

**nichols** plc **ANNUAL  
REPORT &  
FINANCIAL  
STATEMENTS  
2000**





# THE GROP

Nichols plc is a highly focused soft drinks business.

Its brand portfolio includes Vimto, which is sold in over 65 countries and Sunkist & Panda which are sold in the UK.

The group has a leading market position in both the stills and carbonates drinks categories and also in the soft drinks on dispense market, where its brands include Cabana, Ben Shaws & Dayla.

# CONTENTS



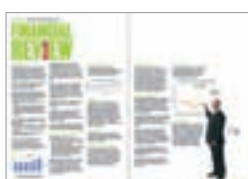
**FOUR**

CHAIRMAN'S STATEMENT



**SIX**

CHIEF EXECUTIVE'S REVIEW



**TWELVE**

FINANCIAL REVIEW



**FOURTEEN**

DIRECTORS & ADVISORS



**SIXTEEN**

DIRECTORS' REPORT



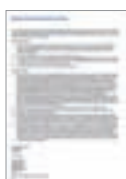
**TWENTY**

INDEPENDENT AUDITOR'S REPORT



**TWENTY ONE**

FINANCIAL STATEMENTS



**FIFTY**

NOTICE OF MEETING



**FIFTY FIVE**

FINANCIAL CALENDAR

I am delighted to report that 2010 was another outstanding year, despite the difficult economic environment and our very strong comparatives from the previous year. In a tough consumer market we have once again delivered double digit growth in volume, revenue and profitability.

Whilst the UK soft drinks market grew by +7% (AC Nielsen, year to 25 December 2010), our UK sales increased by +17%, buoyed by the launch of Cherry Vimto which delivered incremental sales of £3.7m.

Our international revenues increased by +24% to £15.4m, with significant growth coming from Africa (+56%) and the Middle East (+13%). Our overseas operations are a significant contributor to the group, hedging against the uncertainties of the UK economy and diluting the impact of raw material inflation currently affecting the food and drink industry in the UK.

Sales of soft drinks on dispense increased by +8%, largely as a result of the acquisition of the Ben Shaws dispense business in January 2010. Today, we are also announcing that we have invested in the future growth of our dispense business by acquiring the remaining 50% equity in Dayla Liquid Packing Limited (Dayla).

We are also pleased to announce that we have agreed to license the Levi Roots (Reggae Reggae) brand exclusively in the UK soft drinks category and in April 2011 we will launch a range of branded Caribbean soft drinks aimed at the "world food cuisine" category which is one of the fastest growing sectors in retail.

## Results

Group revenue for the year to 31 December 2010 increased by +16% to £83.9m (2009: £72.4m). Profit before tax (pre exceptional items) was £15.1m (2009: £12.2m), growth of +23%. Earnings per share (pre-exceptional items) was 30.22 pence (2009: 23.44 pence) an increase of +29%.

The completion of the acquisition of the balance of Dayla has necessitated a minor restructure of our management and resource requirements, resulting in a small exceptional cost of £0.3m for 2010.

Net cash at 31 December 2010 was £15.0m (2009: £11.2m), with positive net cash flow of £3.8m during the year.

## Dividend

Based on our excellent performance in 2010 and the Board's confidence in the ongoing strength of the group, we are pleased to recommend a final dividend of 9.1 pence per share. This means a total dividend for the year of 13.55 pence (2009: 12.15 pence), an increase of +11.5%. If approved, the final dividend will be paid on 6 May 2011 to shareholders registered at 8 April 2011; the ex-dividend date is 6 April 2011.

## People

We have great brands, we also have great people whose enthusiasm, ideas and hard work are fundamental to the success of our company. On behalf of the Board, I would like to thank all of our employees for their contribution to our excellent performance.

During the year, two of our long standing Non-Executive Board Directors, Jonathan Diggines and John Bee stepped down. I would therefore like to go on record and thank both Jonathan and John for their enormous contribution to the success of the group over the many years they have been involved.

I am also pleased to welcome two exceptionally able replacements, John Longworth (appointed 30 November 2010) and Eric Healey (appointed 6 January 2011) both of whom are well placed to contribute to our continuing success.

For 2010, we again adopted Derian House Hospice as our chosen charity. The charity provides a fantastic service in supporting terminally ill children and their families.

## Outlook

Following our exceptional performance in 2009, we again delivered strong growth in revenue, profit and cash generation in 2010. We have also significantly grown the brand value of Vimto and also our market share in the UK and overseas, whilst maintaining our margin in challenging market conditions.

Raw material cost inflation is a particular challenge facing the food and drink industry and whilst we are not immune to these pressures, our tight control of costs, along with our significant international business, helps to mitigate the adverse impact.

Although it hardly needs saying, the economic and consumer outlook in the UK remains uncertain in the near term. Despite the obvious challenges this will present, we have a robust business and expect to continue to outperform the market, delivering sales growth by ongoing investment in our core brands and by introducing new products.

We therefore remain confident in delivering further profitable growth in 2011 and beyond.

10 March 2011



JOHN NICHOLS NON-EXECUTIVE CHAIRMAN

# CHAIRMAN'S STATEMENT



SPARKLING

Vivid

FRUIT FLAVOUR



# CHIEF EXECUTIVE'S REVIEW



**BRENDAN HYNES** CHIEF EXECUTIVE

## The Soft Drinks Market

In overall terms, during 2010 the UK soft drinks sector again proved to be resilient, with the total market growing by +7% in value terms and +3 % in volume terms (AC Nielsen data to 25 December 2010). The main growth categories were energy, sports and cola drinks, with carbonated fruit drinks also seeing +9% growth in the year. Nichols is mainly focused on the stills and carbonates sectors.

The macro environment continues to provide challenges, with both consumer confidence and spending under severe pressure, due to the fiscal deficit measures. These trends, combined with another average summer, meant the soft drink market remained extremely competitive throughout last year.



*B Hynes*



# CHIEF EXECUTIVE'S REVIEW CONTINUED

The food and drink industry is also suffering from severe input cost inflation, with limited visibility on key commodity costs and availability. Despite all these challenging factors we continued to make excellent progress, which bodes well for the long term health of our business.

Our strategy, which is to grow our business both organically and through acquisition, whilst pursuing a balanced mix of volume and value growth, was again successful in 2010. This strategy, combined with increased year on year investment in our core brands, has enabled us to continue to grow our market share. It also resulted in a +16% growth in group sales, whilst maintaining our operating margin. Sales growth in 2009 was also a very healthy +29%, which provided a very testing set of comparatives to beat in 2010.

In January 2010, we acquired the number four player in the soft drinks dispense market, Ben Shaws. This addition consolidated our position as the number three player in this sector.

## Group Financial Performance

In 2010 we again delivered a very strong financial performance, above both our internal and external expectations. This has been achieved despite the economic and consumer uncertainties highlighted above, along with high raw material inflation.

In summary, in 2010 we delivered:

- 16% sales growth
- 23% profit growth
- 29% Earnings per share growth (pre-exceptional)
- 11.5% Dividend growth





Additionally, the group's cash conversion was also ahead of expectations and we finished the year with £15m of cash in the bank, having completed the purchase of the Ben Shaws dispense business and invested more behind our core brands in 2010 than in 2009.

Our highly focused strategy has resulted in a further increase in our market share in the year across both the stills and carbonates categories.

### Trading Performance

The group now sells in the UK and to over 65 countries internationally. We have a leading market position in both the stills and carbonates drinks categories, through our brand portfolio which includes Vimto, Sunkist, Panda, Cabana and Ben Shaws.

Sales in the UK increased by +14% to £69m

(2009: £61m). This was achieved through increased distribution of Vimto in the UK, combined with new customer account wins in the independent sector. The successful launch of Cherry Vimto at the beginning of 2010 also contributed to our strong growth. Our sales of soft drinks on dispense increased by +8 % year on year, a good result given the downturn experienced in the licensed sector, in particular. This was largely achieved by the acquisition of the Ben Shaws dispense business in January 2010.

We again invested heavily in marketing in 2010, running our "seriously mixed up fruit" campaign for a second year. This award winning campaign has improved market penetration and brought over 1 million new consumers into the Vimto brand.

We have also re-designed the Vimto packaging and this will be launched in the first quarter of 2011. This initiative will update

and modernise the brand image with a cleaner more natural look.

In 2008, we acquired a 50% share of Dayla Liquid Packing Limited (Dayla), with an option to acquire the remaining 50% on agreed terms. On 9 March 2011 we exercised this option and have now completed the 100% acquisition of Dayla. This gives us access to the premium juice, bag in box market in Europe and broadens our product offering and market reach.

Internationally, 2010 was another successful year with sales increasing by +24% to £15.4m. This was driven by Vimto increasing its market share particularly in Africa, the Middle East and Northern Europe.

In Africa, we again increased the level of product that is locally manufactured and increased our marketing investment. These factors resulted in sales increasing by +56% in this region.

# CHIEF EXECUTIVE'S REVIEW

## CONTINUED

In the Middle East, sales grew by +13% year on year with growth across both stills and carbonates products.

In summary, growth from our core markets, combined with new product developments and opening new geographical markets in 2010, has enabled us to maintain our strong momentum.

### Brand Licensing

The expansion of the Vimto brand franchise into new product categories continues with great success. Revenues from licensing the Vimto brand were again significantly up year on year, with nearly 40 million individual products consumed in 2010.

The Vimto brand is now available in a number of new licensed products including Vimto Fruit Numbers, Vimto Fruit Rope and Vimto Ice Lollies. These are complementary and contribute greatly to improving Vimto's overall brand awareness and penetration.

### Corporate Responsibility

We take our responsibilities seriously and Nichols plc has a sustainable business strategy which includes our environmental and wider social responsibilities.



### Sustainability and the Environment

We continue to actively work with the British Soft Drinks Association (BSDA), the Food and Drink Federation (FDF) and our key suppliers on environmental improvements, with four key areas targeted. These are:

- Climate change
- Waste and packaging
- Water
- Transport

We made good progress against these targets in 2010, including an ongoing review of the packaging and distribution requirements for all our products. This has resulted in reductions in packaging weights and distribution movements including:

- Increased Dilute cases per pallet reducing pallet movements by 1,900 per annum, equivalent to 72 truck loads
- Increased tetra cartons cases per pallet resulting in a reduction in pallet movements by 140 per annum, equivalent to 5 truck loads
- Lightening of Dilute bottles reducing PET usage by over 145 tonnes or 17%
- Dilute bottles now contain 25% recycled PET equivalent to 180 tonnes
- Recycled on pack labels now used for all new labels

To underline our continued commitment we have now also signed up to the Courtauld Commitment (Phase 2) and look forward to working with the Waste Resources Action Programme (WRAP) to achieve their aims.

We are also members of Business in the Community (BITC), a charitable organisation committed to building a sustainable future for people and the planet. With the help of BITC, businesses are challenged to improve performance and benefit society in the areas of community, environment and workplace.

### Employees

Our people are crucial to what we do and who we are. Our core values are built on our unique and special culture and cover key areas such as customer service, quality, professionalism, teamwork and mutual support. We have a strong emphasis on learning and development and aim to deliver consistently high results in everything we do. This has again been recognised externally, with Nichols plc being awarded an Outstanding Three Star status in the 2010 Best Companies Survey.

### Community

We actively encourage our people to give something back and work with the wider community. In 2010 our charity team once again worked hard on behalf of our chosen charity, Derian House, holding a wide variety of events, including the annual Nichols plc Charity Golf Day, which involve our customers, suppliers and advisors.



# FINANCIAL REVIEW



## Income Statement

2010 group revenue increased by 16% to £83.9m (2009: £72.4m). This performance was outstanding on the back of 2009's exceptional performance (29% growth) and means the group has now delivered a 49% increase in sales over the last two years.

Both the stills and carbonates soft drinks segments contributed to the growth across all business activities:

UK soft drink revenues totalled £49.9m, 17% up on 2009, carbonated drinks were 20% up and still drinks were 14% ahead of the prior year. Key drivers were:

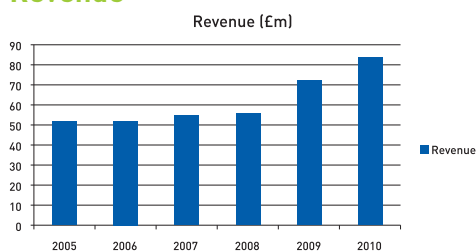
- Further distribution gains for Vimto original.
- The successful launch of Cherry Vimto in both stills and carbonates categories delivered incremental sales of £3.7m.
- Re-launch of Sunkist in the carbonates category.

Revenue from our international business also increased, rising by 24% to £15.4m. Most notably:

- Sales to African customers were up 56% on the prior year, totalling £4.2m (2009: £2.7m).
- Middle East sales were £9.1m, 13% ahead of 2009 (£8.1m).

Dispense sales were £18.6m (2009: £17.3m), an increase of 8% in a challenging market. The growth was driven by our acquisition of the Ben Shaws dispense business in January 2010.

## Revenue



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

Operating profit before exceptional items increased by 21% to £15.1m (2009: £12.5m). A strong focus on cost control meant that the sales growth was converted in to profit, as a result, the operating margin (before exceptionals) return on sales was 18%, up from 17% in 2009.

The net financing costs reduced to less than £0.1m (2009: net cost of £0.28m), interest received on our cash deposits increased and the IAS 19 net finance charges were lower due to an increase in expected returns on the defined benefit pension plan assets.

Profit Before Tax and exceptional items increased by 23% to £15.1m (2009: £12.2m).

Exceptional items totalled £0.29m and were due to a minor restructure of resources following the acquisition of the remaining 50% share capital of Dayla Liquid Packing Ltd.

The tax charge was £4.0m, the effective rate was 27% (2009: 30%), the change in rate being the effect of timing differences.

## Statement of Financial Position

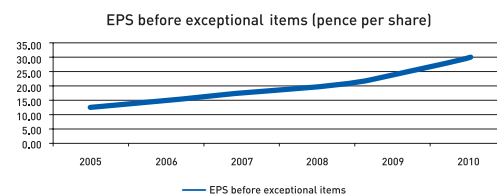
By exception, points of note are:

- Goodwill increased by £2.0m to £11.9m as a result of the acquisition of the Ben Shaws dispense business.
- Inventories were valued at £3.4m, £0.7m higher than 2009 (£2.7m). The increase was driven by the higher trading volumes and a specific stock build for January 2011 promotions.

Group cash at the year-end was £15.0m (2009: £11.2m), a net positive cash flow of £3.8m. Significant non-operating cash outflows during the year were: dividends £4.6m, acquisition of the Ben Shaws dispense business £2.7m and tax payments £3.8m.

## Earnings Per Share

Earnings Per Share (EPS) before exceptional items was 30.22 pence, 29% up on 2009. EPS before exceptional items has increased by 137% since 2005.



## Dividend

The Board is recommending a final dividend of 9.1 pence per ordinary share (2009, the comparable second interim dividend was 8.1 pence) payable to shareholders on the register at 8 April 2011. The final dividend together with the interim dividend of 4.45 pence, gives a total dividend of 13.55 pence per share for the full year (2009: 12.15 pence).

## Internal Control

The Nichols group complies with the principles of good corporate governance and has an established process of internal 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 E Healey, J Nichols and J Longworth. The terms of reference of the Committee include keeping under review the scope and results of the external audit. The Committee ensures the independence and objectivity of the external auditors, including the nature and extent of non-audit services supplied. Any further services with a value over £25,000 would require Nichols plc Board approval.

## Risks and Uncertainties

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

Following the acquisition of the remaining 50% of the shares of Dayla Liquid Packing Limited (March 2011), the Dispense business has direct influence over product supply.

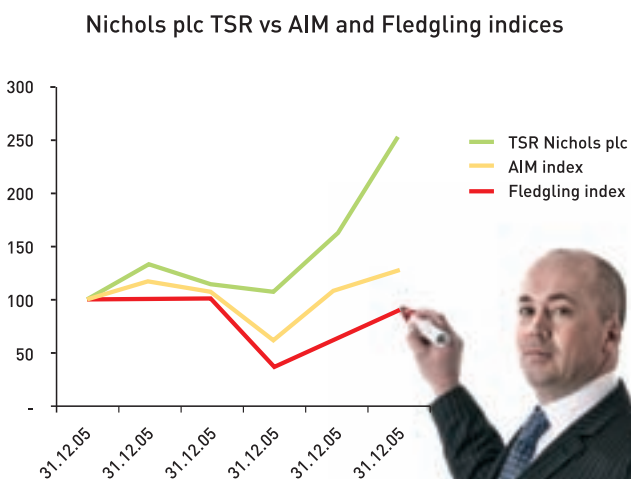
A large proportion of our international business is with the Middle East and Africa. Any political instability in these key regions could lead to volatility in our trading patterns. Issues in the Middle East at the time of writing are not affecting our core international markets.

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

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

## Shareholders

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



## Going Concern

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



FROM LEFT TO RIGHT

**JOHN NICHOLS** NON-EXECUTIVE CHAIRMAN

**BRENDAN HYNES** CHIEF EXECUTIVE

**TIM CROSTON** GROUP FINANCIAL DIRECTOR & COMPANY SECRETARY

**ERIC HEALEY** NON-EXECUTIVE DIRECTOR

**JOHN LONGWORTH** NON-EXECUTIVE DIRECTOR

# DIRECTORS &



# ADVISORS



## **Auditors**

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

## **Bankers**

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

## **Solicitors**

DLA Piper, 101 Barbirolli Square,  
Manchester. M2 3DL

## **Stockbrokers & Nominated Advisor**

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

## **Financial Advisors**

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

## **Registrars**

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

## **Registered Office**

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

## **Registered Number**

238303

# DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2010.

## 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 four and five, the Chief Executive's Review on pages six to eleven and the Financial Review on pages twelve to thirteen.

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

Reconciliation of profit for the financial year to retained earnings movement	2010		2009	
	£'000	£'000	£'000	£'000
Profit for the financial year		10,824		8,354
Interim dividend 4.45p (2009: 4.05p) per share paid 8 September 2010	(1,638)		(1,482)	
2009 second interim dividend 8.10p (2008: 7.40p) per share paid 30 March 2010	(2,963)		(2,711)	
Transfer of own shares	(353)		-	
Other comprehensive income and movement on ESOT	120		(1,186)	
		(4,834)		(5,379)
Retained earnings movement		5,990		2,975

## Non-Executive directors

### J Longworth (52)

Mr Longworth is currently a Non-Executive Director of the Cooperative Group and is also a Competition Commission panel member. He is Chairman of a business he founded in 2010, SVA Limited. Previous roles have included being a main Board Director of Asda and a Director of Tesco Stores. He was appointed to the Board of Nichols plc in November 2010.

### E Healey (62)

Mr Healey, a Chartered Accountant, is a member of the Audit Committee of the University of Salford and an advisor to a number of enterprises. He is a former senior partner of an international accounting firm. He was appointed to the Board in January 2011.

### P J Nichols (61)

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.



On 30 November 2010 and 6 January 2011, J Diggins and J Bee respectively, resigned as Non-Executive Directors.

## Executive directors

### **B M Hynes (50)**

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

### **T J Croston (47)**

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

## Financial risk management objectives and policies

Business risks and uncertainties are included within the Financial Review on page thirteen 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 2010 there were 39 (2009: 47) creditor days outstanding.

## Employees

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

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

## Charitable and political donations

Charitable donations during the year amounted to £28,000 (2009: £7,000). There were no political donations in either 2010 or 2009.

## 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 did not purchase any of its own shares.

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.

# DIRECTORS' REPORT CONTINUED

## Auditors

In accordance with Section 487(2) of the Companies Act 2006 a resolution will be proposed at the Annual General Meeting that Grant Thornton UK LLP be re-appointed auditors.

## Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' 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 the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law Section 393, Companies Act 2006, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

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

In so far as each of the directors is aware:

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

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

## Directors' indemnity

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

## Directors' remuneration

	Salary and fees £'000	Benefits in kind £'000	Bonuses £'000	Pension contributions £'000	Total 2010 £'000	Total 2009 £'000
P J Nichols	75	37	-	-	112	112
B M Hynes	207	1	102	23	333	293
T J Croston	108	8	34	7	157	-
J B Diggines	20	-	-	-	20	22
J D Bee	22	-	-	-	22	22
J Longworth	2	-	-	-	2	-
T M Purkis	-	-	-	-	-	240
Total	434	46	136	30	646	689

Please refer to Note 20 to the financial statements for details of share options relating to directors.

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

By order of the Board



**T J Croston**  
Company Secretary

Laurel House  
Ashton Road  
Newton le Willows  
WA12 0HH

9 March 2011

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NICHOLS PLC

We have audited the financial statements of Nichols plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the group and parent company statements of financial position, the consolidated and parent company statements of cash flow, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page eighteen, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable

law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

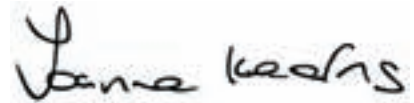
## Opinion on other matter prescribed by the Companies Act 2006

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

## Matters on which we are required to report by exception

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

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



**Joanne Kearns**  
Senior Statutory Auditor

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

9 March 2011

# FINANCIAL STATEMENTS



# Consolidated income statement

## Year ended 31 December 2010

	Notes	Before exceptional items 2010 £'000	Exceptional items 2010 £'000	<b>Total 2010 £'000</b>	Before exceptional items 2009 £'000	Exceptional items 2009 £'000	Total 2009 £'000
Revenue	3	83,899	0	<b>83,899</b>	72,378	0	72,378
Cost of sales		(42,153)	0	<b>(42,153)</b>	(36,198)	0	(36,198)
<b>Gross profit</b>		41,746	0	<b>41,746</b>	36,180	0	36,180
Distribution expenses		(5,450)	0	<b>(5,450)</b>	(4,376)	0	(4,376)
Administrative expenses	5	(21,179)	(293)	<b>(21,472)</b>	(19,303)	(293)	(19,596)
<b>Operating profit</b>		15,117	(293)	<b>14,824</b>	12,501	(293)	12,208
Finance income	6	129	0	<b>129</b>	78	0	78
Finance expense	6	(163)	0	<b>(163)</b>	(360)	0	(360)
<b>Profit before taxation</b>		15,083	(293)	<b>14,790</b>	12,219	(293)	11,926
Taxation	8	(4,042)	76	<b>(3,966)</b>	(3,651)	79	(3,572)
<b>Profit for the financial year attributable to equity holders of the parent</b>		11,041	(217)	<b>10,824</b>	8,568	(214)	8,354
Earnings per share (basic)	10			<b>29.63p</b>			22.86p
Earnings per share (diluted)	10			<b>29.59p</b>			22.57p
Dividends paid per share	9			<b>12.55p</b>			11.45p

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

All results relate to continuing operations.

# Consolidated statement of comprehensive income

## Year ended 31 December 2010

	<b>2010 £'000</b>	2009 £'000
<b>Profit for the financial year</b>	<b>10,824</b>	8,354
<b>Other comprehensive income (expense)</b>		
Defined benefit plan actuarial gain / (loss) (see note 27)	<b>74</b>	(1,565)
Deferred taxation on pension obligations and employee benefits (see note 14)	<b>28</b>	396
<b>Other comprehensive income (expense) for the year</b>	<b>102</b>	(1,169)
<b>Total comprehensive income for the year</b>	<b>10,926</b>	7,185

# Statement of financial position

## Year ended 31 December 2010

	Notes	Group		Parent	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	1,288	1,573	477	280
Goodwill	12	11,914	9,891	0	0
Investments	13	0	0	14,266	12,371
Deferred tax assets	14	2,587	2,829	2,514	2,829
<b>Total non-current assets</b>		<b>15,789</b>	<b>14,293</b>	<b>17,257</b>	<b>15,480</b>
<b>Current assets</b>					
Inventories	15	3,418	2,694	1,754	1,414
Trade and other receivables	16	16,272	14,730	11,858	10,976
Cash and cash equivalents	21	14,967	11,215	13,182	9,830
<b>Total current assets</b>		<b>34,657</b>	<b>28,639</b>	<b>26,794</b>	<b>22,220</b>
<b>Total assets</b>		<b>50,446</b>	<b>42,932</b>	<b>44,051</b>	<b>37,700</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	17	14,165	11,789	14,099	11,072
Current tax liabilities	17	1,533	1,587	826	1,096
Provisions	18	365	255	278	112
<b>Total current liabilities</b>		<b>16,063</b>	<b>13,631</b>	<b>15,203</b>	<b>12,280</b>
<b>Non-current liabilities</b>					
Pension obligations	27	4,135	4,744	4,135	4,744
Deferred tax liabilities	14	72	99	0	0
<b>Total non-current liabilities</b>		<b>4,207</b>	<b>4,843</b>	<b>4,135</b>	<b>4,744</b>
<b>Total liabilities</b>		<b>20,270</b>	<b>18,474</b>	<b>19,338</b>	<b>17,024</b>
<b>Net assets</b>		<b>30,176</b>	<b>24,458</b>	<b>24,713</b>	<b>20,676</b>
<b>EQUITY</b>					
Share capital	19	3,697	3,697	3,697	3,697
Share premium		3,255	3,255	3,255	3,255
Capital redemption reserve		1,209	1,209	1,209	1,209
Other reserves		(629)	(357)	146	418
Retained earnings		22,644	16,654	16,406	12,097
<b>Total equity</b>		<b>30,176</b>	<b>24,458</b>	<b>24,713</b>	<b>20,676</b>

The financial statements on pages twenty two to forty nine were approved by the Board of Directors on 9 March 2011 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.

Registered number 238303

# Consolidated statement of cash flows

## Year ended 31 December 2010

	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Profit for the financial year</b>			<b>10,824</b>		8,354
<b>Cash flows from operating activities</b>					
Adjustments for:					
Depreciation		542		619	
Loss on sale of property, plant and equipment		241		12	
Equity-settled share-based payment transactions		(627)		334	
Finance income	6	(129)		(78)	
Finance expense	6	0		29	
Tax expense recognised in the income statement		3,966		3,572	
Change in inventories		(724)		64	
Change in trade and other receivables		(886)		(1,144)	
Change in trade and other payables		2,439		2,654	
Change in provisions		110		74	
Change in pension obligations		(534)		(388)	
			<b>4,398</b>		5,748
<b>Cash generated from operating activities</b>			<b>15,222</b>		14,102
Tax paid			(3,777)		(3,076)
<b>Net cash generated from operating activities</b>			<b>11,445</b>		11,026
<b>Cash flows from investing activities</b>					
Finance income		139		45	
Proceeds from sale of property, plant and equipment		5		5	
Acquisition of property, plant and equipment		(503)		(202)	
Additional consideration in respect of a prior acquisition		0		(1,370)	
Acquisition of business trade and assets		(2,733)		0	
<b>Net cash used in investing activities</b>			<b>(3,092)</b>		(1,522)
<b>Cash flows from financing activities</b>					
Finance expense		0		(6)	
Repurchase of own shares		0		(138)	
Dividends paid	9	(4,601)		(4,193)	
<b>Net cash used in financing activities</b>			<b>(4,601)</b>		(4,337)
<b>Net increase in cash and cash equivalents</b>			<b>3,752</b>		5,167
Cash and cash equivalents at 1 January			11,215		6,048
<b>Cash and cash equivalents at 31 December</b>	21		<b>14,967</b>		11,215

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



# Parent company statement of cash flows

## Year ended 31 December 2010

	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Profit for the financial year</b>			<b>9,143</b>		7,000
<b>Cash flows from operating activities</b>					
Adjustments for:					
Depreciation		165		165	
Equity-settled share-based payment transactions		(627)		334	
Finance income		(125)		(78)	
Finance expense		0		2	
Tax expense recognised in the income statement		3,298		3,111	
Change in inventories		(341)		(127)	
Change in trade and other receivables		(11)		43	
Change in trade and other payables		3,004		3,551	
Change in provisions		166		112	
Change in pension obligations		(534)		(388)	
			<b>4,995</b>		6,725
<b>Cash generated from operating activities</b>			<b>14,138</b>		13,725
Tax paid			(3,225)		(2,645)
<b>Net cash generated from operating activities</b>			<b>10,913</b>		11,080
<b>Cash flows from investing activities</b>					
Finance income		135		68	
Acquisition of property, plant and equipment		(362)		(73)	
Additional consideration in respect of a prior acquisition		0		(1,370)	
Acquisition of business trade and assets		(2,733)		0	
<b>Net cash used in investing activities</b>			<b>(2,960)</b>		(1,375)
<b>Cash flows from financing activities</b>					
Finance expense		0		(2)	
Repurchase of own shares		0		(138)	
Dividends paid	9	(4,601)		(4,193)	
<b>Net cash used in financing activities</b>			<b>(4,601)</b>		(4,333)
<b>Net increase in cash and cash equivalents</b>			<b>3,352</b>		5,372
Cash and cash equivalents at 1 January			<b>9,830</b>		4,458
<b>Cash and cash equivalents at 31 December</b>	21		<b>13,182</b>		9,830

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

# Statement of changes in equity

## Year ended 31 December 2010

Group	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2009</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>(574)</b>	<b>13,679</b>	<b>21,266</b>
Dividends	0	0	0	0	(4,193)	(4,193)
Purchase of own shares	0	0	0	(138)	0	(138)
Movement in ESOT	0	0	0	21	(17)	4
IFRS 2 "Share-based payment" charge	0	0	0	334	0	334
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>217</b>	<b>(4,210)</b>	<b>(3,993)</b>
Profit for the year	0	0	0	0	8,354	8,354
Other comprehensive income	0	0	0	0	(1,169)	(1,169)
<b>At 1 January 2010</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>(357)</b>	<b>16,654</b>	<b>24,458</b>
Dividends	0	0	0	0	(4,601)	(4,601)
Transfer of own shares	0	0	0	(473)	(353)	(826)
Movement in ESOT	0	0	0	2	18	20
IFRS 2 "Share-based payment" charge	0	0	0	199	0	199
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(272)</b>	<b>(4,936)</b>	<b>(5,208)</b>
Profit for the year	0	0	0	0	10,824	10,824
Other comprehensive income	0	0	0	0	102	102
<b>At 31 December 2010</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>(629)</b>	<b>22,644</b>	<b>30,176</b>

Parent	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2009</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>201</b>	<b>10,476</b>	<b>18,838</b>
Dividends	0	0	0	0	(4,193)	(4,193)
Purchase of own shares	0	0	0	(138)	0	(138)
Movement in ESOT	0	0	0	21	(17)	4
IFRS 2 "Share-based payment" charge	0	0	0	334	0	334
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>217</b>	<b>(4,210)</b>	<b>(3,993)</b>
Profit for the year	0	0	0	0	7,000	7,000
Other comprehensive income	0	0	0	0	(1,169)	(1,169)
<b>At 1 January 2010</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>418</b>	<b>12,097</b>	<b>20,676</b>
Dividends	0	0	0	0	(4,601)	(4,601)
Transfer of own shares	0	0	0	(473)	(353)	(826)
Movement in ESOT	0	0	0	2	18	20
IFRS 2 "Share-based payment" charge	0	0	0	199	0	199
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(272)</b>	<b>(4,936)</b>	<b>(5,208)</b>
Profit for the year	0	0	0	0	9,143	9,143
Other comprehensive income	0	0	0	0	102	102
<b>At 31 December 2010</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>146</b>	<b>16,406</b>	<b>24,713</b>

# Notes to the financial statements

## Year ended 31 December 2010

### 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 2010 comprise the company and its subsidiaries (together referred to as the "group"). The group is primarily engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Review on pages six to eleven. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages twelve to thirteen. In addition, notes 22 and 24 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

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

The financial statements were approved by the Board of Directors on 9 March 2011.

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

The accounting policies have been applied consistently by the group.

IFRS 3 'Business Combinations' (Revised 2008) is effective for this period and will be applied going forward. There was no impact on the accounts in the current year.

An income statement is not provided for the parent company as permitted by Section 408 of the Companies Act 2006. The profit dealt with in the financial statements of Nichols plc was £9,143,000 (2009: £7,000,000).

#### Functional and presentation currency

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

#### Use of estimates and judgements

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

The following 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 £11.9 million (2009: £9.9 million).

#### 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.

# Notes to the financial statements

## Year ended 31 December 2010

### Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2010. Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities whose economic activities are jointly controlled by the group and other ventures independent of the group are accounted for using the proportionate consolidation method.

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

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

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

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

### Revenue recognition

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

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

### Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the management committee (as chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the management committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment reporting for the group is made to the gross profit level for the operating segments but no segment reporting is made for further expenditure or for the assets and liabilities of the group. The assets and liabilities of the group are reported as group totals and no reporting of these balances is recorded at a segment level. As a result all of the group's assets and liabilities are unallocated items and no reconciliation of segment assets to the group's total assets is prepared.

### Foreign currency transactions

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

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

### Exceptional items

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

# Notes to the financial statements

## Year ended 31 December 2010

### Taxation

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

### Current tax

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

### Deferred tax

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

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

### Goodwill

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

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

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

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

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

### Other reserves

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

### Impairment

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

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

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

# Notes to the financial statements

## Year ended 31 December 2010

### Property, plant and equipment

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

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

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

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

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

Property, plant and equipment     3-10 years

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

### Inventories

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

### Financial assets

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

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

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

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

### Financial liabilities

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

### Leased assets

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

### Employee benefits

#### Defined contribution plan

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

#### Defined benefit plan

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

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

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

# Notes to the financial statements

## Year ended 31 December 2010

### Share-based payment transactions

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

In accordance with IFRS 2 "Share-based payment", the group has recognised an expense to the income statement representing the fair value of outstanding equity-settled share-based payment awards to employees which have not vested as at 1 January 2010 for the year ending 31 December 2010.

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's share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

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

### Provisions and contingent liabilities

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

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

### Finance income and expenses

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

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

### Earnings per share

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

### Employee Share Ownership Trust

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

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

### Investments in subsidiaries

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

### Standards and interpretations in issue not yet adopted

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2010 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)

# Notes to the financial statements

## Year ended 31 December 2010

### 3. SEGMENTAL INFORMATION

#### a. Key Operating segment

The Executive Committee analyses the group's internal reports to enable an assessment of performance and allocation of resources, the operating segments are based on these reports.

The Executive Committee reviews the group on the operating segments identified below. Gross profit is the measure used to assess the performance of each operating segment.

	Revenue (sales to third parties)		Gross Profit	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Carbonates	42,494	34,821	18,512	14,544
Stills	41,405	37,557	23,234	21,636
Total	83,899	72,378	41,746	36,180

There are no sales between the two operating segments, and all revenue is earned from external customers.

The operating segments gross profit is reconciled to profit before taxation as per the consolidated income statement.

The group's assets are managed centrally by the Executive Committee and consequently there is no reconciliation between the group's assets per the statement of financial position and the segment assets.

	2010 £'000	2009 £'000
Capital Expenditure	503	202
Depreciation	542	619

#### b. Reporting by geographic segment

##### Revenue by geographic destination

	2010	2010	2009	2009
	£'000	%	£'000	%
Middle East	9,133	10.9	8,050	11.1
Africa	4,213	5.0	2,700	3.7
Rest of the World	1,195	1.4	775	1.1
China	169	0.2	25	0.0
Total exports	14,710	17.5	11,550	15.9
United Kingdom	69,189	82.5	60,828	84.1
	83,899	100.0	72,378	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, China and the United Kingdom. The group's Head Office operations are located in the United Kingdom. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and not on the legal entity in which the transaction occurred.

No individual customer accounts for 10% or more of the group's revenue in either 2010 or 2009.

The revenue and gross profit in relation to the Ben Shaws acquisition was not deemed to be material and as such has not been separately analysed.

#### Total assets

The assets of the group at 31 December 2010 and 31 December 2009 are entirely located within the United Kingdom.

#### Capital expenditure

The capital expenditure of the group for the years ended 31 December 2010 and 31 December 2009 was entirely made within the United Kingdom.

#### Depreciation

The group's depreciation charges for the years ended 31 December 2010 and 31 December 2009 are against fixed assets all retained within the United Kingdom.



# Notes to the financial statements

## Year ended 31 December 2010

### 4. OPERATING PROFIT

	2010 £'000	2009 £'000
Operating profit is stated after charging/(crediting):		
Inventory amounts charged to cost of sales	42,153	36,198
Auditors' remuneration - audit of the company's annual accounts	37	35
Fees payable to the auditors for other services:		
Audit of the company's subsidiaries	18	15
Depreciation of property, plant and equipment	542	619
Operating lease rentals payments	420	563
Equity-settled share-based payments	199	334
(Gain)/loss on foreign exchange differences	(63)	255
Loss on sale of property, plant and equipment	241	12

### 5. EXCEPTIONAL ITEMS

	2010 £'000	2009 £'000
Dispense Operation restructuring costs	293	293

The cash impact in 2010 of the exceptional items is £15,000 (2009: £38,000).

### 6. FINANCE INCOME AND EXPENSE

	2010 £'000	2009 £'000
Finance income comprises:		
Bank interest receivable	129	78
Finance expense comprises:		
Bank interest payable	0	29
Expected return on defined benefit pension scheme assets	(979)	(737)
Interest on defined benefit pension scheme obligations	1,142	1,068
Finance expense	163	360

# Notes to the financial statements

## Year ended 31 December 2010

### 7. DIRECTORS AND EMPLOYEES

	2010 Number	2009 Number
<b>a. Average number of persons employed during the year, including directors:</b>		
Total	112	121
<hr/>		
<b>b. Group employment costs were as follows:</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Wages and salaries	6,252	5,845
Social security costs	606	519
Pension costs - defined contribution scheme	299	266
Pension costs - defined benefit scheme (see note 27)	110	56
Equity-settled share-based payments	199	334
	<b>7,466</b>	<b>7,020</b>

The employment costs for the parent company amounted to £5,440,000 (2009: £5,324,000).

	2010 £'000	2009 £'000
Directors' remuneration for the year, including pension costs	646	689

The highest paid director has received £333,000 (2009: £293,000) including pension contributions.

Benefits are accruing to 2 directors (2009: 2 directors) under a defined contribution scheme.

Equity-settled share-based payments in respect of directors, not included in the above figures, amounted to £102,000 (2009: £169,000).

Further information regarding directors' remuneration is provided in the directors' report on page nineteen.

#### **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:

	2010 £'000	2009 £'000
Wages and salaries	1,154	1,058
Pension costs - defined contribution scheme	53	52
Pension costs - defined benefit scheme	22	16
Equity-settled share-based payments	181	315
	<b>1,410</b>	<b>1,441</b>

# Notes to the financial statements

## Year ended 31 December 2010

### 8. TAXATION

	2010 £'000	2009 £'000
<b>a. Analysis of expense recognised in the consolidated income statement</b>		
Current taxation:		
UK corporation tax on income for the year	3,747	3,397
Adjustments in respect of prior years	(24)	(41)
<b>Total current tax charge for the year</b>	<b>3,723</b>	3,356
Deferred tax:		
Origination and reversal of temporary differences	277	35
Adjustments in respect of prior years	(34)	181
<b>Total deferred tax charge for the year</b>	<b>243</b>	216
<b>Total tax expense in the consolidated income statement</b>	<b>3,966</b>	3,572

The tax expense is wholly in respect of UK taxation.

	2010 £'000	2009 £'000
<b>b. Tax reconciliation</b>		
Profit before taxation	14,790	11,926
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2009: 28%)	4,143	3,339
Effect of:		
Non-deductible expenses	32	99
Permanent element of share scheme deduction	(157)	0
Impact on deferred tax of use of hybrid tax rate	91	0
Other timing differences	(164)	0
Adjustments to the tax charge in respect of prior years	(58)	140
Depreciation for the year greater/(less) than capital allowances	79	(6)
<b>Total tax expense in the consolidated income statement</b>	<b>3,966</b>	3,572

The effective rate of tax for the year of 26.8% (2009: 30.0%) is lower than the standard rate of corporation tax in the United Kingdom (28%). The differences are explained above.

**c. The effective rate of tax on profit before exceptional items is 26.3% (2009: 29.9%).**

#### d. Tax on items charged to equity

In addition to the amount credited to the consolidated income statement, £28,000 (2009: £396,000) has been credited directly to equity, being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

### 9. EQUITY DIVIDENDS

	2010 £'000	2009 £'000
Interim dividend 4.45p (2009: 4.05p) paid 8 September 2010	1,638	1,482
Second Interim dividend proposed for 2009 8.10p (2008: 7.40p) paid 30 March 2010	2,963	2,711
<b>Total</b>	<b>4,601</b>	4,193

The interim dividend for the prior year of £1,482,000 was paid on 2 September 2009.

In accordance with IAS 10 "Events after the balance sheet date", the 2010 final dividend of £3,324,000 (9.10p per share) has not been accrued as it had not been approved by the year end.

# Notes to the financial statements

## Year ended 31 December 2010

### 10. EARNINGS PER SHARE

	2010	2009
Earnings per share (basic)	29.63p	22.86p
Earnings per share (diluted)	29.59p	22.57p
Earnings per share (basic) - before exceptional items	30.22p	23.44p
Earnings per share (diluted) - before exceptional items	30.18p	23.15p

#### Earnings per share - after exceptional items

	2010			2009		
	Earnings £'000	Weighted average number of shares	Earnings per share	Earnings £'000	Weighted average number of shares	Earnings per share
Basic earnings per share	10,824	36,531,394	29.63p	8,354	36,548,553	22.86p
Dilutive effect of share options		51,971			457,169	
Diluted earnings per share	10,824	36,583,365	29.59p	8,354	37,005,722	22.57p

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

#### Earnings per share - before exceptional items

	2010			2009		
	Earnings £'000	Weighted average number of shares	Earnings per share	Earnings £'000	Weighted average number of shares	Earnings per share
Basic earnings per share	10,824	36,531,394	29.63p	8,354	36,548,553	22.86p
Exceptional items	293			293		
Taxation in respect of exceptional items	(76)			(79)		
Basic earnings per share before exceptional items	11,041	36,531,394	30.22p	8,568	36,548,553	23.44p
Dilutive effect of share options		51,971			457,169	
Diluted earnings per share before exceptional items	11,041	36,583,365	30.18p	8,568	37,005,722	23.15p

# Notes to the financial statements

## Year ended 31 December 2010

### 11. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Property, plant and equipment £'000
<b>At 1 January 2009</b>	<b>5,347</b>
Additions	202
Disposals	(134)
<b>At 1 January 2010</b>	<b>5,415</b>
Additions	503
Disposals	(803)
<b>At 31 December 2010</b>	<b>5,115</b>
<b>Depreciation</b>	
<b>At 1 January 2009</b>	<b>3,341</b>
Charge for the year	619
On disposals	(118)
<b>At 1 January 2010</b>	<b>3,842</b>
Charge for the year	542
On disposals	(557)
<b>At 31 December 2010</b>	<b>3,827</b>
<b>Net book value at 31 December 2010</b>	<b>1,288</b>
Net book value at 31 December 2009	1,573
Parent Cost	Property, plant and equipment £'000
<b>At 1 January 2009</b>	<b>1,583</b>
Additions	73
<b>At 1 January 2010</b>	<b>1,656</b>
Additions	362
<b>At 31 December 2010</b>	<b>2,018</b>
<b>Depreciation</b>	
<b>At 1 January 2009</b>	<b>1,211</b>
Charge for the year	165
<b>At 1 January 2010</b>	<b>1,376</b>
Charge for the year	165
<b>At 31 December 2010</b>	<b>1,541</b>
<b>Net book value at 31 December 2010</b>	<b>477</b>
Net book value at 31 December 2009	280

# Notes to the financial statements

## Year ended 31 December 2010

### 12. GOODWILL

Group Cost	£'000
At 1 January 2009	9,521
Additions	370
<b>At 1 January 2010</b>	<b>9,891</b>
Additions	1,895
Adjustment to a prior acquisition	128
<b>At 31 December 2010</b>	<b>11,914</b>

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

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

Goodwill additions for 2010 consist of the acquisition of the trade of the Ben Shaws 'soft drinks on draught' business. The total goodwill is entirely attributable to the Dispense Operation.

If the discount rate were to increase by 10% the discounted cashflows would still exceed the carrying amount, likewise if the free cashflows were to reduce by 10% the discounted cashflows would still exceed the carrying amount.

### 13. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent Cost and net book amount	£'000
At 1 January 2009	12,001
Additions	370
<b>At 1 January 2010</b>	<b>12,371</b>
Additions	1,895
<b>At 31 December 2010</b>	<b>14,266</b>

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

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

The company directly owns Cabana (Holdings) Limited, Beacon Holdings Limited, Cariel Soft Drinks Limited, Ben Shaws Dispense Drinks Limited and 50% of Dayla Liquid Packing Limited, (which is proportionately consolidated as it is considered to be a joint venture).

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

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

All group undertakings are consolidated.

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

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

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

# Notes to the financial statements

## Year ended 31 December 2010

### 14. DEFERRED TAX ASSETS AND LIABILITIES

#### Movement in temporary differences during the year

Group	Net balance at 1 January 2010 £'000	Recognised in income £'000	Recognised in equity £'000	Deferred tax acquired £'000	Net balance at 31 December 2010 £'000
Property, plant and equipment	22	61	0	0	83
Goodwill	1,277	(107)	0	0	1,170
Employee benefits	1,428	(277)	28	0	1,179
Provisions	3	80	0	0	83
	2,730	(243)	28	0	2,515

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

Parent	Net balance at 1 January 2010 £'000	Recognised in income £'000	Recognised in equity £'000	Deferred tax acquired £'000	Net balance at 31 December 2010 £'000
Property, plant and equipment	121	(39)	0	0	82
Goodwill	1,277	(107)	0	0	1,170
Employee benefits	1,428	(277)	28	0	1,179
Provisions	3	80	0	0	83
	2,829	(343)	28	0	2,514

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

#### 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	155	121	(72)	(99)	83	22
Goodwill	1,170	1,277	0	0	1,170	1,277
Employee benefits	1,179	1,428	0	0	1,179	1,428
Provisions	83	3	0	0	83	3
	2,587	2,829	(72)	(99)	2,515	2,730

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	82	121	0	0	82	121
Goodwill	1,170	1,277	0	0	1,170	1,277
Employee benefits	1,179	1,428	0	0	1,179	1,428
Provisions	83	3	0	0	83	3
	2,514	2,829	0	0	2,514	2,829

# Notes to the financial statements

## Year ended 31 December 2010

### 15. INVENTORIES

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Finished goods	3,418	2,694	1,754	1,414

In 2010 the group write-down of inventories to net realisable value amounted to £106,000 (2009: £88,000).

### 16. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade receivables	14,691	13,517	10,736	10,364
Amounts owed by group undertakings	0	0	114	243
Other receivables	1,297	896	783	127
Prepayments and accrued income	284	317	225	242
	16,272	14,730	11,858	10,976

Other receivables include an amount of £175,000 (2009: £436,000) due in more than one year. All other amounts above are short-term debt.

The difference between the carrying value and fair value of all receivables is not considered to be material.

All trade and other receivables have been reviewed for indicators of impairment and a provision of £1,647,000 (2009: £919,000) has been recorded accordingly in parent and group.

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	2010 £'000	2009 £'000
Up to 30 days overdue	2,343	2,140
Over 30 days and up to 60 days overdue	231	587
Over 60 days and up to 90 days overdue	41	203
Over 90 days overdue	0	0
	2,615	2,930

Parent	2010 £'000	2009 £'000
Up to 30 days overdue	1,508	1,605
Over 30 days and up to 60 days overdue	78	500
Over 60 days and up to 90 days overdue	127	227
Over 90 days overdue	0	0
	1,713	2,332

Group	At 1 January 2010 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2010 £'000
Bad debt provision	919	843	(115)	1,647

Group	At 1 January 2009 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2009 £'000
Bad debt provision	674	272	(27)	919

Parent	At 1 January 2010 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2010 £'000
Bad debt provision	846	735	(28)	1,553

Parent	At 1 January 2009 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2009 £'000
Bad debt provision	610	247	(11)	846



# Notes to the financial statements

## Year ended 31 December 2010

### 17. TRADE AND OTHER PAYABLES AND CURRENT TAX LIABILITIES

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	3,463	3,866	2,526	3,146
Amounts owed to group undertakings	0	0	1,924	910
Other taxes and social security	979	615	608	484
Accruals and deferred income	9,723	7,308	9,041	6,532
	14,165	11,789	14,099	11,072
Current tax liabilities	1,533	1,587	826	1,096
	15,698	13,376	14,925	12,168

All amounts shown above are short-term. The carrying values are considered to be a reasonable approximation of fair value. At 31 December 2010, liabilities have contractual maturities which are summarised below:

Group	2010		2009	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	3,463	0	3,866	0
Other short term financial liabilities	9,723	0	7,308	0
	13,186	0	11,174	0

Parent	2010		2009	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	2,526	0	3,146	0
Other short term financial liabilities	9,041	1,924	6,532	910
	11,567	1,924	9,678	910

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

Group and parent	2010		2009	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Forward exchange contracts	2,556	2,558	0	0

### 18. PROVISIONS

Group	At 1 January 2010 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2010 £'000
	Exceptional cost provision	255	278	(168)

Parent	At 1 January 2010 £'000	Charge in the year £'000	Utilised £'000	At 31 December 2010 £'000
	Exceptional cost provision	112	278	(112)

# Notes to the financial statements

## Year ended 31 December 2010

### 19. SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised 52,000,000 (2009: 52,000,000) 10p ordinary shares	5,200	5,200
Allotted, issued and fully paid 36,968,772 (2009: 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 2010 and 31 December 2009.

### 20. SHARE OPTIONS

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

#### Save As You Earn Scheme

Date of Grant	Number granted	Share price on grant date	Exercise price	Fair values on grant date	Vesting period	Expected dividend yield	Lapse rate	Risk free rate	Volatility
14 October 2004	24,052	£1.60	£1.26	£0.33	5.00 years	3.50%	5.00%	4.50%	24.08%
26 September 2005	28,991	£2.05	£1.63	£0.40	5.00 years	3.50%	5.00%	3.91%	22.65%
3 October 2006	60,376	£2.51	£1.92	£0.46	5.00 years	3.50%	5.00%	4.38%	21.13%
1 September 2008	30,796	£2.45	£1.77	£0.66	3.00 years	4.35%	5.00%	4.36%	20.31%
1 September 2008	11,398	£2.45	£1.77	£0.65	5.00 years	4.35%	5.00%	4.37%	20.31%
1 June 2010	46,776	£3.54	£2.83	£0.70	3.00 years	4.35%	5.00%	2.25%	25.70%
1 June 2010	9,008	£3.54	£2.83	£0.69	5.00 years	4.35%	5.00%	4.75%	25.70%

#### Long Term Incentive Plan

Date of Grant	Number granted	Share price on grant date	Exercise price	Fair values on grant date	Vesting period	Expected dividend yield	Lapse rate	Risk free rate	Volatility
11 June 2008	125,000	£2.43	£0.00	£2.37	0.56 years	4.28%	0.00%	5.22%	19.93%
11 June 2008	150,000	£2.43	£0.00	£2.28	1.56 years	4.28%	0.00%	5.22%	19.93%
11 June 2008	150,000	£2.43	£0.00	£2.18	2.55 years	4.28%	0.00%	5.22%	19.93%
1 January 2010	25,000	£2.93	£0.00	£3.45	0.00 years	4.28%	0.00%	5.22%	19.93%

#### Expected volatility

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

#### Risk-free rate

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

#### Expected life

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

# Notes to the financial statements

## Year ended 31 December 2010

### 20. SHARE OPTIONS (continued)

Date of grant:	At 1 January 2010	Granted	Exercised	Lapsed	At 31 December 2010	Exercise price per share
14 October 2004	2,623	0	(2,623)	0	0	126p*
26 September 2005	9,666	0	(1,013)	(6,221)	2,432	163p*
3 October 2006	50,143	0	(2,040)	(1,371)	46,732	192p
11 June 2008	125,000	0	(120,000)	(5,000)	0	0p
11 June 2008	150,000	0	(150,000)	0	0	0p
11 June 2008	150,000	0	(150,000)	0	0	0p
1 September 2008	42,194	0	(1,651)	(11,650)	28,893	177p
1 January 2010	0	25,000	(25,000)	0	0	0p
1 June 2010	0	55,784	0	(3,206)	52,578	283p
	529,626	80,784	(452,327)	(27,448)	130,635	

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 2010 varied between 290.5p and 474.8p and the weighted average price for the year was 408p.

At 31 December 2010, options over 130,635 shares were outstanding under Employee Share Option Plans (2009: 529,626).

\*Indicates share options exercisable at 31 December 2010

Directors' rights to subscribe for shares in the company and its subsidiaries are indicated below:

	At 1 January 2010	Granted	Exercised	At 31 December 2010	Exercise price per share
BM Hynes	225,000	0	(225,000)	0	0p
TJ Croston	0	25,000	(25,000)	0	0p

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

	2010		2009	
	Number	Weighted average exercise price in pence	Number	Weighted average exercise price in pence
Outstanding on 1 January	529,626	137.82	574,002	141.71
Granted	80,784	195.42	0	0.00
Exercised	(452,327)	2.58	(44,376)	188.10
Lapsed	(27,448)	189.18	0	0.00
Outstanding on 31 December	130,635	224.77	529,626	137.82

### 21. CASH AND CASH EQUIVALENTS

Group	At 1 January 2010 £'000	Cash flow £'000	At 31 December 2010 £'000
Cash at bank and in hand	11,215	3,752	14,967

Parent	At 1 January 2010 £'000	Cash flow £'000	At 31 December 2010 £'000
Cash at bank and in hand	9,830	3,352	13,182

# Notes to the financial statements

## Year ended 31 December 2010

### 22. FINANCIAL INSTRUMENTS

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

#### Treasury management

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

#### Liquidity risk

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

#### Interest rate risk

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

#### Credit risk

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

#### Foreign currency risk

The group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the group. The currencies giving rise to this risk are primarily US Dollars (USD) and Euros (€). The group uses forward exchange contracts to hedge its foreign currency risk. Forward purchase contracts in US Dollars 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 2011. 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 materially different to that shown in note 17.

	2010 £'000	2009 £'000
<b>Foreign currency assets</b>		
US Dollar	1,970	1,502
Euro	418	590
Chinese Yuan	32	13
	<b>2,420</b>	<b>2,105</b>

#### Foreign currency sensitivity

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

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

If Sterling had strengthened against the US Dollar, Euro and Chinese Yuan by 5% (2009: 5%), then this would have had the following impact:

	2010 £'000				2009 £'000			
	USD	Euro	CNY	Total	USD	Euro	CNY	Total
Net result for the year	(93)	(20)	(1)	(114)	(72)	(28)	(1)	(101)

If Sterling had weakened against the US Dollar, Euro and Chinese Yuan by 5% (2009: 5%), then this would have had the following impact:

	2010 £'000				2009 £'000			
	USD	Euro	CNY	Total	USD	Euro	CNY	Total
Net result for the year	104	22	2	128	79	31	0	110

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

# Notes to the financial statements

## Year ended 31 December 2010

### 23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current assets				
Trade receivables and other receivables	15,988	14,413	11,633	10,734
Cash and cash equivalents	14,967	11,215	13,182	9,830
Total loans and receivables	30,955	25,628	24,815	20,564

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

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current liabilities				
Other financial liabilities at amortised cost				
Trade and other payables	3,463	3,866	2,526	3,146

### 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 2009.

At 31 December 2010 the group had no debt, and therefore the capital structure consists of equity only.

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

### 25. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within one year	342	428	231	311
Between one and five years	403	328	173	105
More than five years	158	178	0	0
	903	934	404	416

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

### 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Sale of goods and services (including recharge of costs)	2,523	2,220	1924	910

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

# Notes to the financial statements

## Year ended 31 December 2010

### 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 £299,000 (2009: £266,000).

The company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2008 and updated at 31 December 2010 by an independent qualified actuary. The company paid an additional £0.7 million into the plan in the year (2009: £0.7 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:

	<b>31 December 2010</b>	31 December 2009	31 December 2008
Future salary increases	<b>4.45%</b>	4.50%	3.10%
Rate of increase in (post 1997) pensions in payment (a)	<b>3.40%</b>	3.50%	2.60%
Discount rate at 31 December	<b>5.40%</b>	5.70%	6.70%
Expected rate of inflation	<b>3.40%</b>	3.50%	2.60%
Overall expected return on plan assets	<b>5.90%</b>	6.20%	6.00%

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

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

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

Assumptions regarding future mortality experience are set based on the advice of actuaries and in accordance with published statistics. Life expectancies have been estimated as 92 years for men (2009: 92 years) and 92 years for women (2009: 92 years).

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

Over the year the company contributed to the plan at the rate of 18.6% of salaries. The charge to the consolidated income statement was £110,000 (2009: £56,000). The company will continue to contribute at this rate pending the results of the next actuarial valuation. The plan is now closed to new entrants. This means that the average age of the membership can be expected to rise which in turn means that the future service cost (as a percentage of scheme members' pensionable salaries) can be expected to rise.

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

	<b>31 December 2010</b>	Long term rate of return expected at			
		31 December 2009	31 December 2008	31 December 2007	31 December 2006
Equity securities	<b>6.90%</b>	7.20%	6.60%	7.50%	7.50%
Gilts	<b>3.90%</b>	4.20%	3.60%	4.50%	4.50%
Government bonds	<b>5.20%</b>	5.40%	6.50%	5.80%	4.90%
Cash and other	<b>0.50%</b>	0.50%	1.50%	5.50%	4.80%

	<b>31 December 2010</b>	Market value of assets at			
	<b>£'000</b>	31 December 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Equity securities	<b>12,511</b>	11,004	8,826	12,009	11,771
Gilts	<b>1,938</b>	1,772	1,610	2,094	1,852
Government bonds	<b>1,983</b>	1,800	1,502	2,042	1,849
Cash and other	<b>1,463</b>	963	602	425	456
	<b>17,895</b>	15,539	12,540	16,570	15,928

# Notes to the financial statements

## Year ended 31 December 2010

### 27. EMPLOYEE BENEFITS (continued)

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

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

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Fair value of plan assets	17,895	15,539	12,540	16,570	15,928
Present value of defined benefit obligations	(22,030)	(20,283)	(16,107)	(20,205)	(22,432)
Recognised liability for defined benefit obligations	(4,135)	(4,744)	(3,567)	(3,635)	(6,504)

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
<b>Operating profit</b>					
Current service costs	(110)	(56)	(84)	(161)	(158)
<b>Total operating charge</b>	(110)	(56)	(84)	(161)	(158)
<b>Finance expense</b>					
Expected return on plan assets	979	737	1,102	1,085	981
Interest on obligation	(1,142)	(1,068)	(1,145)	(1,088)	(1,007)
<b>Total finance expense</b>	(163)	(331)	(43)	(3)	(26)
<b>Total charge to the consolidated income statement</b>	(273)	(387)	(127)	(164)	(184)

**Group consolidated statement of comprehensive income**

Actual return less expected return on plan assets	1,033	1,901	(4,782)	(634)	256
Experience gains and losses arising on plan liabilities	(72)	120	1,113	(22)	836
Changes in the assumptions underlying the present value of the plan liabilities	(887)	(3,586)	2,383	3,178	(1,001)
<b>Actuarial movement in defined benefit plan recognised in statement of comprehensive income</b>	74	(1,565)	(1,286)	2,522	91

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Liability for defined benefit obligations at 1 January	(4,744)	(3,567)	(3,635)	(6,504)	(7,008)
Current service costs	(110)	(56)	(84)	(161)	(158)
Contributions paid into the plan	808	775	672	511	597
Gain on settlement of obligations	0	0	809	0	0
Other finance costs	(163)	(331)	(43)	(3)	(26)
Actuarial gain/(loss) recognised in statement of comprehensive income	74	(1,565)	(1,286)	2,522	91
<b>Liability for defined benefit obligations at 31 December</b>	(4,135)	(4,744)	(3,567)	(3,635)	(6,504)

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Opening fair value of plan assets	15,539	12,540	16,570	15,928	14,102
Expected return on plan assets	979	737	1,102	1,085	981
Actuarial gain/(loss)	1,033	1,901	(4,782)	(634)	256
Contributions by the group	344	361	417	191	589
Assets distributed on settlement of obligations	0	0	(767)	0	0
<b>Closing fair value of plan assets</b>	17,895	15,539	12,540	16,570	15,928

# Notes to the financial statements

## Year ended 31 December 2010

### 27. EMPLOYEE BENEFITS (continued)

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Opening defined benefit obligations	20,283	16,107	20,205	22,432	21,110
Current service costs	110	56	84	161	158
Contributions by participants	(464)	(414)	(255)	(320)	(8)
Other finance costs	1,142	1,068	1,145	1,088	1,007
Actuarial loss/(gain)	959	3,466	(3,496)	(3,156)	165
Liabilities discharged on settlement	0	0	(1,576)	0	0
<b>Closing defined benefit obligations</b>	<b>22,030</b>	<b>20,283</b>	<b>16,107</b>	<b>20,205</b>	<b>22,432</b>

Difference between expected and actual return on plan assets:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Amount	1,033	1,901	(4,782)	(634)	256
Percentage of plan assets	5.8%	12.2%	(38.1%)	(3.8%)	1.6%
<b>Experience gains and losses on plan liabilities</b>					
Amount	(72)	120	1,113	(22)	836
Percentage of present value of plan liabilities	(0.3%)	0.6%	6.9%	(0.1%)	3.7%
<b>Gain and losses on changes in assumptions</b>					
Amount	(887)	(3,586)	2,383	3,178	(1,001)
Percentage of present value of plan liabilities	(4.0%)	(17.7%)	14.8%	15.7%	(4.5%)
<b>Total actuarial gains and losses</b>					
Amount	74	(1,565)	(1,286)	2,522	91
Percentage of present value of plan liabilities	0.3%	(7.7%)	(8.0%)	12.5%	0.5%

### 28. POST BALANCE SHEET EVENTS

On 9 March 2011 the group acquired the remaining 50% of the issued share capital of Dayla Liquid Packing Limited for £2.3 million.

As the acquisition was made on the same day as the preliminary announcements we are unable to provide full disclosure of the assets and liabilities acquired in accordance with IFRS 3.



# Five year summary

## YEARS ENDED 31 DECEMBER

		IFRS			
	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Revenue	83,899	72,378	56,221	55,276	52,296
Operating profit before exceptional items, IAS 19 and IFRS 2 charges	15,426	12,891	10,431	9,098	8,181
Exceptional items	(293)	(293)	(5,940)	(978)	(2,482)
IAS 19 operating profit charges	(110)	(56)	(84)	(164)	(184)
IFRS 2 operating profit charges	(199)	(334)	(543)	(192)	(100)
Operating profit after exceptional items	14,824	12,208	3,864	7,764	5,415
Profit on disposal of business	0	0	0	0	2,038
Net interest (payable)/receivable	(34)	(282)	234	284	58
Profit before tax	14,790	11,926	4,098	8,048	7,511
Tax	(3,966)	(3,572)	(1,141)	(2,379)	(1,238)
Profit after tax	10,824	8,354	2,957	5,669	6,273
Dividends paid	(4,601)	(4,193)	(3,914)	(3,697)	(3,475)
Retained profit/(loss)	6,223	4,161	(957)	1,972	2,798
Earnings per share - (basic)	29.63p	22.86p	8.10p	15.49p	17.10p
Earnings per share - (diluted)	29.59p	22.57p	8.10p	15.47p	17.08p
Earnings per share - (basic) before exceptional items	30.22p	23.44p	20.03p	17.36p	15.43p
Earnings per share - (diluted) before exceptional items	30.18p	23.15p	20.01p	17.34p	15.41p
Dividends paid per share	12.55p	11.45p	10.65p	10.00p	9.40p

# Notice of annual general meeting

Notice is hereby given that the ninetieth Annual General Meeting of Nichols plc ("company") will be held at its registered office at Laurel House, Woodlands Park, Ashton Road, Newton le Willows WA12 0HH on Wednesday, 4 May 2011 at 11.00 a.m. to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

## As ordinary business:

1. To receive the company's annual accounts and directors' and auditors' reports for the year ended 31 December 2010.
2. To declare a final dividend for the year ended 31 December 2010 of 9.10 pence per ordinary share in the capital of the company to be paid on 6 May 2011 to shareholders whose names appear on the register of members at the close of business on 8 April 2011.
3. To re-elect P J Nichols, who retires by rotation, as a director of the company.
4. To reappoint J Longworth, who has been appointed by the board since the last Annual General Meeting, as a director of the company.
5. To reappoint E J Healey, who has been appointed by the board since the last Annual General Meeting, as a director of the company.
6. To reappoint Grant Thornton UK LLP as auditors of the company.
7. To authorise the directors to determine the remuneration of the auditors.

## As special business:

8. That, pursuant to section 551 of the Companies Act 2006 ("Act"), the directors be and are generally and unconditionally authorised to exercise all powers of the company to allot shares in the company or to grant rights to subscribe for or to convert any security into shares in the company up to an aggregate nominal amount of £184,843, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or on 4 August 2012 (whichever is the earlier), save that the company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).
9. That, subject to the passing of resolution 8 and pursuant to sections 570 and 573 of the Companies Act 2006 ("Act"), the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 7 and to sell ordinary shares held by the company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:
  - 9.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
    - 9.1.1 to holders of ordinary shares in the capital of the company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
    - 9.1.2 to holders of other equity securities in the capital of the company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - 9.2 otherwise than pursuant to paragraph 8.1 of this resolution, up to an aggregate nominal amount of £184,843, and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or on 4 August 2012 (whichever is the earlier), save that the company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under section 95 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

By order of the Board  
**T J Croston**  
Company Secretary

11 April 2011

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

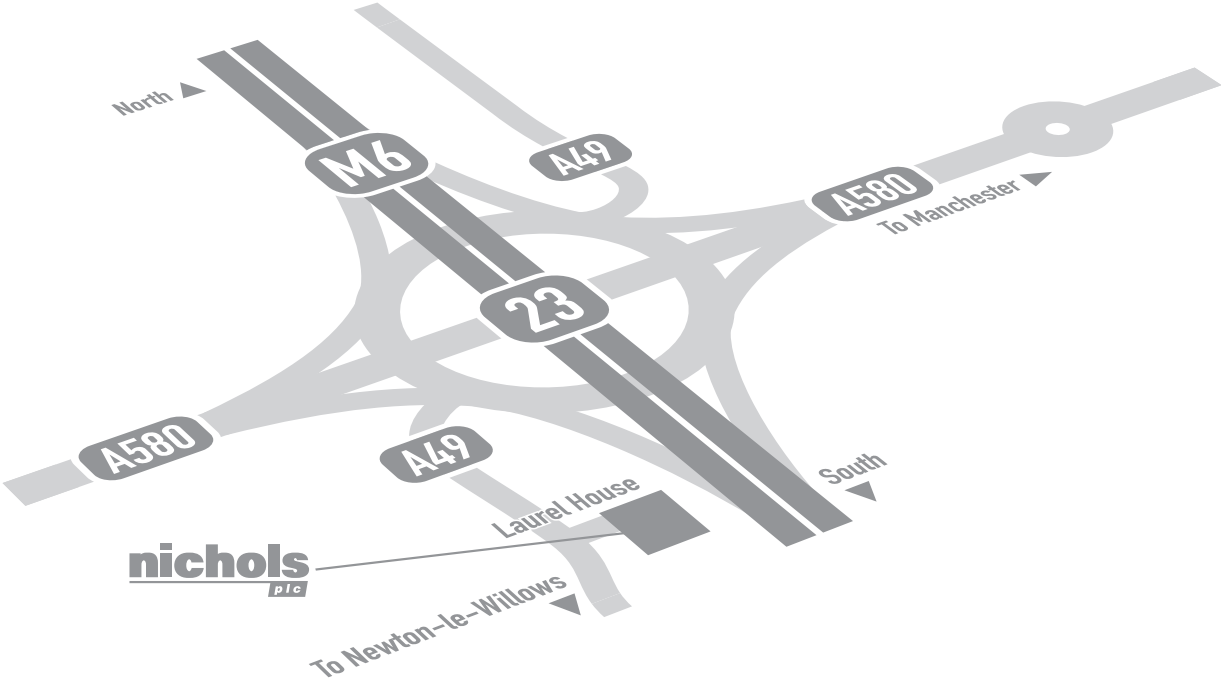
Registered in England and Wales No. 238303

# General notes

1. Copies of the executive directors' service agreements and Non-Executive directors letters of appointment will be available for inspection at the registered office of the company during normal business hours (excluding weekends and public holidays) from the date of this notice until the conclusion of the Annual General Meeting.
2. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered on the register of members of the company as at 11.00 a.m. on Monday, 2 May 2011 (or, if the meeting is adjourned, 11.00 a.m. on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
3. A member is entitled to appoint another person as his or her proxy to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained from the company's registrar on [shareholder.services@capitaregistrars.com](mailto:shareholder.services@capitaregistrars.com) or on 07811 664 0300 (calls cost 10p per minute plus networks own charges) or you may photocopy the proxy form already in your possession. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of those held by the member, may result in the proxy appointment being invalid.
4. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
5. A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11.00 a.m. on Monday 2 May 2011 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the company's Registrar, Capita Registrars (CREST ID RA10) no later than 11.00 a.m. on Monday 2 May 2011 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.  
CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.  
The company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# 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.



**Notes:**



# FINANCIAL CALENDAR

**10th MARCH 2011**

**PRELIMINARY RESULTS ANNOUNCED**

**4th MAY 2011**

**ANNUAL GENERAL MEETING**

**3rd AUGUST 2011**

**INTERIM RESULTS ANNOUNCED**



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

Tel 01925 222222  
[www.nicholsplc.co.uk](http://www.nicholsplc.co.uk)