nichols plc

2013 ANNUAL REPORT & FINANCIAL STATEMENTS

NICHOLS PLC IS A HIGHLY FOCUSED SOFT DRINKS BUSINESS. ITS BRAND PORTFOLIO INCLUDES VIMTO, WHICH IS SOLD IN OVER 65 COUNTRIES AND LEVI ROOTS (SOFT DRINKS), SUNKIST, PANDA, EXTREME AND WEIGHT WATCHERS WHICH ARE SOLD IN THE UK.

CONTENTS

THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2012

CHAIRMAN'S STATEMENT

"During the second half of 2013 our sales performance started to gain momentum and showed a 4% increase over the same period in 2012"

JOHN NICHOLS
NON-EXECUTIVE CHAIRMAN

I am pleased to report another excellent performance for Nichols plc. During 2013, the Group has successfully increased profit margin, delivered double digit profit growth (pre exceptional items) and maintained its strong cash generation.

Group sales totalled £109.9m, 2% ahead of the prior year. During the second half of 2013 our sales performance started to gain momentum and showed a 4% increase over the same period in 2012.

As previously reported, during 2013 we successfully delivered our strategy to improve profitability by focusing on value over volume. As a result our operating profit margin (pre exceptional items) increased to 20% (2012: 19%) and our profit before tax (pre exceptional items) increased by 10% to £22.5m (2012: £20.5m). Once again, the balance sheet remains strong with our year-end cash balance totalling £34.3m (2012: £24.7m).

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2012

RESULTS

(PRE EXCEPTIONAL ITEMS)

	Year ended 31 Dec 2013 £m	Year ended 31 Dec 2012 £m	% movement
Group Revenue	109.9	107.8	+2%
Operating Profit	22.4	20.5	+9%
Operating Profit R.O.S.	20%	19%	
Profit Before Tax	22.5	20.5	+10%
Net Cash	34.3	24.7	+39%
EPS (basic)	45.8p	41.4p	+11%

TRADING

Our UK sales gained momentum in the second half of 2013, increasing by 5% year on year taking the full year total to £86.8m, 2% ahead of the prior year. During 2013 we have also successfully delivered our strategy to improve profitability with both revenue per case and margin showing good improvement compared to 2012.

We have successfully grown our market share of the Still category delivering an increase in sales of Vimto cordial of 11%. We continued with our planned reduction in promotional activity in the heavily discounted Carbonate sector where our sales declined by 6%.

Within our international business we saw continued growth in our African markets and coupled with a stronger second half year (versus 2012) in the Middle East, full year sales were £23.1m, which is 2% ahead of the prior year.

EXCEPTIONAL ITEMS

The Consolidated Income Statement for 2013 includes the following one-off exceptional costs totalling £3.7m:

- The implementation of a planned management restructuring, which was completed by the year end, incurring one-off costs of £1.7m.
- A provision of £2.0m to cover the potential costs of a litigation claim from a licensee in Pakistan. The claim, which the company is defending, centres on the licensee's rights to manufacture and distribute Vimto cordial in Pakistan.

DIVIDEND

Reflecting our strong balance sheet and the Board's continued confidence in the outlook, I am pleased to announce that we are recommending a final dividend of 13.3 pence per share (2012: 11.7 pence). This takes the total 2013 dividend to 19.62 pence (2012: 17.32 pence), a year on year increase of 13%.

OUTLOOK

Although economic indicators suggest signs of optimism, there is evidence that consumer spending in the UK remains cautious and we expect the UK retail market to remain challenging in 2014. Despite this environment we are confident that the Group can maintain its strong performance into 2014. We will continue to invest in our brands and grow distribution in both our UK and international markets. January saw the launch of the "Vimto Squeezy" product which takes the brand into the new 'water enhancer' category and in April consumers will see the new Vimto TV campaign.

In summary, the Board is confident that the Group is well positioned to maintain its strong performance into 2014 and beyond.

JOHN NICHOLS
NON-EXECUTIVE CHAIRMAN
12 MARCH 2014

CHIEF EXECUTIVE'S REVIEW

"Despite the Group's strategy to decrease our promotional participation in the carbonates category we still outperformed the market with our core brand Vimto"

MARNIE MILLARD
CHIEF EXECUTIVE OFFICER

I am delighted to share my first report since taking the role of Chief Executive in May 2013.

Nichols plc is an international business with a portfolio of well established brands, selling to over 65 countries worldwide. We have leading market positions in both the Still and Carbonate drinks categories and we continually look to bring new and innovative products to the soft drinks consumer, both in our home and overseas markets.

THE UK SOFT DRINKS MARKET

The total value of the UK soft drinks market excluding the "on trade" channel, as measured by Nielsen grew by 4% to £7.5bn (52 weeks data to 4 Jan 2014). The Carbonate sector remained very competitive during the year, with a heavy reliance by many brands on promotional mechanics to drive volume. Despite the Group's strategy to decrease our promotional participation in the Carbonate category, we still outperformed the market with our core brand Vimto which successfully grew by 4.3%.

The trend of market growth in the convenience channel and online can be seen not only in our home market but also in our international markets. Our promotional activity, packaging and product development continues to be targeted towards these trends.

13% FULL YEAR DIVIDEND GROWTH

11% EARNINGS PER SHARE GROWTH (pre exceptional items)

10% PROFIT BEFORE TAX GROWTH (pre exceptional items)

2% SALES GROWTH

GROUP FINANCIAL PERFORMANCE

Despite ongoing economic challenges globally we are pleased to have grown sales by a modest 2%. This was in line with our expectations given the lower promotional participation in the UK Carbonate sector. Therefore, the improvement we have delivered to our gross margin has been particularly satisfying and has contributed to the strong profit delivery.

In summary in 2013 we achieved:

- 2% sales growth
- 10% profit before tax growth (pre exceptional items)
- 11% earnings per share growth (pre exceptional items)
- 13% full year dividend growth.

Cash conversion remained strong in 2013 and as a result we finished the year with £34.3m cash in the bank.

We continue to invest in our core brands in both the UK and international markets. Vimto returned to UK television in 2013 with the final instalment of our highly successful "bounce 'n' boom" advertising campaign. This was supported by a fully integrated digital marketing campaign. Digital and social media platforms continue to be a highly compelling and effective way of engaging our consumers with our brands.

TRADING HIGHLIGHTS

In 2013 the UK enjoyed a short spell of good weather not seen since 2006. I am pleased to report our service levels were exemplary and, as a result, we benefited during that brief period with a sales uplift in excess of 20%.

We continue to invest in our portfolio of brands outside of Vimto, most notably our Levi Roots soft drinks range. We successfully launched a new variant, coconut and lime, which really captured the consumers' imagination during the summer months. This new flavour was complemented by a new "Zero" range, in order to appeal to the health conscious consumer.

2013 also saw the addition of the Extreme Sports and Energy brand to our portfolio. The energy sector remains the fastest growing category in soft drinks at 7% per annum. We have sought to differentiate ourselves in this competitive category by launching the product in an eye catching black PET bottle that appeals to our target audience of 18 – 24 year old males who are interested in extreme sports events.

Progress continues to be made in our Nichols Dispense business, with consolidation of our independent distributor base. This also involved the full integration of Festival Soft Drinks Limited, based on the south coast of England, into Nichols Dispense during 2013.

THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2012

Internationally, we continued to develop and grow in Africa, with sales increasing by 21% in the year. Our Middle Eastern business remains stable as Vimto benefits from the joint venture between our long standing partner Aujan Industries and Coca Cola. At the end of the year we signed new contracts for Nepal and Myanmar, both of which are due to come on line during 2014.

We successfully implemented a new distribution model in the USA, whereby production is now undertaken by a local co-packer and sold to our nominated distributor. This model not only ensures we achieve the most cost effective route to market but, more importantly, provides a strong base upon which to develop Vimto in the US market.

CORPORATE RESPONSIBILITY

Corporate Responsibility issues within our sector have never been more prevalent, particularly around the issue of obesity. Through our membership of the British Soft Drinks Association we have made a commitment to the Government's Public Health Responsibility Deal and we are actively participating in the Calorie Reduction Pledge. Using 2011 as the base year, to date we have made the following progress:

- Average calories per 100ml of Ready to Drink products sold is down by 18%
- The proportion of our no added sugar sales has increased from 19% to 26%
- Our total use of sugar has reduced by 20%

We will continue to provide our consumers with choice and transparency in their product selection and further development in this area will be evident in 2014.

WYC
Warrington Youth Club
Inspiring young people to achieve

COMMUNITY

We continue to provide support to charities in our local area, supported by our colleagues and business partners throughout the year. In 2014 we will work with Warrington Youth Club. Established in 1952, it has a growing membership of around 2,000 people. Its ethos is inspiring young people to achieve their potential, with the guiding values of learning, choice, participation and diversity.

EMPLOYEES

Nichols plc is a business built upon a solid foundation of strong professional people. We pride ourselves upon our excellent relationships with both our customers and our supplier partnerships.

There have been a number of changes in the leadership team in 2013 which have ensured that a highly motivated and passionate group of people are working together to continue to grow and develop our overall business. I would like to take this opportunity to thank them for their continued effort and commitment.

MARNIE MILLARD
CHIEF EXECUTIVE OFFICER
12 MARCH 2014

OUR VISION

We are a branded global business admired for our people, partnerships, products and performance.

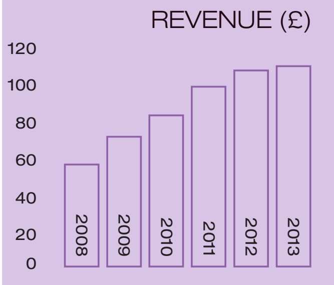
The Group maintains a five year rolling strategy which provides the framework for growth. The strategy covers our commercial activities both in the UK and overseas and in addition, we also have long term planning in place to ensure that our supply chain effectively and proactively supports business growth and development.

In the UK we will continue to invest our energies and financial support in the current portfolio of brands most notably Vimto but also the brands under license such as Levi Roots. We aim to be innovative by developing new products to meet the changing market trends and to be dynamic in our approach to communicating with our consumers.

Internationally we will maintain focus and investment in our two core export markets being the Middle East and Africa whilst continuing to develop our growing business in the U.S.A. and mainland Europe. In addition we continue to evaluate opportunities in new export markets to add to our successful international business.

Investment in new brands by acquisition also features in our growth strategy. It is likely that any successful acquisition either in the UK or overseas would be incorporated into our current business model characterised by outsourcing production and using third party distribution partners in the export markets.

FINANCIAL REVIEW



"During 2013, the Nichols plc share price continued its strong performance, increasing by 39%, closing the year at 1,188 pence"

TIM CROSTON
GROUP FINANCE DIRECTOR

Current indicators suggest a cause for optimism in terms of the general economy coming out of recession. Whilst this is positive news which should boost consumer confidence, it is clear that retail spending is lagging behind with grocery sales remaining flat as demonstrated by recent performance data from the major multiple grocers.

As anticipated, 2013 was a challenging year in both the soft drinks and broader grocery markets. As a reaction to flat consumer spending the retailers and brand owners continued to compete for market share by offering frequent and deep price promotions.

This market behaviour had prevailed since mid 2011 and along with significant input cost inflation had begun to dilute our gross margins albeit sales volumes were resilient.

For 2013 we planned to address this margin dilution, in particular by reducing our participation in the heavily promoted UK Carbonate sector.

We anticipated this would be to the detriment of sales volume growth but if executed correctly would redress the margin dilution and deliver improved profitability.

INCOME STATEMENT

Group sales totalled £109.9m, an increase of 2% in comparison to 2012. Relative to our performance over recent years, this increase may appear modest but as explained above our successful plan to improve profitability has meant a reduction in Carbonate promotional volumes in the UK.

In the second half of 2013 our sales grew by 4% year on year gaining momentum on the first half year. This was as a result of our Carbonate volumes recovering and the welcome boost of the better summer weather.

SEGMENTS

Overall, the Group's sales of Still products increased by 2% year on year to £55.4m and sales of Carbonate products also increased by 2% to £54.5m. As explained below, further analysis shows differing trends in the UK and export markets.

	2013 £m	2012 £m	Growth £m	
Still	55.4	54.5	0.9	2%
Carbonate	54.5	53.3	1.2	2%
Total	109.9	107.8	2.1	2%

UK SALES

Sales in the UK totalled £86.8m, an increase of 2% compared to 2012.

Our strategy to improve profitability mostly affected sales of packaged product rather than our dispense products. Revenue from packaged product totalled £61.2m (70% of UK sales) in the year. Sales of Still, most notably including Vimto cordial, increased by 6% year on year whilst sales of Carbonate products decreased by 8% as a consequence of reduced promotional participation in this heavily discounted category.

INTERNATIONAL SALES

International sales also increased by 2% in the year totalling £23.1m. Whilst our strategy for our international business includes growth in new regions around the world e.g. the US, South America and Asia, currently our core markets are Africa and the Middle East.

Within the African continent we traded in 28 countries during the year. In recent years revenues have significantly increased in this region and we are delighted that this trend continued in 2013 with sales totalling £8.0m, 21% ahead of very challenging comparatives (sales in 2012 grew by 22%).

2013 revenues from the Middle East totalled £10.5m. Although this represents a near 5% reduction in concentrate shipments against 2012, importantly in country sales of finished goods show a double digit increase.

PROFIT

This time last year we were reporting reduced Gross Profit margin which was down to 45% due to the increased promotional environment in the UK and the effect of input cost inflation. As explained above, the strategy for 2013 was to address this decline in margin with a focus on value over volume designed to improve profitability. I am therefore very pleased to report that our plan was successful and as a result, the Gross Margin for 2013 increased to 48%. Therefore despite the relatively modest sales growth, Gross Profit from trading has increased by £4.3m (8%) to £52.5m.

Administrative expenses (pre exceptional) increased by £2.9m in the year to £24m. The significant causes were an additional £1.2m spend on UK marketing most notably including a return to television after an absence in 2012 and due to the growth in the share price, the LTIP charge in relation to Directors and senior executives increased by £1.0m.

Operating Profit (pre exceptional items) increased 9% on the prior year to £22.4m increasing the margin on sales to 20% (2012: 19%).

As is a feature of Nichols plc's Income Statement over recent years, financing income and expenditure is insignificant therefore the Profit Before Tax (PBT) (pre exceptional items) shows a very similar picture to the Operating profit. The PBT (pre exceptional items) increased by £2.0m, an increase of 10% compared to the prior year. Over the five years since 2008, the Group's PBT (pre exceptional items) has grown by 124%.

The accrued tax charge (pre exceptional items) for 2013 was £5.6m, an effective rate of 25% (2012: 26%).

EXCEPTIONAL ITEMS

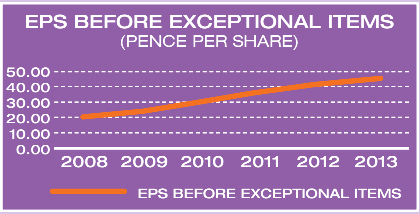
As covered in the Chairman's Statement, we have charged the Income Statement for 2013 with exceptional costs totalling £3.7m. These costs are made up of two items:

- The implementation of a planned management restructuring, which was completed by the year end, incurring one-off costs of £1.7m.
- A provision of £2.0m to cover the potential costs of a litigation claim from a licensee in Pakistan. The claim, which the company is defending, centres on the licensee's rights to manufacture and distribute Vimto cordial in Pakistan.

EARNINGS PER SHARE

Earnings Per Share (EPS) increased 11% to 45.79 pence for the year.

The five year growth trend shows 129% increase since 2008.



KEY PERFORMANCE INDICATORS

As reported in more detail above, the following Key Performance Indicators are used

FINANCIAL REVIEW (CONTINUED)

by management to monitor the Group's Income Statement:

REVENUE GROWTH +2%

The increase in the current year's revenue as a percentage of the prior year's total.

GROSS MARGIN 48%

Revenue less product cost as a percentage of revenue.

OPERATING PROFIT MARGIN 20%

Group profit before financing income or charges as a percentage of revenue.

STATEMENT OF FINANCIAL POSITION

The Group's Statement of Financial Position is relatively uncomplicated. As the majority of production is out sourced there is little fixed asset value on the balance sheet. We have strong controls over working capital, we are debt free and our business model delivers excellent cash generation.

The year-end cash balance was £34.3m (2012: £24.7m)

By exception, other key points of interest with regard to the Statement of Financial Position are:

- Inventories have reduced by 22% (£1.2m) to £4.1m. The reduction is due to the UK packaged stock being £0.5m less than the prior year and a change in business model in our dispense business means that we hold less stock of high value juice on our balance sheet.
- The pension scheme liability has reduced by 38% to £4.0m from £6.6m due to an increase in the fair value of the plan assets as at the year end.

INTERNAL CONTROL

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

The Board is ultimately responsible for maintaining sound internal control systems to safeguard the investment of shareholders and the Group'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, P 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 non-audit services with a value over £25,000 would require Nichols plc Board approval.

RISKS AND UNCERTAINTIES

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

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

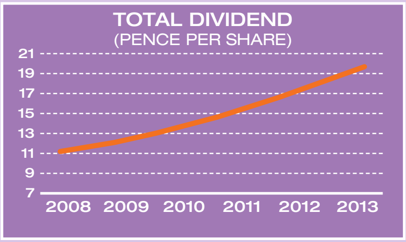
In common with many businesses we are now also highly dependent on the availability of IT systems to carry out many trading activities.

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

SHAREHOLDERS

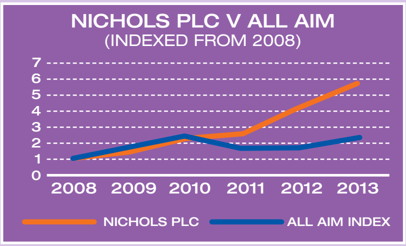
DIVIDEND

The Board is recommending a final dividend of 13.3 pence per share (2012: 11.7 pence) payable to shareholders on the register at 4 April 2014. The final dividend together with the interim dividend of 6.32 pence per share, gives a total dividend of 19.62 pence per share for the year which represents a 13% increase on the prior year (2012: 17.32 pence).



SHARE PRICE

During 2013, the Nichols plc share price continued its strong performance, increasing by 39%, closing the year at 1,188 pence and once again outperforming the All AIM Index. The following graph charts the Group's share price performance compared to the All AIM index. For ease of comparison both sets of data are shown as an index using 2008 as the base.



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.

T J CROSTON
GROUP FINANCE DIRECTOR
12 MARCH 2014

DIRECTORS & ADVISORS

JOHN NICHOLS
NON-EXECUTIVE CHAIRMAN

MARNIE MILLARD
CHIEF EXECUTIVE OFFICER

TIM CROSTON
GROUP FINANCE DIRECTOR & COMPANY SECRETARY

ERIC HEALEY
NON-EXECUTIVE DIRECTOR

JOHN LONGWORTH
NON-EXECUTIVE DIRECTOR

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

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

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

STOCKBROKERS & NOMINATED ADVISOR
Nplus1 Singer Advisory LLP,
West One Wellington Street,
Leeds,
LS1 1BA

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

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Reconciliation of profit for the financial year to retained earnings movement	2013		2012	
	£'000	£'000	£'000	£'000
Profit for the financial year		14,109		15,258
Interim dividend 6.32p (2012: 5.62p) per share paid 30 August 2013	(2,328)		(2,071)	
Final dividend 11.70p (2011: 10.30p) per share paid 3 May 2013	(4,311)		(3,795)	
Other comprehensive income/(expense) and movement on ESOT	1,598		(771)	
		(5,041)		(6,637)
Retained earnings movement		9,068		8,621

NON-EXECUTIVE DIRECTORS

J LONGWORTH (55)

Mr Longworth is currently a Non-Executive Director of the Cooperative Group, Cooperative Food Ltd and is also a Panel Member of the Competition Commission. He is Chairman of a business he founded in 2010, SVA Limited. He was appointed as Director General of the British Chambers of Commerce in September 2011. 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 (65)

Mr Healey, a Chartered Accountant, is a member of the Audit Committee of the University of Salford and an adviser 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 (64)

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

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

EXECUTIVE DIRECTORS

M J MILLARD (49)

Mrs Millard joined the Company as Managing Director of the Soft Drinks Division in 2012 and was appointed Chief Executive Officer in May 2013. Previously she has held senior roles at Gerber Juice Company Ltd, Refresco Ltd and Macaw Soft Drinks Ltd. Mrs Millard was formally appointed as a director of the Company on 7 March 2013.

T J CROSTON (50)

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.

B M HYNES (53)

Mr Hynes acted as a director until his resignation on 3 May 2013.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Financial Review on pages 12 to 14 and financial risks are set out in note 21 to the financial statements.

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.

POLITICAL DONATIONS

There were no political donations in either 2013 or 2012.

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.

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

AUDITORS

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 (IFRS) as adopted by the European Union. Under Company law 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.

The directors confirm that:

- so far as each of the directors is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order 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.

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2012

DIRECTORS' REMUNERATION

	Salary and fees	Benefits in kind	Bonuses	Growth Securities Ownership Plan 2013	Pension contributions	Total 2013	Total 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P J Nichols	97	11	0	0	0	108	127
M J Millard	145	12	38	64	0	259	0
T J Croston	132	15	13	57	10	227	203
J Longworth	22	0	0	0	0	22	22
E Healey	22	0	0	0	0	22	22
B M Hynes	82	0	0	0	8	90	380
Total	500	38	51	121	18	728	754

Bonuses which are not guaranteed have accrued to the executive directors and certain senior executives based on pre-determined performance targets. The Remuneration Committee considered it appropriate to issue awards under an incentive plan (the Growth Securities Ownership Plan (GSOP)) related to growth in operating profit from continued operations before exceptional items, tax and finance costs. The GSOP ran from 1 January 2011 to 31 December 2013 and the remuneration level at grant was linked to a theoretical number of shares equivalent in value to no more than twelve months salary for each year of the incentive scheme. In respect of the scheme all performance criteria has been met and as a result Mr Hynes and Mr Croston will receive £1.6m and £0.9m respectively.

Growth in 2013 earnings from continuing operations but before exceptional items, defined benefit pension charges and long-term incentive plan charges of 15% was required in order to achieve the maximum bonus. Under the GSOP measurement a target growth in operating profit from continuing operations before exceptional costs of 9% was required to achieve any bonus. The actual growth rate achieved was 14%. As a result of this, an apportionment of the maximum bonus will be made to executive directors and certain senior executives.

Please refer to Note 19 to the financial statements for details of share options relating to directors.

P J Nichols is a member of the final salary pension scheme and T J Croston has a personal pension plan. The Company contributions to the respective schemes are shown in the above table.

By order of the Board

T J CROSTON
Secretary

Laurel House
Ashton Road
Newton le Willows
WA12 0HH

12 March 2014

We have audited the financial statements of Nichols plc for the year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and parent company statement 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 and 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 18, 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 Financial Reporting Council's website at 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 2013 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 IFRSs 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 Strategic Report and 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.

Kevin Engel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
Manchester
12 March 2014

FINANCIAL STATEMENTS

THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2012

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2013

	Notes	Before exceptional items 2013 £'000	Exceptional items 2013 £'000	**Total 2013 £'000**	**Total 2012 £'000**
Revenue	3	109,881	0	**109,881**	**107,788**
Cost of sales		(57,430)	0	**(57,430)**	**(59,661)**
Gross profit		52,451	0	**52,451**	**48,127**
Distribution expenses		(6,063)	0	**(6,063)**	**(6,569)**
Administrative expenses		(23,961)	(3,680)	**(27,641)**	**(21,041)**
Operating profit		22,427	(3,680)	**18,747**	**20,517**
Finance income	5	347	0	**347**	**324**
Finance expense	5	(264)	0	**(264)**	**(331)**
Profit before taxation		22,510	(3,680)	**18,830**	**20,510**
Taxation	7	(5,645)	924	**(4,721)**	**(5,252)**
Profit for the financial year attributable to equity holders of the parent		16,865	(2,756)	**14,109**	**15,258**
Earnings per share (basic)	9			**38.30p**	**41.43p**
Earnings per share (diluted)	9			**38.25p**	**41.38p**

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 2013

	2013 £'000	2012 £'000
Profit for the financial year	**14,109**	15,258
Other comprehensive income/(expense) that will not be reclassified to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	**1,909**	(773)
Deferred taxation on pension obligations and employee benefits (see note 13)	**(308)**	78
Other comprehensive income/(expense) for the year	**1,601**	(695)
Total comprehensive income for the year	**15,710**	14,563

STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 DECEMBER 2013

		Group		Parent	
	Notes	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**1,295**	1,275	**355**	398
Goodwill	11	**16,057**	15,973	**0**	0
Investments	12	**0**	0	**16,566**	16,566
Deferred tax assets	13	**1,321**	2,148	**1,321**	2,082
Total non-current assets		**18,673**	19,396	**18,242**	19,046
Current assets					
Inventories	14	**4,144**	5,331	**2,182**	2,769
Trade and other receivables	15	**22,721**	23,741	**20,565**	20,446
Cash and cash equivalents	20	**34,293**	24,745	**30,964**	21,948
Total current assets		**61,158**	53,817	**53,711**	45,163
Total assets		**79,831**	73,213	**71,953**	64,209
LIABILITIES					
Current liabilities					
Trade and other payables	16	**18,152**	19,377	**23,107**	20,427
Current tax liabilities	16	**1,675**	2,191	**803**	1,368
Provisions	17	**2,018**	47	**2,018**	47
Total current liabilities		**21,845**	21,615	**25,928**	21,842
Non-current liabilities					
Pension obligations	26	**4,047**	6,556	**4,047**	6,556
Deferred tax liabilities	13	**0**	47	**0**	0
Total non-current liabilities		**4,047**	6,603	**4,047**	6,556
Total liabilities		**25,892**	28,218	**29,975**	28,398
Net assets		**53,939**	44,995	**41,978**	35,811
EQUITY					
Share capital	18	**3,697**	3,697	**3,697**	3,697
Share premium reserve		**3,255**	3,255	**3,255**	3,255
Capital redemption reserve		**1,209**	1,209	**1,209**	1,209
Other reserves		**(598)**	(474)	**177**	301
Retained earnings		**46,376**	37,308	**33,640**	27,349
Total equity		**53,939**	44,995	**41,978**	35,811

The financial statements on pages 22 to 48 were approved by the Board of Directors on 12 March 2014 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 2013

	Notes	**2013 £'000**	**2013 £'000**	2012 £'000	2012 £'000
Profit for the financial year			**14,109**		15,258
Cash flows from operating activities					
Adjustments for:					
Depreciation		**513**		460	
Loss on sale of property, plant and equipment		**11**		2	
Finance income	5	**(347)**		(324)	
Tax expense recognised in the income statement		**4,721**		5,252	
Change in inventories		**1,103**		611	
Change in trade and other receivables		**1,050**		(2,297)	
Change in trade and other payables		**(1,224)**		(1,071)	
Change in provisions		**1,971**		(92)	
Change in pension obligations		**(600)**		(530)	
			7,198		2,011
Cash generated from operating activities			**21,307**		17,269
Tax paid			**(4,765)**		(4,545)
Net cash generated from operating activities			**16,542**		12,724
Cash flows from investing activities					
Finance income		**316**		324	
Proceeds from sale of property, plant and equipment		**148**		7	
Acquisition of property, plant and equipment		**(692)**		(297)	
Acquisition of subsidiary, net of cash acquired		**0**		(2,254)	
Net cash used in investing activities			**(228)**		(2,220)
Cash flows from financing activities					
Acquisition of own shares		**(127)**		(4)	
Dividends paid	8	**(6,639)**		(5,866)	
Net cash used in financing activities			**(6,766)**		(5,870)
Net increase in cash and cash equivalents			**9,548**		4,634
Cash and cash equivalents at 1 January			**24,745**		20,111
Cash and cash equivalents at 31 December	20		**34,293**		24,745

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

PARENT COMPANY STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2013

	Notes	**2013 £'000**	**2013 £'000**	2012 £'000	2012 £'000
Profit for the financial year			**11,332**		13,104
Cash flows from operating activities					
Adjustments for:					
Depreciation		**209**		185	
Profit on sale of property, plant and equipment		**0**		(2)	
Finance income		**(347)**		(324)	
Tax expense recognised in the income statement		**3,812**		4,535	
Change in inventories		**587**		1,287	
Change in trade and other receivables		**632**		(3,939)	
Change in trade and other payables		**2,677**		(711)	
Change in provisions		**1,971**		(52)	
Change in pension obligations		**(600)**		(530)	
			8,941		449
Cash generated from operating activities			**20,273**		13,553
Tax paid			**(4,641)**		(3,794)
Net cash generated from operating activities			**15,632**		9,759
Cash flows from investing activities					
Finance income		**316**		324	
Proceeds from sale of property, plant and equipment		**18**		2	
Acquisition of property, plant and equipment		**(184)**		(138)	
Net cash used in investing activities			**150**		188
Cash flows from financing activities					
Acquisition of own shares		**(127)**		(4)	
Dividends paid	8	**(6,639)**		(5,866)	
Net cash used in financing activities			**(6,766)**		(5,870)
Net increase in cash and cash equivalents			**9,016**		4,077
Cash and cash equivalents at 1 January			**21,948**		17,871
Cash and cash equivalents at 31 December	20		**30,964**		21,948

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

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2013

Group

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2012	**3,697**	**3,255**	**1,209**	**(546)**	**28,687**	**36,302**
Dividends	0	0	0	0	(5,866)	(5,866)
Movement in ESOT	0	0	0	72	(76)	(4)
Transactions with owners	**0**	**0**	**0**	**72**	**(5,942)**	**(5,870)**
Profit for the year	0	0	0	0	15,258	15,258
Other comprehensive expense	0	0	0	0	(695)	(695)
Total comprehensive income	**0**	**0**	**0**	**0**	**14,563**	**14,563**
At 1 January 2013	**3,697**	**3,255**	**1,209**	**(474)**	**37,308**	**44,995**
Dividends	0	0	0	0	(6,639)	(6,639)
Movement in ESOT	0	0	0	(124)	(3)	(127)
Transactions with owners	**0**	**0**	**0**	**(124)**	**(6,642)**	**(6,766)**
Profit for the year	0	0	0	0	14,109	14,109
Other comprehensive income	0	0	0	0	1,601	1,601
Total comprehensive income	**0**	**0**	**0**	**0**	**15,710**	**15,710**
At 31 December 2013	**3,697**	**3,255**	**1,209**	**(598)**	**46,376**	**53,939**

Parent

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2012	**3,697**	**3,255**	**1,209**	**229**	**20,882**	**29,272**
Dividends	0	0	0	0	(5,866)	(5,866)
Movement in ESOT	0	0	0	72	(76)	(4)
Transactions with owners	**0**	**0**	**0**	**72**	**(5,942)**	**(5,870)**
Profit for the year	0	0	0	0	13,104	13,104
Other comprehensive expense	0	0	0	0	(695)	(695)
Total comprehensive income	**0**	**0**	**0**	**0**	**12,409**	**12,409**
At 1 January 2013	**3,697**	**3,255**	**1,209**	**301**	**27,349**	**35,811**
Dividends	0	0	0	0	(6,639)	(6,639)
Movement in ESOT	0	0	0	(124)	(3)	(127)
Transactions with owners	**0**	**0**	**0**	**(124)**	**(6,642)**	**(6,766)**
Profit for the year	0	0	0	0	11,332	11,332
Other comprehensive income	0	0	0	0	1,601	1,601
Total comprehensive income	**0**	**0**	**0**	**0**	**12,933**	**12,933**
At 31 December 2013	**3,697**	**3,255**	**1,209**	**177**	**33,640**	**41,978**

1. REPORTING ENTITY

Nichols plc (the "Company") is a company incorporated and 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 2013 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 6 to 10. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 12 to 14. In addition, notes 21 and 23 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 and the Companies Act 2006 as applicable to companies reporting under IFRS.

The financial statements were approved by the Board of Directors on 12 March 2014.

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

The accounting policies have been applied consistently by the Group.

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 £11,332,000 (2012: £13,104,000).

Adoption of new accounting standards

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2013:

- IAS 19 Employee Benefits (revised June 2011)
- Presentation of items to Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

Under IAS 19 revised, interest cost and expected return on plan assets have been replaced with a finance cost component which is determined by applying the same discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The difference between the actual return on plan assets and the discount rate is presented in other comprehensive income. The directors do not consider that this change has had a material impact on the Group consolidated results.

Amendments to IAS 1 affect the presentation of the Statement of Comprehensive Income whereby items are categorised depending on whether or not they may be subsequently reclassified to profit or loss. This is a presentational change only, and therefore has no impact on the Group consolidated results.

Functional and presentation currency

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

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 reporting 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 11).

The carrying amount of goodwill at the balance sheet date was £16.1 million (2012: £16.0 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 reporting date (see note 19).

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 26).

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.

Settlements and legal costs

Management have applied certain key assumptions to develop an estimate for settlements and legal costs payable under litigation outstanding against the Group. In this respect an amount of £2,018,000 is charged in exceptional items (see note 4) and is included within provisions. Management have sought the advice of both their Lawyers and independent Forensic accountants to develop their best estimate of the claim.

Basis of consolidation

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition 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 statement of financial position 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 the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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.

During 2013 the Group entered into foreign currency transactions that over the course of the year resulted in the Group having a natural hedge. This then meant the Group did not need to enter into forward contracts to minimise the impact of movements in foreign currency rates on the spot market.

Exceptional items

Exceptional items are material items which individually, or if a similar type, in aggregate, need to be disclosed separately by virtue of their size, nature or incidence in order to better understand the Group's financial performance.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income/(expense), in which case it is recognised in total 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 liability 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.

Goodwill, representing the excess of the fair value of the consideration transferred 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 fair value of the consideration transferred 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.

Reserves

Share capital represents the nominal value of equity shares.

Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares

Capital redemption reserve represents the reserve created upon redemption of shares.

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

Retained earnings represents retained earnings.

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 cash-generating unit. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment losses are recognised in the income statement.

Property, plant and equipment

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

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

The cost of replacing part of an item of property, plant 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 and other 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.

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

Defined contribution plan

The Group pays fixed contributions into independent entities in relation to plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Defined benefit plan

Under the Group's defined benefit plan, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on the standard rates of inflation, salary growth and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

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 2013 for the year ending 31 December 2013.

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 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 reporting 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 potential costs of a legal claim is recognised when Management have considered the merits of the claim and taken appropriate legal advice as to the outcome of the litigation. In the case of the current ongoing claim, highlighted in the financial review, management have sought the advice of both their Lawyers and independent Forensic accountants as to the potential quantum of the claim and provided for this accordingly. There is potential for the claim to exceed the current provisions but after consideration Management believe this is remote.

Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Earnings per share

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

Employee Share Ownership Trust

The assets and liabilities of the Employee Share Ownership Trust ("ESOT") have been included in the 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 statement of financial position 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 2013 are:

- IFRS 9 Financial Instruments (no mandatory effective date)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- IFRIC Interpretation 21 Levies (effective 1 January 2014)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (effective 1 July 2014)

The Directors are currently considering the potential impact of adoption of these standards and interpretations in future periods on the consolidated financial statements of the Group.

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	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Still	**55,420**	54,516	**30,916**	28,036
Carbonate	**54,461**	53,272	**21,535**	20,091
Total	**109,881**	107,788	**52,451**	48,127

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.

	2013 £'000	2012 £'000
Capital Expenditure	**692**	297
Depreciation	**513**	460

b. Reporting by geographic area

Revenue by geographic destination

	2013	**2013**	2012	2012
	£'000	**%**	£'000	%
Middle East	**10,498**	**9.5**	11,015	10.2
Africa	**7,975**	**7.3**	6,574	6.1
Rest of the World	**4,619**	**4.2**	5,148	4.8
Total exports	**23,092**	**21.0**	22,738	21.1
United Kingdom	**86,789**	**79.0**	85,050	78.9
	109,881	**100.0**	107,788	100.0

Revenue from continuing operations arose principally from the provision of goods.
The Group's business segments operate in the Middle East, Africa, the Rest of the World and the United Kingdom. The Group's Head Office operations are located in the United Kingdom. In presenting information on the basis of geographical areas, area 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 2013 or 2012.

Total assets
The assets of the Group at 31 December 2013 and 31 December 2012 are entirely located within the United Kingdom.

Capital expenditure
The capital expenditure of the Group for the years ended 31 December 2013 and 31 December 2012 was entirely made within the United Kingdom.

Depreciation
The Group's depreciation charges for the years ended 31 December 2013 and 31 December 2012 are against property, plant and equipment all retained within the United Kingdom.

4. OPERATING PROFIT

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting):		
Inventory amounts charged to cost of sales	**57,430**	59,661
Auditors' remuneration - audit of the Company's annual accounts	**60**	60
Fees payable to the auditors for other services:		
Other services relating to employee incentive scheme	**17**	0
Depreciation of property, plant and equipment	**513**	460
Operating lease rentals payments	**824**	883
Awards under Growth Securities Ownership Plan	**2,671**	1,117
Equity-settled share-based payment	**179**	0
(Gain)/loss on foreign exchange differences	**(108)**	113
Loss on sale of property, plant and equipment	**11**	2

Included within awards under GSOP above are £720,000 of cost classified as exceptional items. These were amounts awarded to individuals as part of the restructure.

Exceptional expenses included within administrative expenses are summarised below:

Group restructuring costs	**1,662**	0
Litigation costs	**2,018**	0
Total	**3,680**	0

5. FINANCE INCOME AND EXPENSE

	2013 £'000	2012 £'000
Finance expense comprises:		
Bank interest receivable	**347**	324
Finance expense comprises:		
Net interest expense on defined benefit liability	**(854)**	(793)
Interest on defined benefit pension scheme obligations	**1,118**	1,124
Finance expense	**264**	331

6. DIRECTORS AND EMPLOYEES

a. Average number of persons employed during the year, including directors:	2013 Number	2012 Number
Total	**172**	162

b. Group employment costs were as follows:	2013 £'000	2012 £'000
Wages and salaries	**7,366**	6,464
Social security costs	**769**	724
Pension costs - defined contribution scheme	**269**	261
Pension costs - defined benefit scheme (see note 26)	**96**	107
Awards under Growth Securities Ownership Plan	**2,671**	1,117
Equity-settled share-based payment	**179**	0
	11,350	8,673

The employment costs for the parent company amounted to £8,352,000 (2012: £6,189,000).

	2013 £'000	2012 £'000
Directors' remuneration for the year	**597**	720
Pension costs	**18**	34
Awards under 2013 Growth Securities Ownership Plan	**121**	0
Awarded under 2011 - 2013 Growth Securities Ownership Plan	**2,462**	0
	3,198	754

The highest paid director has received £1,684,000 (2012: £355,000) excluding pension contributions.

Benefits are accruing to 1 director (2012: 2 directors) under a defined contribution scheme.

Equity settled share based payments in respect of directors, not included in the above figures amounted to £179,000 (2012: nil).

Further information regarding directors' remuneration and the Growth Securities Ownership Plan is provided in the directors' report on page 19.

The following employment costs were classified within exceptional items:

	2013 £'000	2012 £'000
Wages and salaries	**801**	0
Social security costs	**64**	0
Pension costs - defined contribution scheme	**16**	0
Awards under Growth Securities Ownership Plan	**720**	0
	1,601	0

7. TAXATION

a. Analysis of expense recognised in the consolidated income statement	2013 £'000	2012 £'000
Current taxation:		
UK corporation tax on income for the year	4,234	4,901
Adjustments in respect of prior years	15	(154)
Total current tax charge for the year	4,249	4,747
Deferred tax:		
Origination and reversal of temporary differences	390	288
Adjustments in respect of prior years	82	217
Total deferred tax charge for the year	472	505
Total tax expense in the consolidated income statement	4,721	5,252

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation	2013 £'000	2012 £'000
Profit before taxation	18,830	20,510
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 23.25% (2012: 24.5%)	4,378	5,025
Effect of:		
Non-deductible expenses	64	39
Permanent element of share scheme deduction	(25)	(1)
Removal of permanent element of share scheme deduction	25	0
Impact on deferred tax of use of hybrid tax rate	223	178
Other timing differences	0	(35)
Adjustments to the tax charge in respect of prior years	50	26
Depreciation for the year greater than capital allowances	(24)	35
Impact on deferred tax due to rate change taken to SOCIE	30	(15)
Total tax expense in the consolidated income statement	4,721	5,252

The effective rate of tax for the year of 25.1% (2012: 25.6%) is higher than the standard rate of corporation tax in the United Kingdom (23.25%). The differences are explained above.

c. The effective rate of tax on profit is 25.1% (2012: 25.6%).

d. Tax on items recognised in other comprehensive expense

In addition to the amount charged to the consolidated income statement, £308,000 (2012: £78,000) has been recognised in other comprehensive income/(expense), being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

8. EQUITY DIVIDENDS

	2013 £'000	2012 £'000
Interim dividend 6.32p (2012: 5.62p) paid 30 August 2013	2,328	2,071
Final dividend for 2012 11.70p (2011: 10.30p) paid 3 May 2013	4,311	3,795
	6,639	5,866

The interim dividend for the prior year of £2,071,000 was paid on 31 August 2012.

The 2013 final proposed dividend of £4,900,000 (13.30p per share) has not been accrued as it had not been approved by the year end.

9. EARNINGS PER SHARE

	2013	2012
Earnings per share (basic)	**38.30p**	41.43p
Earnings per share (diluted)	**38.25p**	41.38p
Earnings per share (basic) - before exceptional items	**45.79p**	41.43p
Earnings per share (diluted) - before exceptional items	**45.72p**	41.38p

Earnings per share

	2013 Earnings £'000	**2013** Weighted average number of shares	**2013** Earnings per share	2012 Earnings £'000	2012 Weighted average number of shares	2012 Earnings per share
Basic earnings per share	**14,109**	**36,834,655**	**38.30p**	15,258	36,826,460	41.43p
Dilutive effect of share options		**49,447**			50,569	
Diluted earnings per share	**14,109**	**36,884,102**	**38.25p**	15,258	36,877,029	41.38p

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

	2013 Earnings £'000	**2013** Weighted average number of shares	**2013** Earnings per share	2012 Earnings £'000	2012 Weighted average number of shares	2012 Earnings per share
Basic earnings per share	**14,109**	**36,834,655**	**38.30p**	15,258	36,826,460	41.43p
Exceptional items	**3,680**			-		
Taxation in respect of exceptional items	**(924)**			-		
Basic earnings per share before exceptional items	**16,865**	**36,834,655**	**45.79p**	15,258	36,826,460	41.43p
Dilutive effect of share options		**49,447**			50,569	
Diluted earnings per share before exceptional items	**16,865**	**36,884,102**	**45.72p**	15,258	36,877,029	41.38p

10. PROPERTY, PLANT AND EQUIPMENT

Group **Cost**	Property, plant and equipment £'000
At 1 January 2012	**5,567**
Acquisitions through business combinations	132
Additions	297
Disposals	(235)
At 1 January 2013	**5,761**
Additions	692
Disposals	(1,098)
At 31 December 2013	**5,355**
Depreciation	
At 1 January 2012	**4,193**
Charge for the year	460
On disposals	(167)
At 1 January 2013	**4,486**
Charge for the year	513
On disposals	(939)
At 31 December 2013	**4,060**
Net book value at 31 December 2013	**1,295**
Net book value at 31 December 2012	1,275

Parent **Cost**	Property, plant and equipment £'000
At 1 January 2012	**2,172**
Additions	138
Disposals	(19)
At 1 January 2013	**2,291**
Additions	184
Disposals	(41)
At 31 December 2013	**2,434**
Depreciation	
At 1 January 2012	**1,711**
Charge for the year	185
On disposals	(3)
At 1 January 2013	**1,893**
Charge for the year	209
On disposals	(23)
At 31 December 2013	**2,079**
Net book value at 31 December 2013	**355**
Net book value at 31 December 2012	398

11. GOODWILL

Group

Cost	**£'000**
At 1 January 2012	13,658
Additions	2,315
At 1 January 2013	**15,973**
Restatement of fair value of assets acquired in prior year	84
At 31 December 2013	**16,057**

Goodwill relates to the historic Out of Home business which is considered by management to be two cash-generating units of Still and Carbonate inline with our Group operating segments.

Subsequent to the acquisition of Festival Drinks Limited, on 1 October 2012, it has been identified that £84,000 of inventories acquired relate to consumables. In accordance with Group accounting policies such items are expensed to administrative expenses as incurred. Therefore, the fair value of net assets acquired has been adjusted during the measurement period, resulting in an increase in goodwill of £84,000 in the current year.

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 of 9% is a pre-tax rate and reflects the risks specific to the relevant cash-generating unit. Out of Home business cash flow projections are based on the most recent financial budgets approved by management. Management have applied an annual growth rate of 5% in projecting the cash flows for a period of five years. Further periods have not been included in the impairment test due to the value of the free cash flows after a period of 5 years being greater than the carrying value of goodwill. Therefore management do not believe it is necessary to project any further into the future.

Management have considered the allocation of the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable assets acquired to other intangibles and are satisfied that is it correctly allocated to goodwill.

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.

12. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent

Cost and net book amount	**£'000**
At 1 January 2012, 1 January 2013 and at 31 December 2013	**16,566**

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 Drinks Limited *	100
Ben Shaws Dispense Drinks Limited	100
Cabana Soft Drinks Limited **	100
Dayla Liquid Packing Limited	100
Festival Drinks Limited ***	100
Nichols Dispense Limited	100

The Company directly owns Ben Shaws Dispense Drinks Limited, Dayla Liquid Packing Limited and Nichols Dispense Limited
*Beacon Drinks Limited is directly owned by Beacon Holdings Limited.
**Cabana Soft Drinks Limited is directly owned by Cabana (Holdings) Limited.
*** Festival Drinks Limited is directly owned by Cabana Soft Drinks 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.
As part of a Group restructuring, the assets and trade of Beacon Drinks Limited, Ben Shaws Dispense Drinks Limited, Cabana Soft Drinks Limited, Dayla Liquid Packing Limited and Festival Drinks Limited were transferred to Nichols Dispense Limited on 31st December 2013.
The fair value of assets transferred is deemed to be the same as the book value and consideration has been settled through an intercompany account. This transaction has no impact on the Group result for the financial year.

13. DEFERRED TAX ASSETS AND LIABILITIES

Movement in temporary differences during the year

Group	Net balance at 1 January 2013 £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2013 £'000**
Property, plant and equipment	69	(41)	0	**28**
Goodwill	383	(69)	0	**314**
Employee benefits	1,580	(301)	(308)	**971**
Provisions	69	(61)	0	**8**
	2,101	(472)	(308)	**1,321**

Group	Net balance at 1 January 2012 £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	Net balance at 31 December 2012 £'000
Property, plant and equipment	66	3	0	69
Goodwill	441	(58)	0	383
Employee benefits	1,944	(442)	78	1,580
Provisions	77	(8)	0	69
	2,528	(505)	78	2,101

Parent	Net balance at 1 January 2013 £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	**Net balance at 31 December 2013 £'000**
Property, plant and equipment	50	(22)	0	**28**
Goodwill	383	(69)	0	**314**
Employee benefits	1,580	(301)	(308)	**971**
Provisions	69	(61)	0	**8**
	2,082	(453)	(308)	**1,321**

Parent	Net balance at 1 January 2012 £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2012 £'000
Property, plant and equipment	50	0	0	50
Goodwill	441	(58)	0	383
Employee benefits	1,944	(442)	78	1,580
Provisions	77	(8)	0	69
	2,512	(508)	78	2,082

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	28	116	0	(47)	**28**	69
Goodwill	314	383	0	0	**314**	383
Employee benefits	971	1,580	0	0	**971**	1,580
Provisions	8	69	0	0	**8**	69
	1,321	2,148	0	(47)	**1,321**	2,101

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	28	50	0	0	**28**	50
Goodwill	314	383	0	0	**314**	383
Employee benefits	971	1,580	0	0	**971**	1,580
Provisions	8	69	0	0	**8**	69
	1,321	2,082	0	0	**1,321**	2,082

14. INVENTORIES

	Group		Parent	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Finished goods	**3,136**	3,881	**2,182**	2,769
Raw materials	**1,008**	1,450	**0**	0
Total inventories	**4,144**	5,331	**2,182**	2,769

In 2013 the Group write-down of inventories to net realisable value amounted to £79,000 (2012: £185,000).

15. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Trade receivables	**22,019**	22,616	**16,328**	17,153
Amounts owed by Group undertakings	**0**	0	**3,776**	2,665
Other receivables	**125**	493	**3**	244
Prepayments and accrued income	**577**	632	**458**	384
	22,721	23,741	**20,565**	20,446

All 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 £528,000 (2012: £1,031,000) has been recorded accordingly.

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

Group	**2013 £'000**	2012 £'000
Up to 30 days overdue	**2,300**	3,232
Over 30 days and up to 60 days overdue	**75**	131
Over 60 days and up to 90 days overdue	**64**	(62)
	2,439	3,301

Parent	**2013 £'000**	2012 £'000
Up to 30 days overdue	**1,947**	3,139
Over 30 days and up to 60 days overdue	**56**	115
Over 60 days and up to 90 days overdue	**55**	(75)
	2,058	3,179

Group	At 1 January 2013 £'000	Charge in the year £'000	Utilised £'000	**At 31 December 2013 £'000**
Bad debt provision	1,031	98	(601)	**528**

Group	At 1 January 2012 £'000	Release in the year £'000	Utilised £'000	At 31 December 2012 £'000
Bad debt provision	1,679	(594)	(54)	1,031

Parent	At 1 January 2013 £'000	Charge in the year £'000	Utilised £'000	**At 31 December 2013 £'000**
Bad debt provision	1,016	97	(601)	**512**

Parent	At 1 January 2012 £'000	Release in the year £'000	Utilised £'000	At 31 December 2012 £'000
Bad debt provision	1,577	(544)	(17)	1,016

16. TRADE AND OTHER PAYABLES AND CURRENT TAX LIABILITIES

	Group		Parent	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Trade payables	**1,031**	3,877	**624**	3,203
Amounts owed to Group undertakings	**0**	0	**6,981**	3,383
Other taxes and social security	**1,719**	1,635	**885**	1,121
Accruals and deferred income	**15,402**	13,865	**14,617**	12,720
	18,152	19,377	**23,107**	20,427
Current tax liabilities	**1,675**	2,191	**803**	1,368
	19,827	21,568	**23,910**	21,795

All amounts shown above are short-term. The carrying values are considered to be a reasonable approximation of fair value.

At 31 December 2013, liabilities have contractual maturities which are summarised below:

	2013		2012	
Group	**Within 6 months**	**Within 6 to 12 months**	Within 6 months	Within 6 to 12 months
	£'000	**£'000**	£'000	£'000
Trade payables	**1,031**	**0**	3,877	0
Other short term financial liabilities	**15,402**	**0**	13,865	0
	16,433	**0**	17,742	0

	2013		2012	
Parent	**Within 6 months**	**Within 6 to 12 months**	Within 6 months	Within 6 to 12 months
	£'000	**£'000**	£'000	£'000
Trade payables	**624**	**0**	3,203	0
Other short term financial liabilities	**14,617**	**6,981**	12,720	3,383
	15,241	**6,981**	15,923	3,383

17. PROVISIONS

Group	At 1 January 2013 £'000	Charge in the year £'000	Utilised £'000	**At 31 December 2013 £'000**
Exceptional cost provision	47	2,018	(47)	**2,018**

Parent	At 1 January 2013 £'000	Charge in the year £'000	Utilised £'000	**At 31 December 2013 £'000**
Exceptional cost provision	47	2,018	(47)	**2,018**

18. SHARE CAPITAL

	2013 £'000	2012 £'000
Authorised 52,000,000 (2012: 52,000,000) 10p ordinary shares	**5,200**	5,200
Allotted, issued and fully paid 36,968,772 (2012: 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 2013 and 31 December 2012

19. SHARE OPTIONS

The Group operates a Long Term Incentive Plan (LTIP) for certain executive board members to reward performance during the year. These options are exercisable on the completion of three years service from the date of grant.

The Group also operates a Save As You Earn (SAYE) scheme for all 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
1 June 2010	9,008	£3.54	£2.83	£0.71	5.00 years	3.43%	5.00%	4.75%	25.70%
1 June 2011	27,177	£4.81	£3.85	£0.96	3.00 years	2.43%	5.00%	2.75%	32.94%
1 June 2011	8,970	£4.81	£3.85	£0.96	5.00 years	2.43%	5.00%	1.75%	32.94%
1 June 2012	18,179	£6.30	£5.04	£1.26	3.00 years	2.16%	5.00%	0.66%	30.63%
1 June 2012	18,925	£6.30	£5.04	£1.26	5.00 years	2.16%	5.00%	1.01%	30.63%
31 May 2013	19,545	£8.85	£7.08	£1.77	3.00 years	1.79%	5.00%	0.50%	21.02%
31 May 2013	5,841	£8.85	£7.08	£1.77	5.00 years	1.79%	5.00%	0.92%	21.02%

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
31 July 2013	17,561	£10.20	£0.00	£10.20	3.00 years	1.70%	5.00%	0.47%	20.50%

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.

	At 1 January 2013	Granted	Exercised	Lapsed	**At 31 December 2013**	Exercise price per share
Date of grant:						
1 September 2008	4,044	0	(4,044)	0	**0**	177p
1 June 2010	45,975	0	(36,967)	(1,098)	**7,910**	283p
1 June 2011	29,341	0	(925)	(1,454)	**26,962**	385p
1 June 2012	30,249	0	0	(1,904)	**28,345**	504p
31 May 2013	0	25,386	0	(762)	**24,624**	708.4p
31 July 2013	0	17,561	0	0	**17,561**	0p
	109,609	42,947	(41,936)	(5,218)	**105,402**	

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 2013 varied between 809p and 1,237p and the weighted average price for the year was 1045p.
At 31 December 2013, options over 105,402 shares were outstanding under Employee Share Option Plans (2012: 109,609).

	2013		2012	
	Number	**Weighted average exercise price in pence**	Number	Weighted average exercise price in pence
Outstanding on 1 January	**109,609**	**367.38**	92,769	318.12
Granted	**42,947**	**418.74**	37,104	504.00
Exercised	**(41,936)**	**275.05**	(1,107)	305.11
Lapsed	**(5,218)**	**454.19**	(19,157)	397.04
Outstanding on 31 December	**105,402**	**420.76**	109,609	367.38

20. CASH AND CASH EQUIVALENTS

Group	At 1 January 2013 £'000	Cash flow £'000	**At 31 December 2013 £'000**
Cash at bank and in hand	24,745	9,548	**34,293**

Parent	At 1 January 2013 £'000	Cash flow £'000	**At 31 December 2013 £'000**
Cash at bank and in hand	21,948	9,016	**30,964**

21. FINANCIAL INSTRUMENTS

Exposure to treasury management, liquidity, 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.

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 (€). During 2013 the Group entered into foreign currency transactions that over the course of the year resulted in the Group having a natural hedge. This then meant the Group did not need to enter into forward contracts to minimise the impact of movements in foreign currency rates on the spot market.

Foreign currency assets	**2013 £'000**	2012 £'000
US Dollar	**2,125**	2,565
Euro	**1,859**	2,150
Chinese Yuan	**0**	1
	3,984	4,716

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% (2012: 5%), then this would have had the following impact:

	2013 £'000				2012 £'000			
	USD	**Euro**	**CNY**	**Total**	USD	Euro	CNY	Total
Net result for the year	**(102)**	**(89)**	**0**	**(191)**	(122)	(102)	0	(224)

If Sterling had weakened against the US Dollar, Euro and Chinese Yuan by 5% (2012: 5%), then this would have had the following impact:

	2013 £'000				2012 £'000			
	USD	**Euro**	**CNY**	**Total**	USD	Euro	CNY	Total
Net result for the year	**111**	**98**	**0**	**209**	135	114	1	250

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.

22. 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	
Current assets	**2013**	2012	**2013**	2012
Loans and other receivables	**£'000**	£'000	**£'000**	£'000
Trade receivables and other receivables	**22,144**	23,109	**20,107**	20,062
Cash and cash equivalents	**34,293**	24,745	**30,964**	21,948
Total financial assets	**56,437**	47,854	**51,071**	42,010

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	
Current liabilities	**2013**	2012	**2013**	2012
Other financial liabilities at amortised cost	**£'000**	£'000	**£'000**	£'000
Trade and other payables	**1,031**	3,877	**624**	3,203
Amounts owed to Group undertakings	**0**	0	**6,981**	3,383
Total financial liabilities	**1,031**	3,877	**7,605**	6,586

23. 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 2012.

At 31 December 2013 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).

24. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Within one year	**532**	822	**303**	627
Between two and five years	**900**	444	**155**	215
More than five years	**46**	63	**0**	0
	1,478	1,329	**458**	842

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

25. 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	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Sale of goods and services (including recharge of costs)	**1,775**	1,734	**3,205**	718

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

26. 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 £269,000 (2012: £261,000).

The company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2011 and updated at 31 December 2013 by an independent qualified actuary.

The assets of the defined benefit plan are managed by a pension fund that is legally separated from the Group. Governance of the plan is the responsibility of appointed trustees, acting on professional advice.

The plan is exposed to a number of risks, including changes to long term UK interest rates and inflation expectations, movements in global investment markets, changes in UK life expectancy rates and regulatory risk from changes in UK pension legislation.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in sterling. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.
Investment risk

The plan assets at 31 December 2013 are predominantly equity and debt instruments.
Longevity risk

The Group is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, where the pension payments are linked to CPI, will increase the defined benefit liability.
Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

A reconciliation of the pension obligation and plan assets to the amounts presented in the statement of financial position for 2013 and 2012 is shown below.

	31 December 2013 £'000	31 December 2012 £'000
Present value of funded obligations	**26,250**	26,407
Fair value of plan assets	**22,203**	19,851
Deficit in the plan	**(4,047)**	(6,556)
Related deferred tax asset	**809**	1,508
Net liability recognised	**(3,238)**	(5,048)

Defined benefit obligation

The details of the Group's defined benefit obligation are as follows:

	31 December 2013 £'000	31 December 2012 £'000
Opening defined benefit obligation	**26,407**	24,136
Current service cost (company only)	**96**	107
Interest cost	**1,118**	1,124
Actual contributions paid by plan participants	**25**	28
Experience adjustment	**(339)**	(395)
Actuarial losses from changes in financial assumptions	**(98)**	1,219
Actuarial losses from changes in demographic assumptions	**-**	770
(Benefits paid - including insurance premiums)	**(959)**	(582)
Closing defined benefit obligation	**26,250**	26,407

26. EMPLOYEE BENEFITS (CONT)

Plan assets

The reconciliation of the balance of the assets held for the Group's defined benefit plan is presented below:

	31 December 2013 £'000	31 December 2012 £'000
Fair value of plan assets at start of accounting period	**19,851**	17,823
Interest income	**854**	793
Return on plan assets (excluding amounts included in net interest)	**1,472**	821
Contributions paid by the employer	**960**	968
Actual contributions paid by plan participants	**25**	28
(Benefits paid)	**(959)**	(582)
Fair value of plan assets at end of accounting period	**22,203**	19,851

The actual return on plan assets was £2,326,000 (2012: £1,614,000).

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies. Plan assets can be broken down into the following category of investments.

	31 December 2013 £'000	31 December 2012 £'000
The major categories of plan assets, measured at fair value are:		
Equities	**14,392**	12,168
Gilts	**1,461**	1,579
Bonds	**3,079**	3,621
Other, including cash	**3,271**	2,483
Total fair value of assets	**22,203**	19,851
Assets included which do not have a quoted market value:		
Equities	**-**	-
Gilts	**-**	-
Other, including cash	**-**	-
Total	**-**	-

The significant actuarial assumptions used for the valuations are as follows:

	31 December 2013	31 December 2012
Future salary increases	**3.40%**	2.90%
Rate of increase in (post 1997) pensions in payment (a)	**3.40%**	3.40%
Discount rate at 31 December	**4.50%**	4.30%
Expected rate of inflation - RPI	**3.40%**	2.90%
Overall expected return on plan assets	**4.50%**	4.30%

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

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

In terms of future salary increases, the actuary is assuming salaries will increase in line with the RPI inflation assumption.

Assumptions regarding future mortality experience are set based on the advice of actuaries and in accordance with published statistics. For members not yet retired, life expectancies have been estimated as 90 years for men (2012: 90 years) and 92 years for women (2012: 92 years). For current pensioners life expectancies have been estimated as 88 years for men (2012: 88 years) and 90 years for women (2012: 90 years)

26. EMPLOYEE BENEFITS (CONT)

(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 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.

Defined benefit plan expenses

	31 December 2013 £'000	31 December 2012 £'000
Amounts recognised in profit or loss are:		
Current service cost (company)	**96**	107
Net interest cost (on net defined benefit liability)	**264**	331
Total amount recognised in the Consolidated income statement	**360**	438

The current service cost is included in employee benefits expense and the net interest expense is included in finance costs.

Amounts recognised in other comprehensive income related to the Group's defined benefit plan are as follows:

	31 December 2013 £'000	31 December 2012 £'000
Remeasurements recognised in Other comprehensive income		
Actuarial gains on the assets	**1,472**	821
Experience adjustment	**339**	395
Actuarial losses from changes in financial assumptions	**98**	(1,219)
Actuarial losses from changes in demographic assumptions	**-**	(770)
Total gain / (loss) recognised in Other comprehensive income	**1,909**	(773)

Other defined benefit plan information

Employees of the Group are required to contribute a fixed 6% of their pensionable salary.

The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on the pension funds actuarial measurement framework as set out in the funding policies. Based on historical data, the Group expects contributions of £961,000 to be paid in 2014. The weighted average duration of the defined benefit obligation at 31 December 2013 is 17.4 years (2012: 17.7 years)

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, salary growth rate, the inflation assumption and the mortality loading. The calculation of the net defined benefit liability is sensitive to these assumptions.

The table below summarises the sensitivity of the obligation to changes to these assumptions.

	31 December 2013 £'000	31 December 2012 £'000
Increase in discount rate by 0.5%	**9.10%**	9.20%
Increase in salary growth by 0.5%	**0.60%**	0.50%
Increase in inflation adjustment by 0.5%	**9.10%**	9.20%
Increase of 10% on the mortality loading	**-3.00%**	-3.00%

27. AUDIT EXEMPTION STATEMENT

Under section 479A of the Companies Act 2006 the Group is claiming exemption from audit for the subsidiary companies listed below.

	Company Number
Beacon Drinks Limited	1732905
Ben Shaws Dispense Drinks Limited	231218
Cabana Soft Drinks Limited	938594
Dayla Liquid Packing Limited	603111
Festival Drinks Limited	1256006

28. POST BALANCE SHEET EVENTS

On 3 March 2014 the Group entered into a contract to purchase its headquarters building Laurel House for £3.3 million. This purchase is scheduled to be completed on 17 March 2014 and settled with cash.

UNAUDITED FIVE YEAR SUMMARY

YEARS ENDED 31 DECEMBER

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Revenue	**109,881**	107,788	98,912	83,899	72,378
Operating profit before exceptional items, IAS 19 and Long Term Incentive Scheme Charges	**25,194**	21,741	19,038	15,426	12,891
Exceptional items	**(3,680)**	0	0	(293)	(293)
IAS 19 operating profit charges	**(96)**	(107)	(119)	(110)	(56)
Long Term Incentive Scheme operating profit charges	**(2,671)**	(1,117)	(770)	(199)	(334)
Operating profit after exceptional items, IAS 19 and Long Term Incentive Scheme Charges	**18,747**	20,517	18,149	14,824	12,208
Net finance income/(expense)	**83**	(7)	(44)	(34)	(282)
Profit before taxation	**18,830**	20,510	18,105	14,790	11,926
Taxation	**(4,721)**	(5,252)	(4,779)	(3,966)	(3,572)
Profit after taxation	**14,109**	15,258	13,326	10,824	8,354
Dividends paid	**(6,639)**	(5,866)	(5,195)	(4,601)	(4,193)
Retained earnings	**7,470**	9,392	8,131	6,223	4,161
Earnings per share - (basic)	**38.30p**	41.43p	36.28p	29.63p	22.86p
Earnings per share - (diluted)	**38.25p**	41.38p	36.25p	29.59p	22.57p
Earnings per share - (basic) before exceptional items	**45.79p**	41.43p	36.28p	30.22p	23.44p
Earnings per share - (diluted) before exceptional items	**45.72p**	41.38p	36.25p	30.18p	23.15p
Dividends paid per share	**18.02p**	15.92p	14.10p	12.55p	11.45p

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty second 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, 30 April 2014 at 11:00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2013.
2. To declare a final dividend for the year ended 31 December 2013 of 13.3 pence per ordinary share of 10 pence in the capital of the Company to be paid on 2 May 2014 to shareholders whose names appear on the register of members at the close of business on 4 April 2014.
3. To re-elect P J Nichols, who retires by rotation, as a director of the Company.
4. To re-elect T J Croston, who retires by rotation, as a director of the Company.
5. To reappoint Grant Thornton UK LLP as auditors of the Company.
6. To authorise the directors to determine the remuneration of the auditors.
7. That, pursuant to section 551 of the Companies Act 2006 ("Act"), the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,228,135.90, 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 29 July 2015 (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 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and, if thought fit, to pass the following resolutions as special resolutions:

8. That, subject to the passing of resolution 7 and pursuant to sections 570 and 573 of the Companies Act 2006 ("Act"), the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 7 and to sell ordinary shares held by the Company as treasury shares for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:

8.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

8.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

8.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

8.2 otherwise than pursuant to paragraph 8.1 of this resolution, up to an aggregate nominal amount of £184,220,

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 29 July 2015 (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 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

9. That, pursuant to section 701 of the Companies Act 2006 ("Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Shares"), provided that:

9.1 the maximum aggregate number of Shares which may be purchased is 3,684,407;

9.2 the minimum price (excluding expenses) which may be paid for a Share is 10p;

9.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 29 July 2015 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the Board

T J Croston
Secretary

24 March 2014

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. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.
2. Biographical details of all those directors who are offering themselves for re-election at the meeting are set out on pages 16 & 17 of the enclosed annual report and accounts
3. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on Monday, 28 April 2014 (or, if the meeting is adjourned, 6:00 p.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.
4. 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 at shareholder.services@capitaregistrars.com or on 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8:30 a.m. – 5:30 p.m., Monday - Friday) 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. A proxy may only be appointed in accordance with the procedures set out in notes 4 to 8 below and the notes to the form of proxy.
5. 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.
6. 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11:00 a.m. on Monday 28 April 2014 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting).
7. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) 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.
8. 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 28 April 2014 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a

working day) 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.

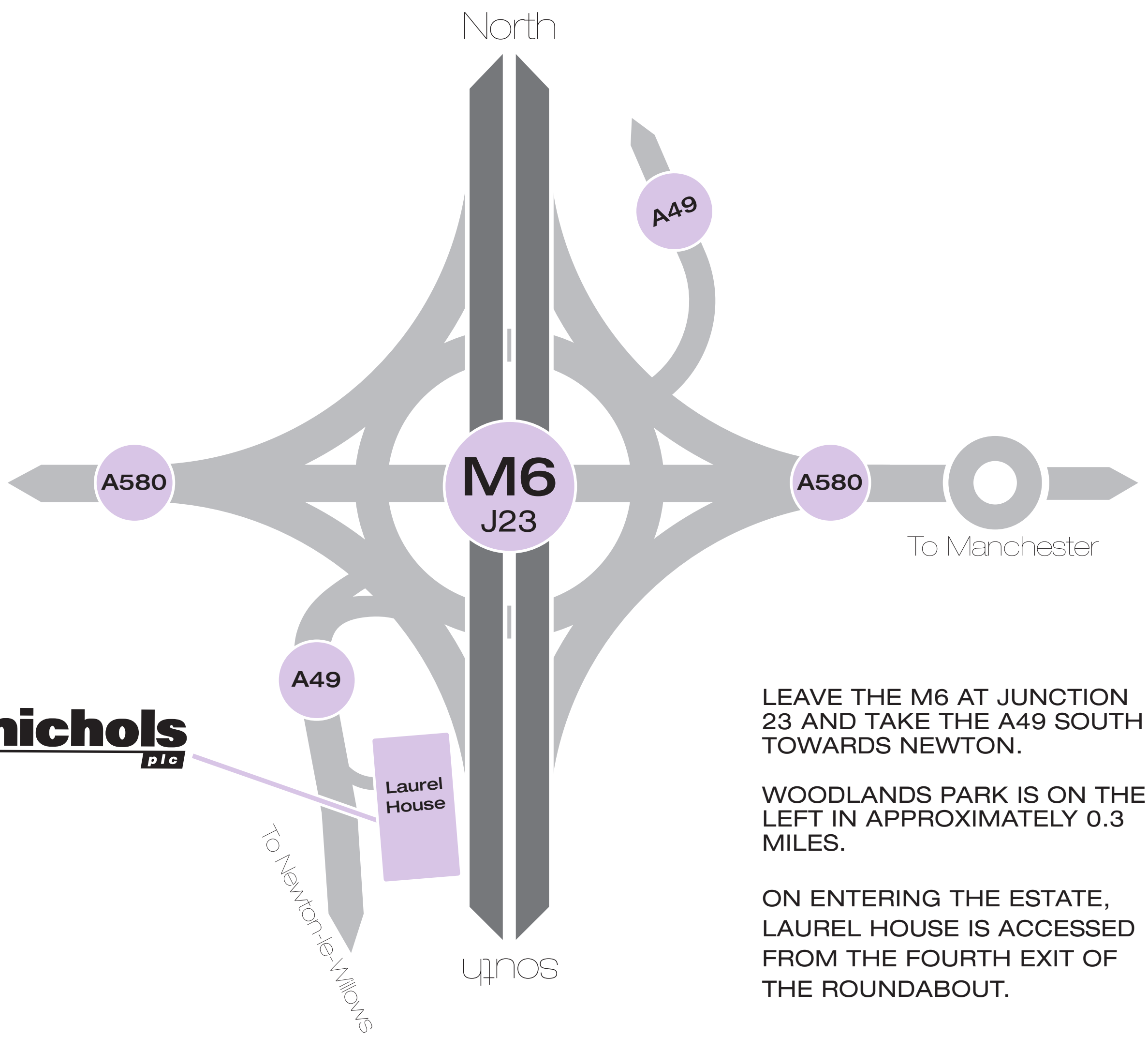
CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of 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.

9. 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.

10. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

11. As at 19 March 2014 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 36,968,772 ordinary shares of 10 pence each, carrying one vote each. As the Company holds 124,693 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 19 March 2014 are 36,844,079.

12. You may not use any electronic address provided either in this notice of general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.



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

NOTES

FINANCIAL CALENDAR

INTERIM RESULTS ANNOUNCED

24TH JULY 2014

ANNUAL GENERAL MEETING

30th APRIL 2014

PRELIMINARY RESULTS ANNOUNCED

12TH MARCH 2014

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2012

THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2012

nichols plc

Laurel House / Woodlands Park / Ashton Road / Newton-le-willows / Merseyside / WA12 0HH
01925 22 22 22 / www.nicholsplc.co.uk