and equipment		**0**		6,107	
Acquisition of property, plant and equipment		**(126)**		(347)	
Disposal of discontinued operation, net of cash disposed of		**0**		1,249	
Additional consideration in respect of a prior acquisition	13	**(1,365)**		(120)	
Net cash used in investing activities			**(1,200)**		7,045
Cash flows from financing activities					
Interest paid		**(4)**		(72)	
Repayment of borrowings		**0**		(7,208)	
Repurchase of own shares	20	**(224)**		0	
Dividends paid	9	**(3,697)**		(3,081)	
Net cash used in financing activities			**(3,925)**		(10,361)
Net increase in cash and cash equivalents			**63**		6,714
Cash and cash equivalents at 1 January			**6,714**		0
Cash and cash equivalents at 31 December	21		**6,777**		6,714

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

Statement of recognised income and expense
Year ended 31 December 2007

Group	**2007 £'000**	2006 £'000
Defined benefit plan actuarial gain	**2,522**	91
Deferred taxation on pension obligations	**(933)**	(27)
Income and expense recognised directly in equity	**1,589**	64
Profit for the financial year	**5,669**	6,273
Total recognised income and expense for the year	**7,258**	6,337

Parent	**2007 £'000**	2006 £'000
Defined benefit plan actuarial gain	**2,522**	91
Deferred taxation on pension obligations	**(933)**	(27)
Income and expense recognised directly in equity	**1,589**	64
Profit for the financial year	**5,304**	8,549
Total recognised income and expense for the year	**6,893**	8,613

Reconciliation of UK GAAP to IFRS

Year ended 31 December 2007

Group income statement for the year ended 31 December 2006

	UK GAAP 2006 £'000	Goodwill Adjustment £'000	Pension Adjustment £'000	IFRS 2006 £'000
Revenue	52,296	0	0	52,296
Cost of sales	(24,764)	0	0	(24,764)
Gross profit	27,532	0	0	27,532
Distribution expenses	(3,721)	0	0	(3,721)
Administrative expenses	(18,908)	512	0	(18,396)
Operating profit	4,903	512	0	5,415
Finance income	156	0	0	156
Finance expense	(98)	0	0	(98)
Profit before tax	4,961	512	0	5,473
Taxation	(1,152)	(86)	0	(1,238)
Profit from continuing operations	3,809	426	0	4,235
Profit on disposal of discontinued operations	2,038	0	0	2,038
Profit for the period	5,847	426	0	6,273

Reconciliation of UK GAAP to IFRS
Year ended 31 December 2007

Group balance sheet as at 31 December 2006

	UK GAAP 2006 £'000	Goodwill Adjustment £'000	Pension Adjustment £'000	IFRS 2006 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	3,179	0	0	3,179
Goodwill	9,112	512	0	9,624
Deferred tax assets	336	(86)	1,951	2,201
Total non-current assets	12,627	426	1,951	15,004
Current assets				
Inventories	2,169	0	0	2,169
Trade and other receivables	12,364	0	0	12,364
Cash and cash equivalents	7,460	0	0	7,460
Total current assets	21,993	0	0	21,993
Total assets	34,620	426	1,951	36,997
LIABILITIES				
Current liabilities				
Trade and other payables	8,366	0	0	8,366
Current tax liabilities	598	0	0	598
Provisions	1,211	0	0	1,211
Total current liabilities	10,175	0	0	10,175
Non-current liabilities				
Pension obligations	4,553	0	1,951	6,504
Deferred tax liabilities	309	0	0	309
Total non-current liabilities	4,862	0	1,951	6,813
Total liabilities	15,037	0	1,951	16,988
Net assets	19,583	426	0	20,009
EQUITY				
Share capital	3,697	0	0	3,697
Additional paid in capital	3,255	0	0	3,255
Capital redemption reserve	1,209	0	0	1,209
Other reserves	(487)	0	0	(487)
Retained earnings	11,909	426	0	12,335
Total equity	19,583	426	0	20,009

Reconciliation of UK GAAP to IFRS
Year ended 31 December 2007

Group balance sheet as at 1 January 2006

	UK GAAP 2006 £'000	Goodwill Adjustment £'000	Pension Adjustment £'000	IFRS 2006 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	13,563	0	0	13,563
Goodwill	9,504	0	0	9,504
Deferred tax assets	0	0	2,115	2,115
Total non-current assets	23,067	0	2,115	25,182
Current assets				
Inventories	3,972	0	0	3,972
Trade and other receivables	14,592	0	0	14,592
Total current assets	18,564	0	0	18,564
Total assets	41,631	0	2,115	43,746
LIABILITIES				
Current liabilities				
Bank overdraft	2,886	0	0	2,886
Loans and borrowings	2,672	0	0	2,672
Trade and other payables	11,202	0	0	11,202
Current tax liabilities	772	0	0	772
Provisions	655	0	0	655
Total current liabilities	18,187	0	0	18,187
Non-current liabilities				
Loans and borrowings	750	0	0	750
Pension obligations	4,906	0	2,102	7,008
Deferred tax liabilities	797	0	13	810
Total non-current liabilities	6,453	0	2,115	8,568
Total liabilities	24,640	0	2,115	26,755
Net assets	16,991	0	0	16,991
EQUITY				
Share capital	3,697	0	0	3,697
Additional paid in capital	3,255	0	0	3,255
Capital redemption reserve	1,209	0	0	1,209
Other reserves	(658)	0	0	(658)
Retained earnings	9,488	0	0	9,488
Total equity	16,991	0	0	16,991

Reconciliation of UK GAAP to IFRS
Year ended 31 December 2007

Parent balance sheet as at 31 December 2006

	UK GAAP 2006 £'000	Goodwill Adjustment £'000	Pension Adjustment £'000	IFRS 2006 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	750	0	0	750
Goodwill	5,070	410	0	5,480
Investments	6,331	0	0	6,331
Deferred tax assets	191	0	1,951	2,142
Total non-current assets	12,342	410	1,951	14,703
Current assets				
Inventories	1,162	0	0	1,162
Trade and other receivables	11,361	0	0	11,361
Cash and cash equivalents	6,714	0	0	6,714
Total current assets	19,237	0	0	19,237
Total assets	31,579	410	1,951	33,940
LIABILITIES				
Current liabilities				
Trade and other payables	7,553	0	0	7,553
Current tax liabilities	700	0	0	700
Provisions	424	0	0	424
Total current liabilities	8,677	0	0	8,677
Non-current liabilities				
Pension obligations	4,553	0	1,951	6,504
Deferred tax liabilities	0	86	0	86
Total non-current liabilities	4,553	86	1,951	6,590
Total liabilities	13,230	86	1,951	15,267
Net assets	18,349	324	0	18,673
EQUITY				
Share capital	3,697	0	0	3,697
Additional paid in capital	3,255	0	0	3,255
Capital redemption reserve	1,209	0	0	1,209
Other reserves	288	0	0	288
Retained earnings	9,900	324	0	10,224
Total equity	18,349	324	0	18,673

Reconciliation of UK GAAP to IFRS
Year ended 31 December 2007

Parent balance sheet as at 1 January 2006

	UK GAAP 2006 £'000	Goodwill Adjustment £'000	Pension Adjustment £'000	IFRS 2006 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	6,653	0	0	6,653
Goodwill	5,355	0	0	5,355
Investments	7,460	0	0	7,460
Deferred tax assets	0	0	2,115	2,115
Total non-current assets	19,468	0	2,115	21,583
Current assets				
Inventories	1,157	0	0	1,157
Trade and other receivables	14,698	0	0	14,698
Total current assets	15,855	0	0	15,855
Total assets	35,323	0	2,115	37,438
LIABILITIES				
Current liabilities				
Bank overdraft	3,786	0	0	3,786
Loans and borrowings	2,672	0	0	2,672
Trade and other payables	9,175	0	0	9,175
Current tax liabilities	369	0	0	369
Provisions	655	0	0	655
Total current liabilities	16,657	0	0	16,657
Non-current liabilities				
Loans and borrowings	750	0	0	750
Pension obligations	4,906	0	2,102	7,008
Deferred tax liabilities	25	0	13	38
Total non-current liabilities	5,681	0	2,115	7,796
Total liabilities	22,338	0	2,115	24,453
Net assets	12,985	0	0	12,985
EQUITY				
Share capital	3,697	0	0	3,697
Additional paid in capital	3,255	0	0	3,255
Capital redemption reserve	1,209	0	0	1,209
Other reserves	117	0	0	117
Retained earnings	4,707	0	0	4,707
Total equity	12,985	0	0	12,985

The goodwill and pension adjustments detailed within the above income statements and balance sheets are as a result of the group's effective transition to International Financial Reporting Standards (IFRS) on 1 January 2006. The main impact on the income statements is that there is no longer an annual amortisation charge in respect of goodwill held. Instead, goodwill is reviewed for impairment annually. The pension adjustments are balance sheet reclassifications only, and arise because under IAS 19 "Employee benefits", the group's pension scheme deficit is shown separately from other net assets on the balance sheet and the deferred tax is shown with other deferred tax balances.

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 2007 comprise the company and its subsidiaries (together referred to as the "group"). The group primarily is 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 17 March 2008.

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

Historically, Nichols plc has prepared its consolidated financial statements in accordance with UK Generally Accepted Accounting Principles. As a result of AIM rule changes, Nichols plc has prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2007. The comparative information has been restated in accordance with IFRS. The group's effective date of transition to IFRS was 1 January 2006.

The accounting policies have been applied consistently by the group.

Transition to IFRS

These financial statements show the results for the years ended 31 December 2007 and 31 December 2006. The results for the year ended 31 December 2006 have been extracted from the group financial statements for that year and have been adjusted for the effects of changes in accounting policies on transition to IFRS. These adjustments were set out in detail in the transition document which was published via Regulatory News Service (RNS) on 30 July 2007.

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 next page), that management have made in the process of applying the group's accounting policies, and that has the most significant effect on the amounts recognised in the financial statements.

2. Accounting policies (continued)

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 £10.9m.

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 2007. 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.

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.

2. Accounting policies (continued)

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.

First time application of IFRS

IFRS 1 "First time adoption of IFRS" sets out the procedures that the group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements.

The group has established its IFRS accounting policies as at 31 December 2007, and has applied these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 January 2006. This standard provides a number of optional and mandatory exemptions to this general principle. The only exemptions adopted by the group are set out below :

<u>IFRS 3 "Business combinations"</u>

The group has elected not to apply IFRS 3 to the business combinations that took place prior to the date of transition. Accordingly, combinations prior to 1 January 2006 have not been restated. As a result the carrying value of goodwill is frozen as at 1 January 2006, but accounted for thereafter in accordance with IFRS.

<u>IFRS 2 "Share-based payment"</u>

The group and parent company have elected to apply IFRS 2 only to relevant share-based payment transactions granted after 7 November 2002 and not vested at 1 January 2006. Previously, share-based payments were accounted for under UITF 17. There was no impact on the UK GAAP income statement because at the date of grant the exercise price was materially equal to the intrinsic value.

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

2. Accounting policies (continued)

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.

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.

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 equity.

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.

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

2. Accounting policies (continued)

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.

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 other non-current assets are 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. Leased assets are depreciated over the shorter of the lease and their useful lives. Land is not depreciated.

2. Accounting policies (continued)

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

Buildings	50 years
Plant and equipment	4-10 years

Material residual value estimates are updated at least annually.

An impairment review will be performed on property, plant and equipment if it is believed that there is a significant difference between the recoverable amount and the measured cost less accumulated depreciation.

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

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are regarded as 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.

2. Accounting policies (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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 recognised income and expense. 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.

Share-based payment transactions

The group issues equity-settled share-based payments to certain employees. The fair value, determined at the date of grant, is recognised as an expense. 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 additional paid in capital 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.

2. Accounting policies (continued)

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, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through the income statement, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

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 group accounts.

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 group income statement.

Investments in subsidiaries

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

2. Accounting policies (continued)

Standards and interpretations in issue not yet adopted

The following standards and interpretations have been issued, but are not yet effective and have not been adopted early by the group:

- IAS 1 (revised in 2007) "Presentation of financial statements"
  - applicable to accounting periods beginning on or after 1 January 2009 *
- IAS 23 (revised in 2007) "Borrowing costs"
  - applicable to accounting periods beginning on or after 1 January 2009 *
- IAS 27 (revised in 2008) "Consolidated and separate financial statements"
  - applicable to accounting periods beginning on or after 1 July 2009 *
- IFRS 2 "Share-based payment" amendment
  - applicable to accounting periods beginning on or after 1 January 2009
- IFRS 3 (revised in 2008) "Business combinations"
  - applicable to accounting periods beginning on or after 1 July 2009
- IFRS 8 "Operating segments"
  - applicable to accounting periods beginning on or after 1 January 2009
- IFRIC 11 IFRS 2 "Group and treasury share transactions"
  - applicable to accounting periods beginning on or after 1 March 2007
- IFRIC 12 "Service concession arrangements"
  - applicable to accounting periods beginning on or after 1 January 2008
- IFRIC 13 "Customer loyalty programmes"
  - applicable to accounting periods beginning on or after 1 July 2008 *
- IFRIC 14 IAS 9 "The limit on a defined benefit asset, minimum funding requirements and their interaction"
  - applicable to accounting periods beginning on or after 1 January 2008

* IAS 1 (revised in 2007), IAS 23 (revised in 2007), IAS 27 (revised in 2008), and IFRIC 13 had not been endorsed by the European Union at the date on which the financial statements were approved.

IAS 1 (revised in 2007) "Presentation of financial statements" will result in changes to the presentation of the group's financial statements as the format currently adopted for the statement of changes in equity will no longer be permitted. Instead, the group will present a statement of comprehensive income combining the existing income statement with other income and expenses currently presented as part of the statement of changes in equity. In addition, the group will present a separate statement of changes in equity showing owner changes in equity.

2. Accounting policies (continued)

IAS 23 (revised in 2007) "Borrowing costs" requires that borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The standard must be applied for accounting periods beginning on or after 1 January 2009. The group's current accounting policy would be to recognise borrowing costs in the income statement as incurred. However, currently the group does not have any borrowings of this type in place which would fall within the boundaries of the new standard. If, and following implementation of the new standard, the group does fund the acquisition or construction of property, plant and equipment through borrowings, the cost of the asset and associated depreciation charge are expected to increase and finance costs are expected to reduce.

IFRS 2 "Share-based payment" amendment clarifies the term "vesting conditions", and provides the accounting treatment for non-vesting conditions and cancellations.

IFRS 3 (revised in 2008) "Business combinations" will apply to any future business combinations that the group may undertake once it is in force. The group has no plans to adopt the revised standard in advance of its mandatory implementation date and it is not possible to quantify the effect of the standard on future business combinations until those combinations take place.

IFRIC 11 IFRS 2 "Group and treasury share arrangements" provides guidance on the accounting for share-based payments in the financial statements of a subsidiary where equity instruments of the parent are granted to employees of the subsidiary, either directly by the parent or by the subsidiary company. The IFRIC also clarifies the implications of using treasury shares or equity instruments provided by the shareholders to settle share-based payment transactions. The IFRIC is effective for annual periods beginning on or after 1 March 2007.

The other standards and interpretations are not expected to have any significant impact on the group's financial statements, in their periods of initial application, except for the additional disclosures on operating segments when IFRS 8 "Operating segments" comes into effect for periods beginning on or after 1 January 2009.

3. Segmental information

a. Primary reporting format-by business segment

	Revenue (sales to third parties)		Operating profit		Net assets	
	2007	2006	**2007**	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Soft Drinks	**41,709**	39,922	**8,332**	7,775	**9,535**	10,052
Dispense Systems	**13,567**	12,374	**766**	406	**9,783**	9,001
	55,276	52,296	**9,098**	8,181	**19,318**	19,053
IAS 19 "Employee benefits" charge			**(164)**	(184)		
IFRS 2 "Share-based payment" charge			**(192)**	(100)		
Operating profit before exceptional items and interest			**8,742**	7,897		
Exceptional items - Soft Drinks			**(544)**	0		
Exceptional items - Dispense Systems			**(434)**	(2,482)		
Operating profit			**7,764**	5,415		
Finance income			**291**	156		
Finance expense			**(7)**	(98)		
Profit before tax			**8,048**	5,473		
Employee benefits obligations					**(3,635)**	(6,504)
Cash and cash equivalents					**7,814**	7,460
					23,497	20,009

The group is managed according to two operating divisions: Soft Drinks and Dispense Systems. 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 £126,000 (2006: £347,000), and within Dispense Systems totalled £210,000 (2006: £490,000).

Depreciation
Depreciation costs within Soft Drinks totalled £238,000 (2006: £198,000), and within Dispense Systems totalled £544,000 (2006: £596,000).

b. Secondary reporting format-by geographic segment

Revenue by geographic destination

	2007		2006	
	£'000	%	£'000	%
Middle East	6,492	11.7	4,457	8.5
Africa	2,156	3.9	2,056	3.9
Rest of the world	217	0.4	307	0.6
Total exports	8,865	16.0	6,820	13.0
United Kingdom	46,411	84.0	45,476	87.0
	55,276	100.0	52,296	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.

Total assets

The assets of the group at 31 December 2007 and 31 December 2006 are entirely located within the United Kingdom.

Capital expenditure

The capital expenditure of the group for the years ended 31 December 2007 and 31 December 2006 was entirely made within the United Kingdom.

Depreciation

The group's depreciation charges for the years ended 31 December 2007 and 31 December 2006 are against fixed assets all retained within the United Kingdom.

4. Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging/ (crediting):		
Inventory amounts charged to cost of sales	**26,521**	24,346
Auditors' remuneration - audit of the company's annual accounts	**30**	34
Fees payable to the auditors for other services:		
Audit of the company's subsidiaries	**17**	17
Other services pursuant to legislation	**12**	14
Depreciation of property, plant and equipment	**782**	794
Operating lease rentals payments	**522**	1,165
Equity-settled share-based payments	**192**	100
Loss on foreign exchange differences	**129**	76
Loss/(profit) on sale of property, plant and equipment	**27**	(98)

5. Exceptional items

	2007 £'000	2006 £'000
Cariel Soft Drinks Limited integration costs	**434**	0
Head Office restructuring costs	**544**	2,482
Total	**978**	2,482

The cash impact in 2007 of the exceptional items is £275,000.

Profit on disposal of discontinued operations:	2007 £'000	2006 £'000
Profit on disposal of Balmoral Trading Limited (net of tax)	**0**	2,038

The group disposed of Balmoral Trading Limited on 1 January 2006, and therefore there were no trading results from the discontinued operation included in the consolidated income statement for 2006.

6. Finance income and expense

	2007	2006
Finance income comprises:	**£'000**	£'000
Bank interest received	**291**	156
Finance expense comprises:		
Bank interest paid	**4**	72
Expected return on defined benefit pension scheme assets	**(1,085)**	(981)
Interest on defined benefit pension scheme obligations	**1,088**	1,007
Finance expense	**7**	98

7. Directors and employees

a. Average number of persons employed during the year, including directors:	2007 Number	2006 Number
Soft Drinks	**68**	64
Dispense Systems	**69**	83
	137	147

b. Group employment costs were as follows:	2007 £'000	2006 £'000
Wages and salaries	**5,510**	4,906
Social security costs	**548**	556
Pension costs - defined contribution scheme	**236**	154
Pension costs - defined benefit scheme (see note 27)	**161**	158
Equity-settled share-based payments	**192**	100
	6,647	5,874

The amounts disclosed above are also the employment costs for the parent company for the year ended 31 December 2007.

	2007 £'000	2006 £'000
Directors' remuneration for the year, including pension costs	**801**	529

The highest paid director has received £292,675 (2006: £289,011) including pension contributions. He has an accrued pension benefit of £138,535 (2006: £129,219) and an accrued lump sum of £622,966 (2006: £290,744).

Benefits are accruing to 1 director (2006: 1 director) under a defined benefit scheme and to 1 director (2006: 1 director) under a defined contribution scheme.

Equity-settled share-based payments in respect of directors amounted to £107,000 (2006: £62,000).

Further information regarding directors' remuneration is provided in the directors' report on pages 16 to 18.

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:

	2007 £'000	2006 £'000
Wages and salaries	**350**	291
Equity-settled share-based payments	**58**	34
	408	325

8. Taxation

a. Analysis of expense recognised in the consolidated income statement	2007 £'000	2006 £'000
Current taxation:		
UK corporation tax on income for the year	2,318	1,675
Adjustments in respect of prior years	(57)	70
Total current tax charge for the year	2,261	1,745
Deferred tax:		
Origination and reversal of temporary differences	29	(350)
Adjustments in respect of prior years	89	(157)
Total deferred tax charge/(credit) for the year	118	(507)
Total tax expense in the consolidated income statement	2,379	1,238

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation

	2007 £'000	2006 £'000
Profit before taxation	8,048	5,473
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2006: 30%)	2,414	1,642
Effect of:		
Expenses not deductible for tax purposes	42	39
Tax exempt revenues	(78)	(356)
Adjustments to the tax charge in respect of prior years	32	(87)
Differences in tax rates	(16)	0
Reduction in tax rate to 28% in respect of deferred taxation	(15)	0
Total tax expense in the consolidated income statement	2,379	1,238

The effective rate of tax for the year of 29.6% (2006: 22.6%) is lower than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained above.

c. The effective rate of tax on profit before exceptional items is 29.6% (2006: 28.9%).

d. Tax on items charged to equity

In addition to the amount charged to the consolidated income statement, £933,000 (2006: £27,000) has been charged directly to equity, being the movement on deferred taxation relating to retirement benefit obligations.

9. Equity dividends

	2007	2006
	£'000	£'000
Interim dividend 3.50p (2006: 3.30p) paid 7th September 2007	1,294	1,220
Final dividend proposed in 2006 6.50p paid 18th May 2007	2,403	2,255
	3,697	3,475

The interim dividend for the prior year of £1,220,000 was paid on 15th September 2006.

In accordance with IAS 10 "Events after the balance sheet date", the 2007 final dividend of £2,551,000 (6.90p per share) has not been accrued as it had not been proposed by the year-end.

10. Earnings per share

	2007	2006
Earnings per share (basic) - all activities	15.49p	17.10p
Earnings per share (diluted) - all activities	15.47p	17.08p
Earnings per share (basic) - continuing activities	15.49p	11.54p
Earnings per share (diluted) - continuing activities	15.47p	11.53p
Earnings per share (basic) - discontinued activities	0.00p	5.56p
Earnings per share (diluted) - discontinued activities	0.00p	5.55p
Earnings per share (basic) - before exceptional items	17.36p	15.43p
Earnings per share (diluted) - before exceptional items	17.34p	15.41p

Earnings per share

		2007			2006	
	Earnings £'000	Weighted average number of shares	Earnings per share	Earnings £'000	Weighted average number of shares	Earnings per share
Basic earnings per share	5,669	36,602,810	15.49p	6,273	36,685,868	17.10p
Dilutive effect of share options		49,557			39,063	
Diluted earnings per share	5,669	36,652,367	15.47p	6,273	36,724,931	17.08p

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 (see next page):

10. Earnings per share (continued)

Earnings per share - before exceptional items

	Earnings £'000	2007 Weighted average number of shares	Earnings per share
Basic earnings per share	5,669	36,602,810	15.49p
Exceptional items	978		
Taxation in respect of exceptional items	(293)		
Basic earnings per share before exceptional items	6,354	36,602,810	17.36p
Dilutive effect of share options		49,557	
Diluted earnings per share before exceptional items	6,354	36,652,367	17.34p

	Earnings £'000	2006 Weighted average number of shares	Earnings per share
Basic earnings per share	6,273	36,685,868	17.10p
Exceptional administrative expenses	444		
Taxation in respect of exceptional items	(1,058)		
Basic earnings per share before exceptional items	5,659	36,685,868	15.43p
Dilutive effect of share options		39,063	
Diluted earnings per share before exceptional items	5,659	36,724,931	15.41p

Earnings per share - continuing activities

	Earnings £'000	**2007 Weighted average number of shares**	**Earnings per share**	Earnings £'000	2006 Weighted average number of shares	Earnings per share
Basic earnings per share	5,669	36,602,810	15.49p	4,235	36,685,868	11.54p
Dilutive effect of share options		49,557			39,063	
Diluted earnings per share	5,669	36,652,367	15.47p	4,235	36,724,931	11.53p

Earnings per share - discontinued activities

	Earnings £'000	**2007 Weighted average number of shares**	**Earnings per share**	Earnings £'000	2006 Weighted average number of shares	Earnings per share
Basic earnings per share	0	36,602,810	0.00p	2,038	36,685,868	5.56p
Dilutive effect of share options		49,557			39,063	
Diluted earnings per share	0	36,652,367	0.00p	2,038	36,724,931	5.55p

11. Property, plant and equipment

Group Cost	Long leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
At 1 January 2006	7,081	14,957	22,038
Additions	0	837	837
Disposal of subsidiary undertaking	0	(3,473)	(3,473)
Disposals	(7,081)	(6,057)	(13,138)
At 1 January 2007	**0**	**6,264**	**6,264**
Acquisitions through business combinations (note 13)	0	197	197
Additions	0	336	336
Disposals	0	(1,114)	(1,114)
At 31 December 2007	**0**	**5,683**	**5,683**
Depreciation			
At 1 January 2006	1,133	7,342	8,475
Charge for the year	0	794	794
Disposal of subsidiary undertaking	0	(1,799)	(1,799)
On disposals	(1,133)	(3,252)	(4,385)
At 1 January 2007	**0**	**3,085**	**3,085**
Charge for the year	0	782	782
On disposals	0	(632)	(632)
At 31 December 2007	**0**	**3,235**	**3,235**
Net book value at 31 December 2007	**0**	**2,448**	**2,448**
Net book value at 31 December 2006	0	3,179	3,179

Parent Cost	Long leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
At 1 January 2006	7,022	1,603	8,625
Additions	0	347	347
Disposals	(7,022)	(296)	(7,318)
At 1 January 2007	**0**	**1,654**	**1,654**
Additions	0	126	126
At 31 December 2007	**0**	**1,780**	**1,780**
Depreciation			
At 1 January 2006	1,106	866	1,972
Charge for the year	0	198	198
On disposals	(1,106)	(160)	(1,266)
At 1 January 2007	**0**	**904**	**904**
Charge for the year	0	238	238
At 31 December 2007	**0**	**1,142**	**1,142**
Net book value at 31 December 2007	**0**	**638**	**638**
Net book value at 31 December 2006	0	750	750

12. Goodwill

Group	
Cost	£'000
At 1 January 2006	9,504
Additions	120
At 1 January 2007	**9,624**
Additions	1,286
At 31 December 2007	**10,910**
Net book value at 31 December 2007	**10,910**
Net book value at 31 December 2006	9,624

Parent	**Goodwill**
Cost	**£'000**
At 1 January 2006, at 1 January 2007 and 31 December 2007	**5,480**
Net book value at 31 December 2007	**5,480**
Net book value at 31 December 2006	5,480

The asset has a finite useful economic life.

Goodwill of £1.0 million arising on the acquisition of Cariel Soft Drinks Limited has been allocated to the Dispense division, as this segment is the group of cash-generating units expected to benefit from the synergies of the business combination.

The total goodwill allocated to the Dispense division is £5.4 million. The remaining goodwill of £5.5 million has been allocated to the Panda soft drinks range.

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 was 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.

Panda
Cash flow projections are based on the most recent financial budgets approved by management. Management has analysed projected sales according to product type, specifically fruit drinks, spring water and carbonated drinks, and have applied growth rates of 6%, 3% and -2% respectively to these product lines. These annual growth rates have been used in projecting the cash flows for a period of five years. Cash flows beyond this period are extrapolated using a growth rate of 2.25%, which is consistent with the average annual growth in GDP in the United Kingdom. The discount rate applied was 7%.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the cash-generating unit.

Dispense division
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 2.25%. The discount rate applied was 7%.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the cash-generating unit.

13. Investments: shares in group undertakings

Parent

Cost and net book amount	£'000
At 1 January 2006	13,467
Additions	120
Disposal of subsidiary undertakings	(7,256)
At 1 January 2007	**6,331**
Additions (see * below)	1,365
At 31 December 2007	**7,696**

* Additions comprise £1,125,000 relating to the group's acquisition of Cariel Soft Drinks Limited (see Acquisitions below), and £240,000 relating to Beacon Drinks Limited, a prior year acquisition, in respect of earn-out arrangements on the shares acquired by the group.

All fixed asset 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

The company directly owns Cabana (Holdings) Limited, Beacon Holdings Limited and Cariel Soft Drinks Limited (see Acquisitions table below).
*Cabana Soft Drinks Limited is directly owned by Cabana (Holdings) Limited.
*Beacon Drinks Limited is directly owned by Beacon 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.

Acquisitions

On 6 April 2007 the group acquired the entire issued share capital of Cariel Soft Drinks Limited for £1.1 million. The acquisition was made to increase the geographical range of the group's Dispense business and to enhance the group's position as the third largest operator in the Dispense sector in the UK.

The contribution of Cariel Soft Drinks Limited to the group results has not been disclosed since, in the opinion of the directors, the operations of this business have been integrated into the group's Dispense division to the extent that it is not practicable to obtain this information.

Similarly, and also due to a lack of IFRS specific data for Cariel Soft Drinks Limited prior to its acquisition, the pro-forma revenue and profit of the group had the company been acquired on 1 January 2007 have also not been disclosed as they cannot be determined reliably.

Details of the net assets acquired and the goodwill are as follows:

	Fair value £'000
Property, plant and equipment	197
Inventories	41
Trade and other receivables	243
Trade and other payables	(258)
Overdraft	(144)
Net assets acquired	79
Cash consideration	1,125
Goodwill	1,046

Management have reviewed the fair value of the assets and liabilities acquired, and have concluded that there is no significant difference between the fair value of the net assets acquired and their book value.

Upon acquisition of the company, management performed a detailed exercise reviewing all assets acquired. A value was not associated with either the product, brand or order book which were acquired as part of the transaction. Therefore, no other intangible assets qualified for recognition within the group financial statements.

14. Deferred tax assets and liabilities
Movement in temporary differences during the year

Group	Net balance at 1 January 2007 £'000	Recognised in income £'000	Recognised in equity £'000	**Net balance at 31 December 2007 £'000**
Property, plant and equipment	(95)	36	0	**(59)**
Goodwill	(86)	(106)	0	**(192)**
Employee benefits	1,951	41	(933)	**1,059**
Provisions	122	(89)	0	**33**
	1,892	(118)	(933)	**841**

Group	Net balance at 1 January 2006 £'000	Recognised in income £'000	Recognised in equity £'000	**Net balance at 31 December 2006 £'000**
Property, plant and equipment	(810)	715	0	**(95)**
Goodwill	0	(86)	0	**(86)**
Employee benefits	2,102	(124)	(27)	**1,951**
Provisions	13	109	0	**122**
	1,305	614	(27)	**1,892**

Parent	Net balance at 1 January 2007 £'000	Recognised in income £'000	Recognised in equity £'000	**Net balance at 31 December 2007 £'000**
Property, plant and equipment	128	(33)	0	**95**
Goodwill	(86)	(106)	0	**(192)**
Employee benefits	1,951	41	(933)	**1,059**
Provisions	63	(30)	0	**33**
	2,056	(128)	(933)	**995**

Parent	Net balance at 1 January 2006 £'000	Recognised in income £'000	Recognised in equity £'000	**Net balance at 31 December 2006 £'000**
Property, plant and equipment	(38)	166	0	**128**
Goodwill	0	(86)	0	**(86)**
Employee benefits	2,102	(124)	(27)	**1,951**
Provisions	13	50	0	**63**
	2,077	6	(27)	**2,056**

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		**Net**	
	Current year £'000	Prior year £'000	Current year £'000	Prior year £'000	**Current year £'000**	**Prior year £'000**
Property, plant and equipment	105	128	(164)	(223)	**(59)**	**(95)**
Goodwill	0	0	(192)	(86)	**(192)**	**(86)**
Employee benefits	1,059	1,951	0	0	**1,059**	**1,951**
Provisions	33	122	0	0	**33**	**122**
	1,197	2,201	(356)	(309)	**841**	**1,892**

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

Parent	Assets		Liabilities		**Net**	
	Current year £'000	Prior year £'000	Current year £'000	Prior year £'000	**Current year £'000**	**Prior year £'000**
Property, plant and equipment	95	128	0	0	**95**	**128**
Goodwill	0	0	(192)	(86)	**(192)**	**(86)**
Employee benefits	1,059	1,951	0	0	**1,059**	**1,951**
Provisions	33	63	0	0	**33**	**63**
	1,187	2,142	(192)	(86)	**995**	**2,056**

15. Inventories

	Group 2007 £'000	Group 2006 £'000	Parent 2007 £'000	Parent 2006 £'000
Finished goods	**2,509**	2,169	**1,546**	1,162

In 2007 the group write-down of inventories to net realisable value amounted to £168,422 (2006: £191,236).

16. Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Parent 2007 £'000	Parent 2006 £'000
Trade receivables	**11,741**	10,636	**8,761**	8,057
Amounts owed by group undertakings	**0**	0	**2,227**	2,885
Other receivables	**1,198**	1,282	**5**	34
Prepayments and accrued income	**238**	446	**206**	385
	13,177	12,364	**11,199**	11.361

With the exception of £864,000 due from customers, all the above amounts 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 £544,088 (2006: £103,741) 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	**2007 £'000**	2006 £'000
Up to 30 days overdue	**2,511**	1,441
Over 30 days and up to 60 days overdue	**433**	171
Over 60 days and up to 90 days overdue	**108**	176
Over 90 days overdue	**92**	474
	3,144	2,262

Parent	**2007 £'000**	2006 £'000
Upto 30 days overdue	**1,775**	737
Over 30 days and up to 60 days overdue	**337**	458
Over 60 days and up to 90 days overdue	**97**	49
Over 90 days overdue	**378**	866
	2,587	2,110

17. Trade and other payables and current tax liabilities

	Group 2007 £'000	Group 2006 £'000	Parent 2007 £'000	Parent 2006 £'000
Trade payables	**3,452**	3,780	**2,588**	3,184
Amounts owed to group undertakings	**0**	0	**803**	803
Other taxes and social security	**689**	530	**486**	274
Accruals and deferred income	**4,687**	4,056	**4,064**	3,292
Current tax liabilities	**1,058**	598	**842**	700
	9,886	8,964	**8,783**	8,253

All amounts shown above are short-term. The carrying values are considered to be a reasonable approximation of fair value.
At 31 December 2007, liabilities have contractual maturities which are summarised below:

Group	**2007 Within 6 months £'000**	**2007 Within 6 to 12 months £'000**	2006 Within 6 months £'000	2006 Within 6 to 12 months £'000
Trade payables	**3,452**	**0**	3,780	0
Other short term financial liabilities	**4,687**	**0**	4,056	0
	8,139	**0**	7,836	0

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

	2007		2006	
Parent	**Within 6 months £'000**	**Within 6 to 12 months £'000**	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	**2,588**	**0**	3,184	0
Other short term financial liabilities	**4,064**	**803**	3,292	803
	6,652	**803**	6,476	803

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

	2007		2006	
Group and parent	**Within 6 months £'000**	**Within 6 to 12 months £'000**	Within 6 months £'000	Within 6 to 12 months £'000
Forward exchange contracts	**590**	**472**	606	606

18. Provisions

Group

	At 1 January 2007 £'000	Charge in the year £'000	Reclassification £'000	Utilised £'000	**At 31 December 2007 £'000**
Exceptional cost provision	1,211	978	(300)	(1,208)	**681**

Parent

	At 1 January 2007 £'000	Charge in the year £'000	Reclassification £'000	Utilised £'000	**At 31 December 2007 £'000**
Exceptional cost provision	424	544	(300)	(551)	**117**

The group's exceptional cost provision at 1 January 2007 disclosed within current liabilities comprised costs in respect of group restructuring that were committed (but not incurred) at 31 December 2006. A further amount of £978,000 was charged against the provision in 2007 in respect of the costs of the continued group restructuring which were committed but not incurred at the reporting date.

An amount of £300,000 within the provision was reclassified within trade receivables.

Cash outflows of £381,000 are expected to be incurred during 2008 in relation to the group's exceptional cost provision.

19. Share capital	**2007 £'000**	2006 £'000
Authorised 52,000,000 (2006: 52,000,000) 10p ordinary shares	**5,200**	5,200
Allotted, issued and fully paid 36,968,772 (2006: 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 2007 and 31 December 2006.

20. Reserves

	Group and parent			Group	Group	Parent	Parent
	Called up share capital £'000	Additional paid in capital £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Other reserves £'000	Retained earnings £'000
At 1 January 2006	3,697	3,255	1,209	(658)	9,488	117	4,707
Profit for the financial year	0	0	0	0	6,273	0	8,549
Dividends	0	0	0	0	(3,475)	0	(3,081)
Other recognised gains and losses	0	0	0	0	64	0	64
Movement in ESOT	0	0	0	71	(15)	71	(15)
Share options charge	0	0	0	100	0	100	0
At 1 January 2007	**3,697**	**3,255**	**1,209**	**(487)**	**12,335**	**288**	**10,224**
Profit for the financial year	0	0	0	0	5,669	0	5,304
Dividends	0	0	0	0	(3,697)	0	(3,697)
Other recognised gains and losses	0	0	0	0	1,589	0	1,589
Purchase of own shares	0	0	0	(224)	0	(224)	0
Movement in ESOT	0	0	0	27	(68)	27	(68)
IFRS 2 "Share-based payment" charge	0	0	0	192	0	192	0
At 31 December 2007	**3,697**	**3,255**	**1,209**	**(492)**	**15,828**	**283**	**13,352**

An income statement is not provided for the parent company as permitted by Section 230 of the Companies Act 1985.
The profit dealt with in the financial statements of Nichols plc was £5,304,000 (2006: £8,549,000).

Other reserves

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

Purchase of own shares

During the year, the group purchased 100,000 of its own 10p ordinary shares. The shares acquired represent 0.3% 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.

Share-based payments

The group's equity-settled share-based payments comprise the grant of options under the group's share option schemes. Details of the share options subject to equity-settled share-based payments are set out below.

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 2007 for the year ending 31 December 2007. 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 group operates a Long Term Incentive Plan for senior managers which is based upon the achievement of performance targets over a three year period. 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:

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
3 October 2003	64,168	£1.36	£1.04	£0.23	3.25 years	3.50%	5.00%	4.29%	22.80%
3 October 2003	21,112	£1.36	£1.04	£0.27	5.25 years	3.50%	5.00%	4.52%	22.80%
14 October 2004	39,751	£1.60	£1.26	£0.30	3.25 years	3.50%	5.00%	4.60%	24.08%
14 October 2004	24,052	£1.60	£1.26	£0.33	5.25 years	3.50%	5.00%	4.50%	24.08%
26 September 2005	26,151	£2.05	£1.63	£0.36	3.25 years	3.50%	5.00%	4.02%	22.65%
26 September 2005	28,991	£2.05	£1.63	£0.40	5.25 years	3.50%	5.00%	3.91%	22.65%
10 October 2005	85,000	£2.02	£0.00	£1.98	2.00 years	3.50%	0.00%	3.95%	22.65%
10 October 2005	85,000	£2.02	£0.00	£1.96	3.00 years	3.50%	0.00%	3.87%	22.65%
3 October 2006	57,075	£2.51	£1.92	£0.42	3.25 years	3.50%	5.00%	4.47%	21.13%
3 October 2006	60,376	£2.51	£1.92	£0.46	5.25 years	3.50%	5.00%	4.38%	21.13%

20. Reserves (continued)

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 Save As You Earn option is equal to the vesting period plus a three month exercise period and for an employee share option is equal to the vesting period.
The following options for 10p ordinary shares under the Save As You Earn scheme were outstanding at the year end:

	At 1 January 2007	Granted	Exercised	Lapsed	**At 31 December 2007**	Exercise price per share
Date of grant:						
4 October 2001	10,052	-	(9,334)	(718)	**-**	94p
4 October 2002	10,606	-	(684)	-	**9,922**	96p
3 October 2003	6,705	-	-	-	**6,705**	104p
14 October 2004	26,660	-	(16,995)	(2,168)	**7,497**	126p
26 September 2005	37,553	-	(1,211)	(15,669)	**20,673**	163p
3 October 2006	117,451	-	-	(9,546)	**107,905**	192p

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 2007 varied between 221p and 317p and the weighted average price for the year was 264p.
At 31 December 2007, options over 152,702 shares were outstanding under Employee Share Option Plans.

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

	2007		2006	
	Number	**Weighted average exercise price in pence**	Number	Weighted average exercise price in pence
Outstanding on 1 January	**700,703**	**118.65**	644,402	89.98
Granted	**-**	**-**	234,902	192.00
Exercised	**(28,224)**	**116.28**	(57,874)	106.28
Lapsed	**(28,101)**	**168.23**	(120,727)	114.29
Outstanding on 31 December	**644,378**	**116.59**	700,703	118.65

21. Cash and cash equivalents

Group	At 1 January 2007 £'000	Cash flow £'000	**At 31 December 2007 £'000**
Cash at bank and in hand	7,460	354	**7,814**

Parent	At 1 January 2007 £'000	Cash flow £'000	**At 31 December 2007 £'000**
Cash at bank and in hand	6,714	63	**6,777**

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.

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 2008 (as disclosed in note 17). 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.

22. Financial instruments (continued)

Foreign currency assets/(liabilities)	**2007**	2006
	£'000	£'000
US Dollar	**2,423**	919
Euro	**(37)**	(73)
	2,386	846

All short term creditors and debtors have been excluded from these disclosures.

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% (2006: 5%), then this would have had the following impact:

		2007			2006	
		£'000			£'000	
	USD	**Euro**	**Total**	USD	Euro	Total
Net result for the year	**128**	**(2)**	**126**	49	(4)	45

If Sterling had weakened against the US Dollar and Euro by 5% (2006: 5%), then this would have had the following impact:

		2007			2006	
		£'000			£'000	
	USD	**Euro**	**Total**	USD	Euro	Total
Net result for the year	**(116)**	**2**	**(114)**	(45)	3	(42)

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.

23. Summary of financial assets and liabilities by category

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

	Group		Parent	
Current assets	**2007**	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Trade receivables and other receivables	**12,939**	11,918	**10,993**	10,976
Cash and cash equivalents	**7,814**	7,460	**6,777**	6,714
Total loans and receivables	**20,753**	19,378	**17,770**	17,690

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

Group

	Group		Parent	
Current liabilities	**2007**	2006	**2007**	2006
Other financial liabilities	**£'000**	£'000	**£'000**	£'000
- trade and other payables	**8,139**	7,836	**7,455**	7,279

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 2006.

At 31 December 2007 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 142 of the Companies Act 1985 (Serious Loss of Capital).

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Within one year	**917**	848	**724**	745
Between one and five years	**524**	980	**346**	809
More than five years	**34**	16	**0**	0
	1,475	1,844	**1,070**	1,554

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

26. Related party transactions

Parent company

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

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Sale of goods and services (including recharge of costs)	**3,444**	3,877	**1,424**	2,082

All balances with the related parties are priced 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 £236,000 (2006: £154,251).

The company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2005 and updated at 31 December 2007 by an independent qualified actuary. The company paid an additional £0.5 million into the plan in the year (2006: £0.6 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 2007	31 December 2006	31 December 2005
Future salary increases	**3.90%**	3.60%	3.25%
Rate of increase in (post 1997) pensions in payment (a)	**3.40%**	3.10%	3.00%
Discount rate at 31 December	**5.80%**	4.90%	4.90%
Expected rate of inflation	**3.40%**	3.10%	2.75%
Overall expected return on plan assets	**5.80%**	5.40%	5.30%

The expected return on plan assets is based on 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. However, the actuary has allowed for salary inflation at the same level as last year, adopting an allowance of inflation plus 0.5% as the rate of salary increase.

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 (2006: 92 years) and 92 years for women (2006: 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 12.7% of salaries (3% in respect of members of the Stockpack section). The charge to the consolidated income statement was £161,000 (2006: £158,401). 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.

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:

	Long term rate of return expected at	
	31 December 2007	31 December 2006
Equity securities	**7.50%**	7.50%
Gilts	**4.50%**	4.50%
Government bonds	**5.80%**	4.90%
Cash and other	**5.50%**	4.80%

	Market value of assets at	
	31 December 2007	31 December 2006
	£'000	£'000
Equity securities	**12,009**	11,771
Gilts	**2,094**	1,852
Government bonds	**2,042**	1,849
Cash and other	**425**	456
	16,570	15,928

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

The amounts recognised in the consolidated and parent company balance sheets are determined as follows:

	2007	2006
	£'000	£'000
Fair value of plan assets	**16,570**	15,928
Present value of defined benefit obligations	**(20,205)**	(22,432)
Recognised liability for defined benefit obligations	**(3,635)**	(6,504)

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

	2007	2006
Operating profit	**£'000**	£'000
Current service costs	**(161)**	(158)
Total operating charge	**(161)**	(158)
Finance expense		
Expected return on plan assets	**1,085**	981
Interest on obligation	**(1,088)**	(1,007)
Total finance expense	**(3)**	(26)
Total charge to the consolidated income statement	**(164)**	(184)

Group Statement of Recognised Income and Expense		
Actual return less expected return on plan assets	**(634)**	256
Experience gains and losses arising on plan liabilities	**(22)**	836
Changes in the assumptions underlying the present value of the plan liabilities	**3,178**	(1,001)
Actuarial movement in defined benefit plan recognised in group statement of recognised income and expense	**2,522**	91

27. Employee benefits (continued)

The movement during the year in the liability for defined benefit obligations was as follows:	2007 £'000	2006 £'000
Liability for defined obligations at 1 January	**(6,504)**	(7,008)
Current service costs	**(161)**	(158)
Contributions paid into the plan	**511**	597
Other finance costs	**(3)**	(26)
Actuarial gain recognised in equity	**2,522**	91
Liability for defined benefit obligations at 31 December	**(3,635)**	(6,504)

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

Opening fair value of plan assets	**15,928**	14,102
Expected return on plan assets	**1,085**	981
Actuarial (loss)/gain	**(634)**	256
Contributions by the group	**191**	589
Closing fair value of plan assets	**16,570**	15,928

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

Opening defined benefit obligations	**22,432**	21,110
Current service costs	**161**	158
Contributions by participants	**(320)**	(8)
Other finance costs	**1,088**	1,007
Actuarial (gain)/loss	**(3,156)**	165
Closing defined benefit obligations	**20,205**	22,432

	2007	2006	2005	2004	2003
Difference between expected and actual return on plan assets					
Amount	**(634)**	256	1,004	188	337
Percentage of plan assets	**(3.8%)**	1.6%	7.1%	1.6%	3.3%
Experience gains and losses on plan liabilities					
Amount	**(22)**	836	(1,194)	(215)	(98)
Percentage of present value of plan liabilities	**(0.1%)**	3.9%	(5.7%)	(1.3%)	(0.6%)
Gain and losses on changes in assumptions					
Amount	**3,178**	(1,001)	(2,316)	(514)	(983)
Percentage of present value of plan liabilities	**15.7%**	(4.5%)	(11.0%)	(3.1%)	(6.4%)
Total actuarial gains and losses					
Amount	**2,522**	91	(2,506)	(541)	(744)
Percentage of present value of plan liabilities	**12.5%**	0.5%	(11.9%)	(3.2%)	(4.9%)

Five year summary

Years ended 31 December

	IFRS			UK GAAP	
	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Revenue	55,276	52,296	63,336	88,073	97,110
Operating profit before exceptional items and IAS 19 and IFRS 2 charges	9,098	8,181	7,756	7,153	7,342
Exceptional items	(978)	(2,482)	(1,002)	(2,291)	(3,994)
IAS 19 operating profit charges	(164)	(184)	(51)	(36)	0
IFRS 2 operating profit charges	(192)	(100)	(33)	(6)	(1)
Operating profit after exceptional items	7,764	5,415	6,670	4,820	3,347
Profit/(loss) on disposal of businesses and tangible fixed assets	0	2,038	0	(11,062)	0
Net interest receivable/(paid)	284	58	(707)	(887)	(790)
Profit before tax	8,048	7,511	5,963	(7,129)	2,557
Tax	(2,379)	(1,238)	(1,999)	(1,579)	(820)
Profit after tax	5,669	6,273	3,964	(8,708)	1,737
Dividends paid	(3,697)	(3,475)	(3,309)	(3,253)	(3,253)
Retained profit/(loss)	1,972	2,798	655	(11,961)	(1,516)
Earnings per share - (basic)	15.49p	17.10p	10.82p	(23.84p)	4.78p
Earnings per share - (diluted)	15.47p	17.08p	10.79p	(23.84p)	4.77p
Earnings per share - (basic) before exceptional items	17.36p	15.43p	12.74p	11.54p	12.47p
Earnings per share - (diluted) before exceptional items	17.34p	15.41p	12.70p	11.52p	12.44p
Dividends paid per share	10.00p	9.40p	8.95p	8.80p	8.80p

The above amounts for 2003, 2004 and 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 meeting

Notice is hereby given that the seventy eighth Annual General Meeting of Nichols plc ("company") will be held at its Registered Office, Laurel House, Woodlands Park, Ashton Road, Newton le Willows WA12 0HH on Wednesday 14 May 2008 at 11.00am for the purpose of transacting the following business:

As ordinary business:

1. To receive the directors' report and the company's annual accounts for the year ended 31 December 2007 together with the auditors' report on those accounts.
2. To declare a final dividend for the year ended 31 December 2007 of 6.90 pence per ordinary share in the capital of the company to be paid on 15 May 2008 to shareholders whose names appear on the register of members at the close of business on 18 April 2008.
3. To re-elect B M Hynes, who retires by rotation, as a director of the company.
4. To re-appoint Grant Thornton UK LLP as auditors of the company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the company at which accounts are laid and to authorise the directors to determine their remuneration.

As special business:

To consider and, if thought appropriate, approve the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6,7, 8 and 9 will be proposed as special resolutions.

Ordinary resolution:

5. That, pursuant to Section 80 of the Companies Act 1985 ("Act") and in substitution for all existing authorities under that section, the directors be and are generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in Section 80 of the Act) up to a maximum nominal amount of £184,843 to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the Annual General Meeting of the company to be held in 2009 or on 15 October 2009 (whichever is the earlier) save that the company may prior to the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the directors may allot such securities in pursuance of any such offer or agreement notwithstanding the expiring of the authority given by this resolution.

Special resolutions:

6. That, subject to the passing of resolution 5, pursuant to Section 95 of the Companies Act 1985 ("Act") and in substitution for all existing authorities under that section, the directors be and are generally empowered to make allotments of equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the general authority conferred upon them by resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) 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, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;

   (b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £184,843 and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next Annual General Meeting of the company after the passing of this resolution or on 15 October 2009 (whichever is the earlier), save that the company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

7. That, pursuant to section 166 of the Companies Act 1985 ("Act") the company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 10 pence each in the company ("ordinary shares"), provided that:

   (a) the maximum number of ordinary shares hereby authorised to be purchased is 3,696,877;
   (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10 pence per ordinary share (exclusive of expenses);
   (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

and (unless previously revoked, varied or renewed) the authority hereby granted shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or on 15 October 2009 (whichever is the earlier), save that the company may enter into a contract to purchase ordinary shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of ordinary shares pursuant to any such contract as if the authority conferred by this resolution had not expired.

8. That:

(a) the rules ("LTIP Rules") of the Nichols plc Long Term Incentive Plan in the form set out in the draft rules, a copy of which having been produced to the meeting and initialled by the Chairman for the purposes of identification, and the principal features of which are summarised in the Note to Resolutions 8 and 9 (sent to shareholders with this notice) be and are approved and the directors of the company be and are authorised to do all acts and things which they may consider necessary or expedient to give effect to the LTIP Rules including, but not limited to, making any amendment to the LTIP Rules; and

(b) the directors be and are authorised to issue ordinary shares of 10 pence each in the capital of the company ("ordinary shares") at a subscription price which is not less than the current market value of such ordinary shares to the trustee of any trust established by the company for the benefit of employees (and others) of the company and its subsidiaries for the purposes of satisfying the exercise of share options or other share awards granted by such trustees or the company pursuant to the LTIP Rules.

9. That:

The rules ("Sharesave Rules") of the Nichols plc Sharesave Plan in the form set out in the draft rules, a copy of which having been produced to the meeting and initialled by the Chairman for the purposes of identification, and the principal features of which are summarised in the Note to Resolutions 8 and 9 (sent to shareholders with this notice) be and are approved and the directors of the company be and are authorised to do all acts and things which they may consider necessary or expedient to give effect to the Sharesave Rules including, but not limited to, making any amendment to the Sharesave Rules.

By order of the Board
B M Hynes
Secretary
10 April 2008

General notes:

(i) The directors' service agreements 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.

(ii) Only those members registered in the register of members of the company on 18 April 2008 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or 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 on 18 April 2008 or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(iii) A member is entitled to appoint one or more persons as proxies 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.

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.

(iv) 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 11.00am on Monday 12 May 2008 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

(v) 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 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.

(vi) 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 CrestCo's specifications, and must contain the information required for such instruction, 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 issuer's agent, Capita Registrars (Crest ID RA10), by 10.30 am on 22 April 2008. 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 Application Host) from which the issuer's agent 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.

(vii) Crest members and, where applicable, their Crest sponsors or voting service providers should note that CrestCo does not make available special procedures in Crest for any particular message. 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, to procure that his 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 system providers are referred, in particular, to those sections of the Crest Manual concerning practical limitations of the Crest system and timings.

(viii) The company may treat as invalid a Crest Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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.