
Nichols
plc

2016
Annual Report
& Financial
Statements.

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Vimto[®]

Making the

world smile

by being

**refreshingly
different**

”



Nichols plc is an international soft drinks business with sales in over 85 countries, selling products in both the Still and Carbonate categories.

The Group is home to the iconic **Vinto** brand which is popular in the UK and around the world, particularly in the Middle East and Africa. Other brands in its portfolio include **Feel Good, Starlush, Levi Roots** and **Sunkist**.

01 | Strategic Report.

Chairman's Statement
 Chief Executive Officer's Report
 Group Commercial Director's Report
 Chief Financial Officer's Report

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Group Revenue

2015	£109.3m
2016	£117.3m

+7.4%

Operating Profit

2015	£27.8m
2016	£30.3m

+9.0%

Operating Profit R.O.S

2015	25.5%
2016	25.8%

Profit Before Tax*

2015	£28.0m
2016	£30.4m

+8.6%

Net Cash

2015	£35.4m
2016	£39.8m

+12.2%

EPS (basic)*

2015	60.33p
2016	66.18p

+9.7%

*Pre-exceptional items. Exceptional items are explained in note 5 of the financial statements.



John
Nichols
Non-Executive Chairman

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The Board is very pleased with the strong performance in 2016 and is confident that the Group is well placed to continue the trend into 2017.

”

I am delighted to report that 2016 was another very good year for Nichols plc. The Group's revenues increased by 7.4%, operating profit grew by 9.0% and adjusted basic earnings per share was 9.7% ahead of the prior year.



UK market sales
totalled
£90.7m



International sales
increased
8.8%



Vimto brand
grew by
4.7%



Profit before tax
increased by
8.6%

Trading

The Group's total revenue was £117.3m, 7.4% up on the prior year (2015: £109.3m). This growth came from both our UK and international markets, which emphasises the strength of our diversified business model. As a result of the revenue growth, operating profit increased to £30.3m, 9.0% ahead of 2015 (£27.8m).

Total sales in the UK were £90.7m, 7.0% up on the prior year (2015: £84.8m) which is particularly pleasing given the challenging trading environment. The growth was driven by a strong performance from the Vimto brand and the successful integration of The Noisy Drinks Co. Limited (Noisy) following the full acquisition of the frozen drinks company in January 2016.

Sales from the Vimto brand grew 4.7% in the year,

significantly outperforming the UK soft drinks market where sales growth was 1.0% (Nielsen year to date 31 December 2016). The addition of frozen drinks has enhanced our Out of Home offer to the customer, which also includes dispense and packaged soft drinks across both the Still and Carbonate market. As a result, we believe Vimto Out of Home offers a unique proposition to this segment of the soft drinks market.

International sales for 2016 totalled £26.6m, representing an 8.8% increase on the prior year (2015: £24.4m) and a 2.7% increase on a constant exchange rate basis. This excellent result was driven by sales to our African markets where revenues grew by 32.5% to £10.5m (up 19.7% on a constant exchange rate basis). In the Middle East, in-market Vimto sales showed healthy growth and whilst sales of concentrate were slightly down on

the prior year, this was simply a result of the timing of shipments ahead of Ramadan in 2017.

Exceptional Gain

As described in the Chief Financial Officer's Report, the exceptional gain in 2016 related to the step-acquisition of Noisy, which was accounted for as an investment in associate prior to the remaining 51% of shares being acquired in January 2016.

Dividend

Following another strong performance and reflecting the Board's continued confidence in the outlook for the Group, the Board is pleased to recommend a final dividend of 20.3 pence per share (2015: 17.6 pence). If accepted by our shareholders, the total dividend for 2016 will

be 29.3 pence (2015: 25.6 pence), an increase of 14.5% on the prior year.

Subject to shareholder approval, the final dividend will be paid on 5 May 2017 to shareholders registered on 7 April 2017; the ex-dividend date is 6 April 2017.

Board Changes

Following six years of service as a Non-Executive Director, John Longworth has indicated that he will be stepping down from the Board at the AGM on 26 April 2017. The Board would like to thank John for his service and wish him a happy and successful future. The process to replace John is underway and a further announcement will be made in due course.

Outlook

In 2017, we will maintain focus on our stated growth strategy. This includes developing our core brands and markets whilst investing in innovation and seeking further acquisition opportunities. In summary, the Board is very pleased with the strong performance in 2016 and is confident that the Group is well placed to continue this trend into 2017.

John Nichols
Non-Executive Chairman
1 March 2017



Marnie

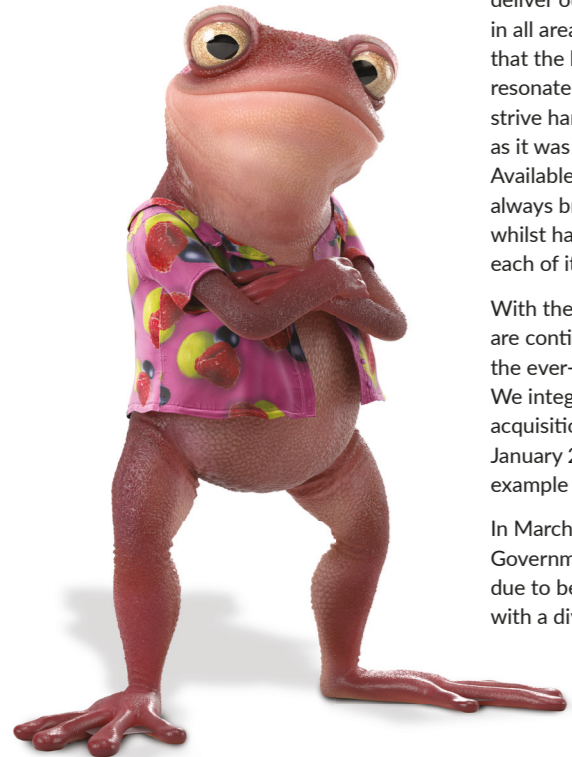
Millard
Chief Executive Officer

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Available in over 85 countries worldwide, Vimto always brings a smile to the face of our consumers whilst having a refreshingly different approach to each of its local markets.

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I am very pleased with the excellent performance that Nichols plc delivered in 2016 reflecting strong progress made across the business despite the global soft drinks environment remaining challenging. Group revenues increased 7.4% and profit before tax (pre-exceptional gain) increased 8.6%.



This performance was driven by new product development, contributions from acquired businesses and geographical growth. The Group continues to maintain its firm focus of ensuring we deliver our strategy of driving value over volume in all areas of the business. There is no doubt that the heritage of the Vimto brand continues to resonate with our consumers across the globe. We strive hard to ensure Vimto is as relevant today as it was back in 1908 when the brand was born. Available in over 85 countries worldwide, Vimto always brings a smile to the face of our consumers whilst having a refreshingly different approach to each of its local markets.

With the addition of the Feel Good brand, we are continuing to develop our portfolio to meet the ever-changing needs of our consumers. We integrated Noisy during 2016 following the acquisition of the remaining 51% shareholding in January 2016, representing a further successful example of our diversification strategy.

In March 2016, the UK Chancellor announced the Government's plan to introduce a soft drinks levy due to be effective from April 2018. As a business with a diversified product portfolio and market

presence, I believe the Group is well positioned to both comply with and mitigate the effect of the levy.

The UK Soft Drinks Market

(As measured by Nielsen year to date 31 December 2016)

In 2016, volumes in the UK soft drinks market increased by a modest 1.5%. The total value of the soft drinks market grew by a marginal 1.0% year-on-year to a total value of £7.6 billion.

Within the soft drinks market, sectors that experienced growth were Fruit Juice, Water and Mixers. However, Cola, Dilutables and Fruit Drinks all declined.

Despite this backdrop, the Vimto brand value increased to £72.5m delivering growth of 4.7%. Whilst the category remains highly competitive and promotionally driven, we have maintained our stance of focussing on value over volume. Vimto Dilutes outperformed the market by 3 percentage points and was the only top three squash brand to achieve growth. Our ready to drink range delivered a year-on-year increase of 25.6%, making Vimto the fastest growing brand in this sector.

The UK On-Trade

(As measured by CGA, Total Licensed, year to date to 26 November 2016)

The UK on-trade soft drinks sector also saw modest volume increase of 0.8%. However, sales value was up by a healthy 3.7%. Both packaged soft drinks and draught contributed to the value performance with consumers seeking branded and premium soft drinks. Other categories such as craft beers, wines and spirits also experienced growth primarily from premium offerings. Soft drinks are becoming more influential in the sales mix as consumers are enjoying premium spirits with quality branded mixers.

Operational Review

Vimto UK

We achieved an overall sales increase of the Vimto brand of 4.7%, with all ranges performing positively. However, we remain focussed on growing our still range of products and we are pleased to report that Still sales during 2016 increased by 5.4%. The best performer within the range was the 500ml, which saw strong sales growth of 28.1%. We continued to see good progress from Vimto Mini's, introduced in 2014, which gathered strong sales momentum in 2016 as a result of distribution gains, prominent facings in front of store chillers and the second year of our distribution drive in the Midlands. Vimto carbonates also returned to growth with sales up 3.3%.

To support the growth of our still ready to drink products, we created a new above the line marketing campaign in 2016. A new Remixed orange toad joined our original purple Vimtoad in new creative content primarily targeting the teenage market. A new advert was aired via video on demand which achieved 13 million views



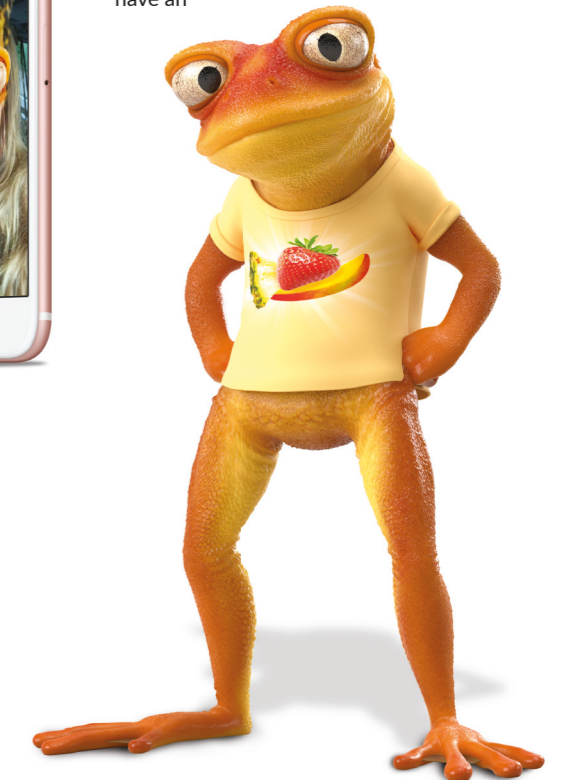
The Vimto Snapchat lense got 10.5m views



Remix delivered an incremental £3.4m to the Vimto brand value

and featured in an extensive cinema programme that was seen by nearly 8 million people. With our target audience in mind, digital media also formed a large part of the marketing campaign. This included a highly successful partnership with Snapchat where "Vimto" lenses were available for a day. The consumer response far surpassed what we expected and the results Snapchat have seen previously, demonstrating the tremendous engagement we achieve when we communicate with teenagers through Vimto. The activity achieved 8 million plays, 950 thousand shares and a total of 10.5 million views.

The advertising campaign also supported the launch of Vimto Remix early in 2016 when we introduced two new variants to the Vimto range. With exciting new juices and flavours, they both have an





Vimto Out of Home delivered strong revenue growth of **17.0%**

Vimto social media activity in the Middle East over a two-day period saw **104m impressions**



added dash of our secret Vimto taste and I am delighted to report Remix has delivered an incremental £3.4m to the Vimto brand value since launch. This represents one of our most successful pieces of new product development since the launch of the original Vimto brand over 100 years ago.

We also brought to market new pack formats to meet the needs of both our customers and consumers, for example, a bespoke 3 litre squash bottle was designed for one of our discounter customers.

In Manchester and Birmingham, Selfridges invited us to install an off-shelf fixture full of Vimto products. The "Vimto Fun Factory" includes all of our packaged soft drinks products, offers Vimto Slush and a collection of our most successful confectionery products. Both parties have been extremely pleased with its performance and it truly

represents the spirit and the love our consumers have for Vimto.

In July 2015, we acquired the Feel Good brand. Feel Good is a range of completely natural soft drinks with absolutely no added sugar. We have already spread some "Feel Goodness" as both carbonated and still juice drinks were relaunched in September 2016. Feel Good has delicious new recipes and the packaging has been redesigned to present a more modern image supporting the unique positioning of the product range.

In UK grocery, we introduced a 4 x 275ml take home pack and we have secured new listings for 2017 including Feel Good Kid's juice drink in a prominent high street café chain. Our marketing activities included a strong consumer communication plan and in-store sampling to support the relaunch in the second half of 2016.

Vimto International

Our international business again performed strongly in 2016 as we saw our long-term international investment strategy deliver results. A star performer for 2016 was the African region with sales growth of 32.5% (19.7% on a constant exchange rate basis). Pleasingly, we saw good growth from our core markets including Senegal and Guinea, as well as new territories that came on stream contributing to strong Vimto concentrate sales. We are particularly pleased with the brand's launch in Sudan and the work of our partner in that territory who executed some tremendous in-market activation.

Our partner in the Middle East, Aujan Coca-Cola Beverages Company, delivered another successful 360-degree marketing campaign, which included TV and outdoor advertising, in-store activation and digital content during Ramadan.

We saw magnificent in-store execution with Vimto concentrate bottles creating a replica model of the Burj Khalifa, towering to an unbelievable eight metres tall and Vimto brand take overs of the Supermarket's Ramadan aisles. As a result, Vimto brand cordial sales in its largest market of Saudi Arabia were up 3.0% versus a cordial market, which saw a decline of 2.5% (as measured by Nielsen MAT July 2016). Social media is becoming increasingly important in the Middle East and 2016 saw Vimto enter into a new era of communication with younger people. The output of this activity saw some extraordinary results with 104 million impressions over a two-day period and 4.1 million views. Bloomingdales' flagship store in Dubai repeated the successful 2015 personalised Vimto cordial bottle promotion. This year however, every personalised bottle was stylised with Swarovski crystals. The promotion saw a huge amount of activity on social media with one of UAE's most

famous female singers, Ahlam Al Shamsi, who has four million followers, promoting her very own named Vimto cordial bottle. Whilst we are synonymous with Ramadan, it is key that the brand remains relevant to the younger generation and becomes an everyday drink of choice. Therefore, it was particularly pleasing to see the growth we achieved in the Still category with our 250ml bottle and cartons.

Part of the strategy for Noisy included overseas growth. Both Heide Park, a theme park in Germany and Gardaland, an amusement park in Italy have a long-standing relationship with Noisy. With Nichols plc's international expertise we will look to continue to expand this area of our international activities.

Vimto Out of Home

It has been an exciting year for Vimto Out of Home, which delivered strong revenue growth of 17.0%. We acquired the final shareholding in Noisy in January 2016 and secured new business wins in various major outlets including Morrisons café, in Compass Group and Greene King. In 2016, we installed 35.0% more machines than we did in the previous year, demonstrating our growth.

A new marketing initiative was launched by Vimto Out of Home to support its unique proposition of offering both equipment and products to its customers. This included a new website, trade communication programme and in-field marketing sales material. We are able to showcase our range of equipment from dispensed soft drinks to frozen soft drinks and from Coca-Cola to milkshakes, which are relevant to customers ranging from independent landlords to buyers of large leisure groups.

PROUD TO BE PART OF OUR FAMILY



CREATE FUN



DELIVER WOW!

WE ARE TEAM

Vimto

PAUSE BE BRAVE MAKE A DIFFERENCE



FIND A BETTER WAY



PASSIONATE ABOUT WHAT WE DO



Corporate Responsibility

2016 has proved to be another challenging year for the soft drinks industry, notably including the UK Government's decision to announce the introduction of the Soft Drinks Industry Levy that will come into force in April 2018. Whilst consultation is ongoing, the following information has been published: drinks containing less than 5 grams of sugar per 100ml will be exempt from the levy, juice and juice drinks with no added sugar will also be levy free and drinks that contain a milk content over 75% will be exempt.

We have taken the issues of childhood obesity and sugar reduction seriously for many years. All of the Group's recent new product development has been wholly focussed on no added sugar basis, all

11%
Of our shoppers are buying more NAS



Our squash range is already levy free

advertising has featured our no added sugar (NAS) ranges and we have constantly reduced the levels of sugar in all of our products. As a result, we have made significant progress in 2016:

- Vimto NAS brand sales value were up 19%.
- In 2016, NAS represented a total of 41% of our Vimto sales, compared to 33% in 2015.

- 11% of our shoppers are buying more NAS than a year ago
- Remix, which has no added sugar, has added an incremental £3.4m to the Vimto brand value
- Our squash range is already levy free

Our Community

We continued our work with Warrington Youth Club as our chosen charity. Warrington Youth Club believes in "inspiring young people to achieve" and supports young people's development by offering opportunities to increase and develop skills, self-awareness and confidence. This in turn enables them to make positive and healthy life choices through a range of programmes.

Not to be outdone by our male colleagues' achievement in 2014, a group of eleven women from Vimto volunteered to climb Kilimanjaro in March 2016. Following a six-month intensive training programme that required huge dedication in terms of time and support from our families, all eleven of us successfully climbed 5,895 metres to reach the summit. As a result, we were able, through the people and companies who kindly sponsored us, to buy three new and much needed mini buses for the Youth Club.

Our People

We have welcomed a large number of new colleagues in 2016 and we are very happy to have all the staff from Noisy join the Vimto family. Our operations now stretch from Stirling to Southampton with stop offs at our factory in Ross-on-Wye and our newly acquired site in Thurrock. It has been a hugely challenging year but as always, our people have responded to the changes with huge "Vim and Vigour".

I would like to express my appreciation for all the efforts our teams continue to show.

Every day, the teams demonstrate our company values as they continue to **DELIVER WOW** and **MAKE A DIFFERENCE** by **FINDING A BETTER WAY**.

We have a group of people who are **PASSIONATE ABOUT WHAT THEY DO** and **ARE PROUD TO BE PART OF OUR FAMILY**.

However, most importantly **THEY CREATE FUN**.

Thank you all!

Star Award Winners 2016

Newcomer of the Year Alex Comerford	Local Hero Neil MacDonald
Innovator of the Year Becky Unwin	Local Hero Sam Taylor
Mentor of the Year Nick Gamble	Local Hero Kieron Frampton
Unsung Hero Kerry Liptrot	Local Hero Tony Phillips
Local Hero Gavin Eastwood	Team of the Year All employees from 2016

Our Vision

We continue to develop our rolling five-year strategy. Our activities for both our home and overseas markets centre on four core pillars:



More from the Core

We still have headroom for growth in our Vimto brand in both our UK and overseas markets. Our relentless focus on 500ml and no added sugar new product development will continue as will international product development to ensure Vimto is fit for all its local markets.



Thirst for New

New product development and acquisition across the Group remains core to the growth of the Group.



Healthier Future

The relaunch of Feel Good in the UK and further new product development will see it firmly lead the category as a natural healthier alternative soft drink. We will continue to focus all our marketing activities on Vimto no added sugar. Through product development, we will ensure Vimto is able to meet the challenge of the sugar levy due in 2018.



Wherever, Whenever

With our diversified portfolio and our flexible out-sourced global production model, it ensures we are able to meet the needs of our consumers. We want to make sure our products are available wherever and whenever our customers want them. We are keen to continue to develop and expand our large presence in the Middle East and seek new partners in the African region. The recently opened Indian market will be a long-term growth project and we seek to make progress in Malaysia and Indonesia in the medium-term. In the UK, we will build on our successful Midlands campaign and we will aim to grow distribution in the South of England.



Outlook

I am very pleased with the performance by the Group during 2016. Whilst we do anticipate some cost and foreign exchange pressures in 2017, we believe we remain well placed to mitigate the impact through careful cost control and price recovery strategies.

We continue to invest in all parts of our organisation, which includes both our brands and our people. Making sure that our brand portfolio is fit for the future is critical to ensuring the long-term success of the business. The ongoing and planned diversification of the Group means that we are able to take decisions that will deliver long-term sustainable success. There is no doubt that challenges will remain in the soft drinks market and current economic uncertainty is here

to stay in the short-term. However, I believe our diversification across different routes to market,

our geographical reach and our track record of successful and profitable brand growth puts us in a strong position to deliver future success.

Marnie Millard
Chief Executive Officer

1 March 2017



VIMTO
BRAND
GREW BY
4.7%



374,074
VIMTO
FACEBOOK
LIKES



NOW AVAILABLE
IN INDIA



Making the
world smile
by being
refreshingly
different



9,373
FEEL GOOD
FACEBOOK
LIKES





Andrew
Milne
Group Commercial Director

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The strong international growth momentum we delivered in 2015 continued into 2016, particularly across our African business.

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The diversification of the business across our three commercial routes to market (UK packaged, International and Out of Home) has again been a key strategic focus for us in 2016.

This diversification gives us a strong platform to grow our business on a number of fronts. Following on from the Chief Executive Officer's Report I am going to provide some greater insight into a number of projects we successfully completed in 2016.

2016 has seen the launch of our new no added sugar Vimto Remix range across a number of our key pack formats. After conducting extensive research in the marketplace, our consumers told us they were looking for Vimto to introduce new and exciting flavours whilst still retaining our 'Mixed up Fruit' principles. With 6 out of 10 purchases across squash being outside of the red and black variants, we developed two new distinct flavours, which were Mango, Strawberry and Pineapple and Raspberry, Orange and Passionfruit. These flavours were launched with a wide range of our UK grocery, wholesale and impulse customers in March 2016. New creative was commissioned to support the launch of Remix whilst remaining true



to the core Vimto range. Working with Aardman, an animation studio, a new advert was developed which showcased the mix of fruits in both Remix Mango, Strawberry & Pineapple and Vimto Original. The creative was aired on cinema, video on demand, Snapchat, mobile advertising and social media and then further rolled out onto point of sale for the van sales drive.

I am pleased to report that the launch has brought new consumers and importantly incremental sales



to the Vimto brand. We remain committed and excited about the continued potential for the brand in 2017 and beyond.

The strong international growth momentum we delivered in 2015 continued into 2016, particularly across our African business. Vimto is now present in 38 countries in a range of pack formats across the African continent. Throughout 2016, the sales growth in our core markets has been particularly pleasing. This has been achieved by investing in



strong marketing campaigns that have driven the visibility of the brand and by putting feet on the street to maximise availability and distribution. Also in the year, we launched a TV campaign across a number of the African markets that has allowed us to bring new consumers into the brand.

The brand was also successfully launched in a number of new African markets in 2016. A particular highlight has been our drive into the Sudan region, which has shown some good early sales momentum. By working in conjunction with our local partner, the brand visibility and availability was strong from day one, which gives us a solid platform to deliver more growth in 2017.

We have also seen some new product launches into the African market in 2016 with our Vimto Malt range glass bottles and the launch of Vimto Ginger. These new formats work well with our core Vimto flavour across both the still and carbonate ranges



and bring new consumers into the brand. We will extend these launches into more African countries in 2017 to continue to drive growth.

Our acquisition of Noisy has been at the core of our success in our Out of Home business in 2016. Enabling us to approach our current and new customers with a portfolio of still products to sell across our dispense, packaged and frozen ranges has seen us gain valuable listings and deliver strong growth. New customer wins with our frozen range such as the Morrisons customer cafés will deliver all year round business growth to complement our more traditional seasonal business across holiday parks and attractions.

To support our Out of Home route to market we have invested by recruiting new people across both our field sales and national account teams. This will drive incremental growth across our independent, regional and national customers by offering our

unique portfolio of products to this broader audience.

2017 will see us continue our strategy of driving commercial growth across our three distinct income streams to ensure our business remains diversified to fuel our long-term growth aspirations.

Andrew Milne
Group Commercial Director

1 March 2017



400 MILLION LITRES OF VIMTO SOLD ACROSS AFRICA.



33 MILLION BOTTLES SOLD DURING RAMADAN.



VIMTO ALWAYS BRINGS A SMILE TO THE FACE OF OUR CONSUMERS WHILST HAVING A REFRESHINGLY DIFFERENT APPROACH TO EACH OF ITS LOCAL MARKETS.



Croston
Chief Financial Officer

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One of the aims of our growth strategy is to leverage the benefits of our diverse business model. Our 2016 performance again demonstrates the importance of this strategy as we have delivered growth from across the Group.

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In 2016 Nichols delivered another strong set of results as the Group continued its trend of delivering sustained profit growth whilst also increasing its sales in both the UK and export markets.



UK sales grew by 7.0%



African market sales increased by an underlying 19.7%



Total gross profit increased by 11.6%

One of the aims of our growth strategy is to leverage the benefits of our diverse business model. Our 2016 performance again demonstrates the importance of this strategy as we have delivered growth from across the Group despite a backdrop of the continuing challenges faced in the UK market.

Income Statement

Group sales totalled £117.3m, an increase of £8.0m (7.4%) compared to the prior year (2015: £109.3m).

The majority of the sales growth came from the Still segment which was driven by the Vimto brand and the incremental sales of frozen beverages following the acquisition of Noisy. The Carbonate segment included positive growth from our sales to Africa.

Still

2015	54.8m
2016	59.5m

+8.6%

Carbonate

2015	54.5m
2016	57.8m

+6.1%

Total

2015	109.3m
2016	117.3m

+7.4%

UK Sales

I am pleased to report strong growth in the UK, where sales increased by 7.0% to £90.7m, an additional £5.9m compared to the prior year (2015: £84.8m). This result was particularly pleasing given that we had targeted top line growth following a flat performance in 2015.

Within the UK, one of the key drivers of this growth was Vimto, with sales into the grocery market increasing by 4.7%. This is another strong performance for the brand and significantly outperforms the total market which increased by 1.0% in the same period (Nielsen year to date 31 December 2016). The Vimto increase in sales came from the Still category, which increased by 5.4% and Carbonate, which was up 3.3% compared to 2015. Elsewhere in the portfolio, sales from the Levi Roots brand declined due to its performance in the UK grocery market.

The other pleasing factor behind our UK performance is the incremental sales from the acquisition of Noisy. Post the full acquisition which was completed 8 January 2016, the net

year-on-year sales benefit to the Group was £5.8m. Noisy is a good strategic fit with our Out of Home business and adds frozen beverages to our portfolio of products for this sector which also includes dispense and packaged soft drinks.

International Sales

International sales totalled £26.6m (2015: £24.4m), delivering growth of £2.2m (8.8%) compared to last year and 2.7% on a constant exchange rate basis. The majority (c83%) of our international sales are in our two key regions: Africa and the Middle East.

Sales to our African markets grew by an underlying 19.7% and buoyed by the stronger Euro, reported sales increased by 32.5%. This performance came from both core and new markets. Importantly, from a value point of view, the trend shows an increasing proportion of concentrate sales with in-country producers rather than sales of finished goods via in-country distributors.

Whilst our sales of concentrate to the Middle East were 7.0% down on the prior year, it is important to note that in-country sales of Vimto showed healthy

growth during 2016. Therefore, as explained in previous years, the timing of shipments around our year end is driven by the supply chain requirements ahead of the following year's Ramadan period. Ramadan 2017 commences 27 May and we anticipate several shipments of concentrate early in Q1 2017.

Elsewhere, sales in our remaining international markets totalled £4.6m (2015: £4.2m), an increase of 10.8% compared to the prior year.

Gross Profit

Gross profit totalled £59.1m for the year, an increase of 11.6% compared to the prior year. In addition to the trading growth, our continued focus on value over volume has contributed to the increase in gross margin, which was 50.4% compared to 48.5% in the prior year.

Distribution Expenses

The majority of our distribution expenses relate to warehousing and haulage in our UK business. The total cost in 2016 of £6.3m (2015: £5.5m) equates to 5.3% of sales up from 5.0% in 2015 as a result of

a differing sales mix due to the growth in our Out of Home business and the acquisition of Noisy.

Administrative Expenses

The total cost of overheads in 2016 was £22.5m, which was £2.8m higher than the prior year. The increase year-on-year is largely due to the inclusion of the administration costs associated with the addition of Noisy (the acquired business). Administrative costs include depreciation and amortisation, salaries and bonuses, administrative costs, marketing costs, as well as other overheads.

Operating Profit

As a result of the strong trading performance, operating profit increased by 9.0% to £30.3m (2015: £27.8m). Consequently, the operating profit margin has increased to 25.8% (2015: 25.5%).

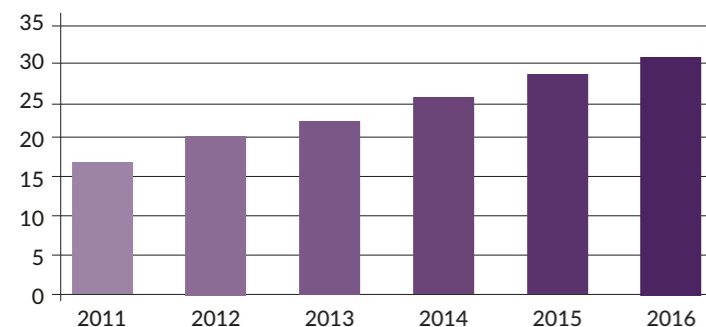
Exceptional Gain

Having initially taken a 49% stake in Noisy in March 2015, the Group acquired the remaining shares on 8 January 2016. Under International Financial Reporting Standards, the latter transaction triggers a deemed disposal of the initial 49% of the shares in Noisy and a subsequent acquisition of 100% of the shares. As a consequence, a gain on disposal amounting to £1.1m arose due to the increase in value of the 49% between March 2015 and January 2016. This gain is disclosed as an exceptional credit and is the only exceptional item arising in the year.

Profit Before Tax and Exceptional Items

Profit before tax and exceptional items (PBT) increased by 8.6% to £30.4m (2015: £28.0m). The Group maintained its impressive record of PBT growth having delivered a 68% increase in the last five years with a Compound Annual Growth Rate (CAGR) of 11%.

Profit before tax and exceptional items (£m)



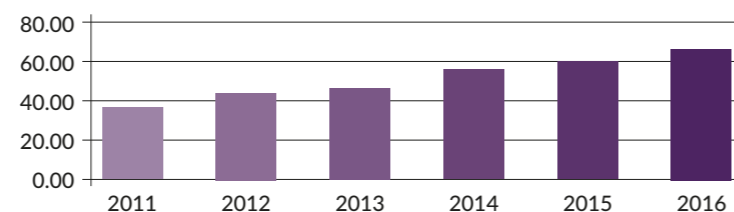
Taxation

The pre-exceptional effective tax rate is 19.8%, marginally lower than the prior year (2015: 20.7%) reflecting the reduction in the standard rate of Corporation Tax. The exceptional gain is not subject to tax.

Earnings Per Share

Basic earnings per share before exceptional items increased by 9.7% to 66.18 pence (2015: 60.33 pence). The Group's EPS has increased by 84% over the last five years with a CAGR of 13%.

Basic EPS before exceptional items (pence per share)



Key Performance Indicators

As reported in more detail above, the following key performance indicators are used by management to monitor the Group's income statement:



Revenue Growth
+7.4%

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



Gross Margin
50.4%

Revenue less product cost as a percentage of revenue, reviewed specifically at individual product (Still and Carbonate) level.



Operating Profit Margin
25.8%

Group profit before financing income or charges as a percentage of revenue, which is considered for the Group as a whole rather than at product level.

Statement of Financial Position

Cash

The year end cash balance was £39.8m, an increase of £4.4m compared to the prior year. The Group remains very cash generative as demonstrated by delivering cash from operating activities in excess of profit for the financial year. In line with our growth strategy, cash reserves have been invested during the year in the acquisition of Noisy (£3.7m during 2016) and further enhancements of £0.9m to our operating facility at Ross-on-Wye, which supplies our growing Out of Home business.

By exception, other points of note with regard to the statement of financial position are:






- Property, plant and equipment increased by £2.6m. This includes the £0.9m expenditure at our Ross-on-Wye operating facility on plant and machinery referred to above and £1.2m acquired as part of the Noisy acquisition.

- Goodwill increased by £4.0m, recognised on acquisition of Noisy.
- Intangibles increase due to the customer lists and brands associated with the acquisition of Noisy.
- Inventories at the year end have increased by £2.8m in comparison to 2015, this was planned to reduce the impact of higher cost of goods in 2017.
- Movement in both trade and other receivables/ payables are subject to the timing of transactions around the reporting date.
- Pension liability increased to £6.4m (2015: £3.9m) based on the movement in the actuarial assumptions employed; in particular, the discount rate employed has reduced to 2.55%

based on yields on high quality corporate bonds. The Group has a recovery plan in place to fund the deficit. The actuarial assumptions and reconciliations of assets and liabilities in the scheme are disclosed in note 26. The movement in other comprehensive income relating to the pension scheme is also described in note 26.

Risks and Uncertainties

Management consider the following issues to be the principal risks potentially affecting the business:

Risk		Mitigation
	Management consider there would be a risk to the Company's growth ambitions if the business was reliant on any one market or product category.	One of the key aims of our strategy is to invest and focus across our business activities to leverage the diversity of the Group. We are pleased that the strategy has successfully delivered growth in the UK, both in our grocery and Out of Home markets in addition to our key international regions.
	In common with many businesses, we are highly dependent on the availability of IT systems. The threat of cyber-attack is an ever present and indeed, ever growing risk in today's global business environment.	Nichols operates a number of preventative systems and controls to reduce the risk. In addition, we have a robust disaster recovery plan including the use of third party professional providers to host our systems and data.
	During 2016, the Government announced the introduction of the Soft Drinks Industry Levy commencing April 2018. The levy will be an additional cost to suppliers of soft drinks into the UK market dependent on the level of added sugar in their products.	Prior to the announcement, Nichols was well placed to mitigate the impact of the levy with a significant proportion of its product range already below the levy hurdles. Through reformulation, the Company is confident that the majority of its products will be levy exempt by April 2018. In addition, as the levy only applies to the UK, all of our extensive international sales are out of scope.
	Unavailability of the Vimto compound. As the Vimto brand accounts for the majority of the Group's revenue, it is vital that we have surety of supply of the compound.	Working in partnership with our suppliers, we have established production capability with dual suppliers at more than one location to ensure continuity of supply.
	Loss of a major customer account.	We are dedicated to maintaining long-term relationships with all of our customers but the Group's diverse income stream across markets and regions means we are not overly reliant on any one customer.

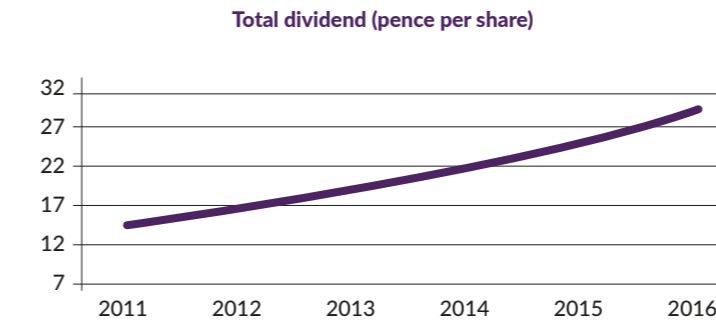
In addition to the above principal risks and mitigating controls, the risk register identifies several less critical risks that we believe are adequately managed and considered by the management team.

Shareholders

Dividend

The Board is recommending a final dividend of 20.3 pence per ordinary share (2015: 17.6 pence) payable to shareholders on the register at 7 April 2017. The final dividend together with the interim dividend of 9.0 pence, gives a total dividend of 29.3 pence per share for the year, which represents a 14.5% increase on the prior year (2015: 25.6 pence).

The Board has maintained a consistent dividend policy over the last five years during which time the growth has totalled 92% with a CAGR of 14%.

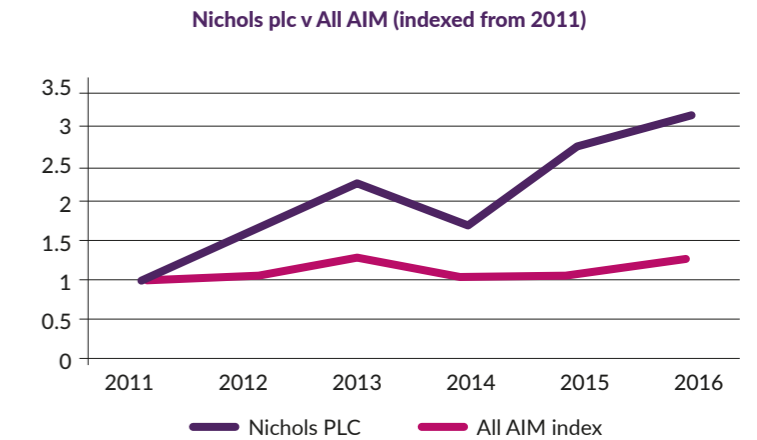


Going Concern

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.

Share Price

The Nichols plc share price closed the year at 1,630 pence (2015: 1,430 pence), an increase of 14% during the year. 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 2011 as the base.



Strategic Report

The Strategic Report on pages 4 to 37 was approved by the Board of Directors on 1 March 2017 and signed on its behalf by:



Tim Croston
Chief Financial Officer

1 March 2017



John Nichols

Non-Executive Chairman

John is the grandson of the founder of the Company and inventor of Vimto, John Noel Nichols. John joined Nichols plc in 1971 and was appointed as director in 1975. In 1986 John became the Group Managing Director, subsequently he became Executive Chairman of the Group and in 2007 he moved to Non-Executive Chairman.

John has three grown up children, two of whom also work for the Company. John spends his spare time sailing, playing golf and walking his dog on the beach in Wales.



Marnie Millard

Chief Executive Officer

Marnie joined Nichols in October 2012 as Managing Director of Vimto Soft Drinks. In May 2013 she was appointed Chief Executive Officer. Marnie has vast experience in the soft drinks industry having occupied senior roles with Macaw Soft Drinks and Refresco Limited. In April 2015, Marnie was appointed Regional Vice-Chairman of CBI Northwest and she is on the Board of Management and Executive Council of the British Soft Drinks Association.

Marnie is married, has two children and is also a proud grandmother to her grandson Freddie. Marnie enjoys attending concerts and relaxes by walking on the moors near her home.



Tim Croston

Chief Financial Officer

Tim joined the Group as Group Financial Controller in 2005. He became Finance and Operations Director of Vimto Soft Drinks in 2007 and was appointed to the plc Board as Chief Financial Officer in January 2010.

In December 2015, Tim was appointed, in a Non-Executive capacity, to the Audit Committee of Riverside Housing Association, a leading provider of UK social housing. Previously, Tim held financial controller positions at Polyone Inc. and at Smith and Nephew plc. Tim has two teenage children with his wife Sue. Tim is an avid and lifelong Manchester City fan and likes to attend both home and away matches with his family.



Andrew Milne

Group Commercial Director

Andrew joined Nichols as the Commercial Director for Vimto Soft Drinks in July 2013. He was appointed to the plc Board on 1 January 2016. Andrew has extensive experience in the soft drinks industry having previously worked as Sales Director for the Northern region at Coca-Cola Enterprises and prior to that, as Trading Director at GlaxoSmithKline.

Andrew has two young children with his wife Debbie. Andrew is a keen Manchester United fan and spends what spare time he has either watching or playing sport.



John Gittins

Independent Non-Executive Director

John is a graduate of the London School of Economics and a chartered accountant. He was appointed to the Board of Nichols as an independent Non-Executive Director in July 2015 and is a member of both the Audit Committee (which he chairs) and the Remuneration Committee.

John is currently Audit Committee Chair of AIM listed Park Group plc and has over 20 years experience of CFO roles in companies such as Begbies Traynor Group plc, Spring Group plc and Vertex Data Science Limited. John was also previously an independent Non-Executive Director and the Audit Committee chair of Electricity North West Limited for six years.



John Longworth

Independent Non-Executive Director

John has extensive experience at director level in various organisations, including Asda, Tesco Stores Limited and as Director General of the British Chambers of Commerce and panel member of the Competition Commission.

In addition, John is Chairman of SVA Limited, a business he founded in 2010. John was appointed to the Board of Nichols in November 2010 and is also a member of both the Audit and Remuneration Committees.



Our strategy for growth includes developing our core brands and markets whilst investing in innovation and seeking further acquisition opportunities.

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Non-Executive Directors

- P J Nichols
- J Gittins
- J Longworth

All of the above are members of the Audit and Remuneration Committees of the Board.

Executive Directors

- M J Millard
- T J Croston
- A Milne (Appointed 1 January 2016)

Financial Risk Management Objectives and Policies

Business risks and uncertainties are included within the Chief Financial Officer's Report on pages 30 to 37 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 2016 or 2015.

Share Options

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

Share Capital

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

In exercising its authority in respect of the purchase and cancellation of the Company's shares, the Board takes as its major criterion the effect of such

purchases on future expected earnings per share. No purchase is made if the effect is likely to be deterioration in future expected earnings per share growth. During the year, the Company did not purchase any of its own shares.

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

Auditors

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

Directors' remuneration payable in year ended 31 December 2016

	Salary and fees	Benefits in kind	Bonuses payable in respect of 2016	Pension contributions	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000
P J Nichols	101	1	0	0	102	102
M J Millard	266	22	151	17	456	387
T J Croston	196	16	110	28	350	306
A Milne	182	14	99	13	308	0
J Longworth	22	0	0	1	23	23
J Gittins	32	0	0	0	32	13
E Healey	0	0	0	0	0	6
Total	799	53	360	59	1,271	837

Each of the directors who are directors at the time when this directors' report is approved have confirmed 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.

Directors' Responsibilities Statement

The directors are responsible for preparing the strategic report and 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 (IFRSs) 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.

The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union;

- 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 requirements of 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 are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination

of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Indemnity

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

Directors' Remuneration

Bonuses which are not guaranteed are accruing to the executive directors and certain senior executives based on pre-determined performance targets. The Remuneration Committee have considered it appropriate to issue awards under an incentive plan relating to growth in operating profit before exceptional items.

Summary of directors' interests in the Company

(Number of Shares)	Opening shareholding	2016 movement	Closing shareholding
P J Nichols	2,000,000	0	2,000,000
M J Millard	0	9,307	9,307
T J Croston	17,607	(1,607)	16,000
A Milne	0	0	0
J Longworth	140	0	140
J Gittins	0	1,280	1,280

Total bonuses paid to the three executive directors during the year were £237,420. An additional bonus of £245,854 was paid to M J Millard during the year under a long-term incentive plan. Both were accrued for at 31 December 2015.

The current incentive plan runs from 1 January 2014 to 31 December 2016 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, the third year's performance criteria has been met and as a result, the Group has provided for a bonus in 2016 of £614,000 for the three executive directors at 31 December 2016, which will be payable subsequent to the year ended 31 December 2016. The total amount accrued for the three executive directors across the three year's of the incentive plan is £1,843,000.

P J Nichols is a member of the final salary pension

scheme and M J Millard, T J Croston and A Milne have a personal pension plan. The Company contributions to the respective schemes are shown in the above table.

A summary of directors' interests in the Company are shown in the table above.

All figures above relate to shares owned outright.

By order of the Board



Tim Croston
Secretary

1 March 2017

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

Registered in England and Wales No. 238303.



Introduction

As an AIM listed business, the Group is not required to comply with the UK Corporate Governance Code ("the Code"). The Group does not fully comply with the Code, but recognises the importance of effective corporate governance procedures relevant to its size and nature of operations, as described below.

The Board

The Board comprises a Non-Executive Chairman, three Executive Directors and two Non-Executive Directors. Their names and biographical details are set out on pages 38 and 39. The Board considers the two Non-Executive Directors, John Gittins and John Longworth, to be independent. The posts of Chairman and Chief Executive are held by different individuals. The Chairman is responsible for the Board and the Chief Executive for the operating performance of the Group.

The Board is scheduled to meet four times each year, with additional meetings called if required.

The Board's main responsibilities are to agree Group strategy, approve annual budgets, review management performance, financial results, board appointments and dividend policy. Comprehensive briefing papers are distributed to all directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice, at the Group's expense, in the furtherance of their duties.

The Board has delegated specific responsibilities to Audit and Remuneration Committees (see below). Due to the infrequency of senior appointments, the Board does not maintain a Nominations Committee, but will form one as appropriate, if required. The appointment of new Non-Executive Directors to the Board is considered by the whole Board.

All directors are subject to election by shareholders at the first annual general meeting after their appointment. Thereafter, directors are then subject to retirement by rotation at intervals of no more than three years.

Remuneration Committee

The Remuneration Committee consists of all three Non-Executive Directors and is chaired by John Nichols.

The remuneration committee met on one occasion during the year. Its remit is to set remuneration packages for Executive Directors, approve any Group share, share option or cash based incentive scheme and grant, award, allocate shares, share options or payments under such schemes. In addition, the remuneration committee periodically reviews the Group's remuneration policy in relation to its peer group and industry norms.

The Executive Directors determine the remuneration of the Non-Executive Directors.

Details of directors' remuneration are set out in the directors' report on page 42.

Audit Committee

The Audit Committee consists of all three Non-Executive Directors and is chaired by John Gittins,

an independent Non-Executive Director.

The Audit Committee met three times during the year.

The Audit Committee's terms of reference are available on the Group's website. Its principal responsibilities include monitoring the integrity of financial reporting, internal controls and the external audit process.

During the year the Audit Committee discharged its responsibilities by:

- approving the external auditor's plan for the audit of the Group's annual financial statements, including key areas of audit focus, key risks, confirmation of auditor independence and terms of engagement;
- reviewing the Group's draft financial statements and interim results statements and reviewing the external auditor's detailed reports thereon, including disposition of key audit issues and risks;
- meeting the external auditor twice, without management, to discuss matters relating to its remit and any issues arising from its work;
- approving the audit fee and reviewing the Group's policy for non-audit work. The current policy is to not engage the auditor's for any non-audit work;
- considering the findings of the Financial Reporting Council's Audit Quality Review of the external auditor's work for the 2015 financial year and monitoring of recommendations;
- reviewing the arrangements by which the Group's staff may, in confidence, raise concerns and issues and the process by which these are proportionately and independently investigated;

- considering the results of targeted reviews by the finance team and other professional advisors and the timely follow up of control recommendations;
- reviewing the Group's risk management process, key risk register and risk mitigations.

Internal Control

The Board has overall responsibility 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, when asked, the Audit Committee and are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The key features of the internal control systems are:

- a Group organisational structure with clear lines of responsibility;
- comprehensive business planning procedures, including annual preparation of detailed budgets for the year ahead and projections for future years;
- comprehensive monthly financial reporting system, highlighting variances to budget and regularly updated forecasts;
- targeted, risk lead, functional reviews by the finance function and other professional advisors.

In respect of the Audit Quality Review findings on the external auditor's 2015 audit work, the Board and Audit Committee are satisfied with the quality of the audit work based on the findings which did not give rise to any significant matters and have ensured that the limited modification to the approach arising from the review has been enacted.

Attendance at Board and Committee Meetings

The following tables set out the number of scheduled meetings of the Board and its Committees during the year and individual attendance by Board members:

Board Meetings

Directors:	Meetings attended
John Nichols	4
Marnie Millard	4
Tim Croston	4
Andrew Milne	4
John Longworth	4
John Gittins	4

Remuneration Committee

Directors:	Meetings attended
John Nichols	1
John Longworth	1
John Gittins	1

Audit Committee

Directors:	Meetings attended
John Nichols	3
John Longworth	3
John Gittins	3



Independent Auditor's report to the members of Nichols plc

We have audited the financial statements of Nichols plc for the year ended 31 December 2016 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 statement of cash flows, the Group and parent Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report

and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Julien Rye
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
statutory auditor, Manchester, United Kingdom.
1 March 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Auditors

BDO LLP, 3 Hardman Street,
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

N+1 Singer Advisory LLP, West One Wellington
Street, Leeds,
LS1 1BA.

Financial Advisors

N M Rothschild & Sons Limited, 82 Kings 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.

**CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2016**

	Notes	Before exceptional items £'000	Exceptional items £'000	2016 £'000	2015 £'000
Revenue	3	117,349	0	117,349	109,279
Cost of sales		(58,234)	0	(58,234)	(56,296)
Gross profit		59,115	0	59,115	52,983
Distribution expenses		(6,271)	0	(6,271)	(5,483)
Administrative expenses		(22,519)	0	(22,519)	(19,666)
Operating profit	4	30,325	0	30,325	27,834
Finance income	5	214	1,087	1,301	213
Finance expense	5	(134)	0	(134)	(201)
Share of post-tax profits of equity accounted associate		0	0	0	190
Profit before taxation		30,405	1,087	31,492	28,036
Taxation	7	(6,015)	0	(6,015)	(5,803)
Profit for the financial year attributable to equity holders of the parent		24,390	1,087	25,477	22,233
Earnings per share (basic)	9			69.13p	60.33p
Earnings per share (diluted)	9			69.07p	60.25p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016**

	2016 £'000	2015 £'000
Profit for the financial year	25,477	22,233
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	(3,472)	1,632
Deferred taxation on pension obligations and employee benefits (see note 14)	601	(274)
Other comprehensive (expense)/ income for the year	(2,871)	1,358
Total comprehensive income for the year	22,606	23,591

**STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 DECEMBER 2016**

	Notes	Group		Parent	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	8,715	6,061	3,970	3,928
Goodwill	11	23,061	19,108	2,504	2,504
Investments	12	0	0	16,566	16,566
Investment in equity accounted associate	19	0	2,970	0	0
Intangibles	13	6,084	1,316	1,316	1,316
Deferred tax assets	14	1,436	1,098	1,436	1,098
Total non-current assets		39,296	30,553	25,792	25,412
Current assets					
Inventories	15	6,717	3,945	3,914	2,430
Trade and other receivables	16	31,508	27,860	25,020	20,765
Cash and cash equivalents	20	39,754	35,438	25,768	22,907
Total current assets		77,979	67,243	54,702	46,102
Total assets		117,275	97,796	80,494	71,514
Liabilities					
Current liabilities					
Trade and other payables	17	21,456	18,127	21,008	16,981
Current tax liabilities	17	2,355	2,679	357	1,160
Total current liabilities		23,811	20,806	21,365	18,141
Non-current liabilities					
Pension obligations and employee benefits	26	6,395	3,893	6,395	3,893
Deferred tax liabilities	14	1,101	86	0	0
Total non-current liabilities		7,496	3,979	6,395	3,893
Total liabilities		31,307	24,785	27,760	22,034
Net assets		85,968	73,011	52,734	49,480
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		(358)	(547)	417	228
Retained earnings		78,165	65,397	44,156	41,091
Total equity		85,968	73,011	52,734	49,480

The parent Company reported a profit for the year ended 31 December 2016 of £15,774,000 (2015: £15,974,000).

The financial statements on pages 48 to 77 were approved by the Board of Directors on 1 March 2017 and were signed on its behalf by:



PJ Nichols
Chairman
Registered number 238303.

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Profit for the financial year			25,477		22,233
Adjustments for:					
Depreciation and amortisation		1,111		502	
(Profit)/ loss on sale of property, plant and equipment		(6)		16	
Finance income - non-exceptional	5	(214)		(213)	
Finance expense	5	134		201	
Finance income - exceptional gain	5	(1,087)		0	
Tax expense recognised in the income statement		6,015		5,803	
Change in inventories		(2,382)		767	
Change in trade and other receivables		(3,036)		(4,335)	
Change in trade and other payables		1,229		(1,560)	
Change in pension obligations and employee benefits		(970)		(665)	
			794		516
Cash generated from operating activities			26,271		22,749
Tax paid			(6,116)		(4,639)
Net cash generated from operating activities			20,155		18,110
Cash flows from investing activities					
Finance income		214		213	
Proceeds from sale of property, plant and equipment		17		4	
Acquisition of property, plant and equipment		(2,442)		(1,767)	
Acquisition of subsidiary		(3,715)		(157)	
Acquisition of business trade and assets		0		(3,820)	
Acquisition of associate investment		0		(2,970)	
Net cash used in investing activities			(5,926)		(8,497)
Cash flows from financing activities					
Share options exercised		(107)		(69)	
Dividends paid	8	(9,806)		(8,589)	
Net cash used in financing activities			(9,913)		(8,658)
Net increase in cash and cash equivalents			4,316		955
Cash and cash equivalents at 1 January			35,438		34,483
Cash and cash equivalents at 31 December	20		39,754		35,438

**PARENT COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Profit for the financial year			15,774		15,974
Adjustments for:					
Depreciation		281		271	
Loss on sale of property, plant and equipment		0		2	
Finance income		(214)		(213)	
Finance expense		126		201	
Tax expense recognised in the income statement		4,037		4,266	
Change in inventories		(1,484)		205	
Change in trade and other receivables		(4,255)		355	
Change in trade and other payables		4,165		(430)	
Change in pension obligations and employee benefits		(970)		(665)	
			1,686		3,992
Cash generated from operating activities			17,460		19,966
Tax paid			(4,577)		(3,868)
Net cash generated from operating activities			12,883		16,098
Cash flows from investing activities					
Finance income		214		213	
Acquisition of property, plant and equipment		(323)		(441)	
Acquisition of business trade and assets		0		(3,820)	
Hive-up of dormant subsidiaries		0		390	
Net cash used in investing activities			(109)		(3,658)
Cash flows from financing activities					
Share options exercised		(107)		(68)	
Dividends paid	8	(9,806)		(8,589)	
Net cash used in financing activities			(9,913)		(8,657)
Net increase in cash and cash equivalents			2,861		3,783
Cash and cash equivalents at 1 January			22,907		19,124
Cash and cash equivalents at 31 December	20		25,768		22,907

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2016

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 2015	3,697	3,255	1,209	(560)	50,477	58,078
Dividends	0	0	0	0	(8,589)	(8,589)
Movement in ESOT	0	0	0	13	(82)	(69)
Transactions with owners	0	0	0	13	(8,671)	(8,658)
Profit for the year	0	0	0	0	22,233	22,233
Other comprehensive income	0	0	0	0	1,358	1,358
Total comprehensive income	0	0	0	0	23,591	23,591
At 1 January 2016	3,697	3,255	1,209	(547)	65,397	73,011
Dividends	0	0	0	0	(9,806)	(9,806)
Movement in ESOT	0	0	0	189	(32)	157
Transactions with owners	0	0	0	189	(9,838)	(9,649)
Profit for the year	0	0	0	0	25,477	25,477
Other comprehensive expense	0	0	0	0	(2,871)	(2,871)
Total comprehensive income	0	0	0	0	22,606	22,606
At 31 December 2016	3,697	3,255	1,209	(358)	78,165	85,968

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 2015	3,697	3,255	1,209	215	32,036	40,412
Dividends	0	0	0	0	(8,589)	(8,589)
Movement in ESOT	0	0	0	13	(81)	(68)
Transactions with owners	0	0	0	13	(8,670)	(8,657)
Profit for the year	0	0	0	0	16,367	16,367
Other comprehensive income	0	0	0	0	1,358	1,358
Total comprehensive income	0	0	0	0	17,725	17,725
At 1 January 2016	3,697	3,255	1,209	228	41,091	49,480
Dividends	0	0	0	0	(9,806)	(9,806)
Movement in ESOT	0	0	0	189	(32)	157
Transactions with owners	0	0	0	189	(9,838)	(9,649)
Profit for the year	0	0	0	0	15,774	15,774
Other comprehensive expense	0	0	0	0	(2,871)	(2,871)
Total comprehensive income	0	0	0	0	12,903	12,903
At 31 December 2016	3,697	3,255	1,209	417	44,156	52,734

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

1. Reporting entity

Nichols plc (the "Company") is a company incorporated and domiciled in the United Kingdom, listed on the Alternative Investment Market. 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 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

2. Accounting policies

Basis of preparation

The consolidated and parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Companies Act 2006 as applicable to companies reporting under IFRS.

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.

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.

Carrying value of brand support accruals

The Group incurs significant costs in the support and development of the Group's brands. The majority of costs incurred on the arrangements (and therefore deduction to revenue) have been settled at 31 December 2016, however certain judgement is required in determining the level of closing accrual required at a year end for promotions and brand support campaigns that either span two financial years or where the costs have not been fully settled by the year end date. This includes sales related discounts which are included within revenue as disclosed in the

revenue recognition policy below. Based on the timing of the agreements entered into with customers in the year, the level of estimation in the year end accrual is insignificant.

In particular, promotion campaigns with customers take place over short time frames, with volume and sales forecasts during the campaign benchmarked against prior experience and reviewed with the customer in advance of the promotion. During the promotion the systems and processes within the business allow the directors to monitor the level of the estimate against actual spend during the promotion, such that any judgement taken at the year end is not significant across the promotional timeframe. In respect of brand support campaigns, management has well established joint business arrangements in place with customers, and again the systems and processes allow management to have full visibility of activity levels on these plans, allowing estimates to be made with a strong degree of certainty at the year end. There has not been any evidence of eventual settlements of liabilities in respect of the above being significantly different to that being accrued.

Intangible assets with indefinite lives

In the opinion of the directors, the industry in which the Group operates is stable and there are relatively high barriers to entry. The brands acquired are well established in their respective sales channels and both have an important role to play in all of the Group's routes to market. The brands are also well positioned to mitigate against the impact of recent sugar levy announcements.

The directors have therefore made a judgement that certain intangible assets relating to brands have indefinite lives. It is expected that these brands will be held and supported for an indefinite period of time and are expected to generate economic benefits. The Group is committed to supporting its brands and invests in significant consumer marketing promotional spend.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the assets have 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 reporting date

was £23.1 million (2015: £19.1 million).

Customer list intangible assets have finite lives assigned. Such assets are tested for impairment if an impairment indicator exists. No risks are noted at 31 December 2016.

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).

Basis of consolidation and goodwill

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2016. Subsidiaries are entities controlled by the Group. Control exists if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. 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.

In the year, the Group has acquired the remaining 51% share of Noisy, which was previously accounted for as an investment in associate. In calculating goodwill,

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

the fair value of consideration has been calculated using the cash consideration plus the directors' best estimate of deferred consideration at the acquisition date plus the fair value of the 49% interest already owned. To calculate goodwill, this calculation has been compared to the net assets at the date of acquisition of the remaining 51% of shares of Noisy, including an assessment of the fair value of intangible assets. The exceptional gain recognised relates to the excess of the fair value of the 49% interest over its book value.

Revenue recognition

Revenue from the sale of goods is calculated on the basis of the invoiced price, less any agreed discounts or rebates and excluding VAT and after the deduction of certain promotional and brand support costs invoiced by customers.

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. With regards to discounts, rebates, promotional costs and brand support costs, these costs are calculated to reflect the expected amount of customer claims in respect of these items. The statement of financial position includes accruals for claims yet to be received for discounts, rebates and promotional costs.

Transfer of risks and rewards and cessation of continuing management involvement varies 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 Board (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 Board 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.

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 other comprehensive income.

Current tax

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

Deferred tax

Deferred tax is recognised using the balance sheet 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.

Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands acquired separately through a business combination are assessed at the date of acquisition as to whether they have an indefinite life. The assessment includes whether the brand name will continue to trade and the expected lifetime of the brand. All brands acquired to date have been assessed as having an indefinite life as they are expected to continue to contribute to the long-term future of the Group. The brands are reviewed annually for impairment, being carried at cost less accumulated impairment charges. The fair value of a brand at the date of acquisition is based on the Relief from Royalties method, which is a valuation model based on discounted cash flows.

Customer lists

Customer lists acquired in a business combination are recognised at fair value at the acquisition date. They are amortised over the useful economic life identified at the date of acquisition with amortisation charges included within administrative expenses.

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 and movements in the Group's ESOT.

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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

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

Land and buildings 50 years

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

Land is not depreciated.

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. Financial assets are a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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, such as significant financial difficulties on the part of the counterparty or default or significant delay in payment.

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.

Employee benefit - Incentive Plan

An accrual is recognised in respect of an incentive plan that will see amounts payable to employees and directors subsequent to the year ended 31 December 2016 if group targets continue to be met. The quantum of the accrual is based on target growth in operating profit before exceptional items linked to a theoretical number of shares and a theoretical share price-earnings ratio. The quantum of the accrual is re-assessed at each year end based on the performance of the group against the target set.

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. Remeasurement of the DBO, comprising actuarial gains and losses and the return on scheme assets (excluding interest), are recognised in the statement of other comprehensive income in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

Share-based payment transactions

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

The Group recognises 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 2016 for the year ending 31 December 2016.

Those fair values are charged to the income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels. The Group calculates 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 managed by the ESOT, therefore there is no impact on 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.

Finance income

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

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.

Investments in associates

Associates are entities over which the Group has significant influence but does not control, generally accompanied by a share of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9, Financial instruments

IFRS 15, Revenue from contracts with customers

IFRS 16, Leases

Disclosure Initiative: Amendments to IAS 7

Clarifications to IFRS 15 revenue from contracts with customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Annual Improvements to IFRSs (2014-2016 Cycle)

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.

In respect of the above, the directors are specifically reviewing the requirements of IFRS 15, which will become effective for the 31 December 2018 year end. In particular, an assessment is ongoing around specific elements within the standard's guidance relating to variable consideration and consideration

payable to a customer given the existence of brand support accruals. Similarly the directors are reviewing the impact of IFRS 16, which will become effective for the 31 December 2019 year end. At the current year end the total minimum lease payments on operating leased assets is £3,165,221 which is considered materially similar to the asset and liability that would be recognised if IFRS 16 were effective at the current time.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

3. Segmental information

a. Key operating segments

The Board 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 Board considers the business from a product perspective and reviews the Group on the operating segments identified below. There has been no change

to the segments during the year. Based on the nature of the products sold by the Group, the types of customers and methods of distribution, management consider reporting operating segments at the Still and Carbonate level to be reasonable. Gross profit is the measure used to assess the performance of each operating segment as identified as a KPI in the Chief Financial Officer's Report.

	Revenue		Gross Profit	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Still	59,523	54,791	34,702	30,452
Carbonate	57,826	54,488	24,413	22,531
Total	117,349	109,279	59,115	52,983

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 overheads are managed centrally by the Board and consequently there is no reconciliation to profit before tax at a segmental level.

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

	2016 £'000	2015 £'000
Capital Expenditure	2,442	1,767
Depreciation	954	502

b. Reporting by geographic area

Revenue by geographic destination

	2016 £'000	2016 %	2015 £'000	2015 %
Middle East	11,497	9.9	12,365	11.3
Africa	10,496	8.9	7,922	7.2
Rest of the World	4,606	3.9	4,182	3.9
Total exports	26,599	22.7	24,469	22.4
United Kingdom	90,750	77.3	84,810	77.6
	117,349	100.0	109,279	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 2016 or 2015.

Total assets

The assets of the Group at 31 December 2016 and 31 December 2015 are entirely located within the United Kingdom.

Capital expenditure

The capital expenditure of the Group for the years ended 31 December 2016 and 31 December 2015 was entirely made within the United Kingdom.

Depreciation

The Group's depreciation charges for the years ended 31 December 2016 and 31 December 2015 are against property, plant and equipment all retained within the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

4. Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging/ (crediting):		
Inventory amounts charged to cost of sales	58,234	56,296
BDO LLP remuneration:		
Audit services of the company's annual accounts	56	55
Non-audit services; corporate finance services	0	11
Depreciation of property, plant and equipment	954	502
Operating lease rentals payments	548	536
Awards under Incentive Plan	1,268	1,017
(Gain)/ loss on foreign exchange differences	(464)	316
(Profit)/ loss on sale of property, plant and equipment	(6)	16
Amortisation of intangible assets	157	0

5. Finance income and expense

	Notes	2016 £'000	2015 £'000
Finance income comprises:			
Bank interest receivable		214	213
Exceptional item - gain on step-acquisition of The Noisy Drinks Co. Limited	19	1,087	0
Finance income		1,301	213
Finance expense comprises:			
Net interest income on defined benefit pension scheme assets	26	(845)	(820)
Interest on defined benefit pension scheme obligations	26	971	1,021
Bank interest payable		8	0
Finance expense		134	201

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

6. Directors and employees

	2016 Number	2015 Number
a. Average number of persons employed during the year, including directors:		
Group	205	178
Parent Company	154	116

b. Group employment costs were as follows:

	2016 £'000	2015 £'000
Wages and salaries	8,823	7,677
Social security costs	923	736
Pension costs - defined contribution scheme	319	304
Pension costs - defined benefit scheme (see note 26)	29	37
Accrued under Incentive Plan	1,268	1,017
	11,362	9,771

c. Parent Company employment costs were as follows:

	2016 £'000	2015 £'000
Wages and salaries	8,109	7,051
Social security costs	906	614
Pension costs - defined contribution scheme	304	258
Pension costs - defined benefit scheme (see note 26)	29	37
Accrued under Incentive Plan	1,268	1,017
	10,616	8,977

Group and parent Company key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 41.

	2016 £'000	2015 £'000
Wages and salaries	1,212	806
Pension costs	59	31
Accrued under Incentive Plan	614	724
	1,885	1,561

The highest paid director has received £393,000 (2015: £386,000) excluding pension contributions.

Benefits are accruing to 4 directors (2015: 3 directors) under a defined contribution scheme, the highest paid director has received contributions of £17,000 in the year.

Further information regarding directors' remuneration and the Incentive Plan is provided in the directors' report on pages 40 to 43.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

7. Taxation

	2016 £'000	2015 £'000
a. Analysis of expense recognised in the consolidated income statement		
Current taxation:		
UK corporation tax on income for the year	5,738	5,425
Adjustments in respect of prior years	17	33
Total current tax charge for the year	5,755	5,458
Deferred tax:		
Origination and reversal of temporary differences	267	429
Adjustments in respect of prior years	(7)	(84)
Total deferred tax charge for the year	260	345
Total tax expense in the consolidated income statement	6,015	5,803

The tax expense is wholly in respect of UK taxation.

	2016 £'000	2015 £'000
b. Tax reconciliation		
Profit before taxation	31,492	28,036
Profit before taxation multiplied by the standard rate of Corporation Tax in the United Kingdom of 20.00% (2015: 20.25%)	6,298	5,677
Effect of:		
Non-deductible expenses	63	134
Other tax adjustments, reliefs and transfers	(330)	0
Other timing differences	(36)	(74)
Adjustments to the tax charge in respect of prior years	(7)	(50)
Income not taxable for tax purposes	(90)	(38)
Depreciation for the year lower than capital allowances	14	20
Opening share scheme deferred tax	0	39
Impact on deferred tax due to rate change	103	95
Total tax expense in the consolidated income statement	6,015	5,803

The effective rate of tax for the year of 19.1% (2015: 20.7%) is lower than the standard rate of Corporation Tax in the United Kingdom (20.00%). The differences are explained above.

c. The effective rate of tax on profit is 19.1% (2015: 20.7%).

d. Tax on items recognised in other comprehensive expense

In addition to the amount charged to the consolidated income statement, a credit of £601,000 (2015: charge of £274,000) has been recognised in other comprehensive (expense)/ income, being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

**NOTES TO THE FINANCIAL STATEMENTS
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8. Equity dividends

	2016 £'000	2015 £'000
Interim dividend 9.00p (2015: 8.00p) paid 26 August 2016	3,318	2,949
Final dividend for 2015 17.60p (2014: 15.30p) paid 3 May 2016	6,488	5,640
	9,806	8,589

The interim dividend for the prior year of £2,949,000 was paid on 28 August 2015.

The 2016 final proposed dividend of £7,505,000 (20.30p per share) has not been accrued as it had not been approved by the year end.

9. Earnings per share

	2016	2015
Earnings per share (basic)	69.13p	60.33p
Earnings per share (diluted)	69.07p	60.25p
Earnings per share (basic) - before exceptional items	66.18p	60.33p
Earnings per share (diluted) - before exceptional items	66.12p	60.25p

Earnings per share - before exceptional items

	Earnings £'000	2016 Weighted average number of shares	Earnings per share	Earnings £'000	2015 Weighted average number of shares	Earnings per share
Basic earnings per share	25,477	36,853,888	69.13p	22,232	36,849,638	60.33p
Dilutive effect of share options		33,197			52,981	
Diluted earnings per share	25,477	36,887,085	69.07p	22,232	36,902,619	60.25p

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 £'000	2016 Weighted average number of shares	Earnings per share	Earnings £'000	2015 Weighted average number of shares	Earnings per share
Basic earnings per share	25,477	36,853,888	69.13p	22,232	36,849,638	60.33p
Exceptional items	(1,087)					
Basic earnings per share before exceptional items	24,390	36,853,888	66.18p	22,232	36,849,638	60.33p
Dilutive effect of share options		33,197			52,981	
Diluted earnings per share before exceptional items	24,390	36,887,085	66.12p	22,232	36,902,619	60.25p

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

10. Property, plant and equipment

Group	Land and buildings £'000	Property, plant and equipment £'000	Total £'000
Cost			
At 1 January 2015	3,444	5,807	9,251
Additions	0	1,767	1,767
Disposals	0	(82)	(82)
At 1 January 2016	3,444	7,492	10,936
Additions	0	2,442	2,442
On acquisition of subsidiary	0	1,177	1,177
Disposals	0	(110)	(110)
At 31 December 2016	3,444	11,001	14,445

Group	Land and buildings £'000	Property, plant and equipment £'000	Total £'000
Depreciation			
At 1 January 2015	40	4,394	4,434
Charge for the year	69	433	502
On disposals	0	(61)	(61)
At 1 January 2016	109	4,766	4,875
Charge for the year	69	885	954
On disposals	0	(99)	(99)
At 31 December 2016	178	5,552	5,730

Net book value at 31 December 2016	3,266	5,449	8,715
Net book value at 31 December 2015	3,335	2,726	6,061

Parent	Land and buildings £'000	Property, plant and equipment £'000	Total £'000
Cost			
At 1 January 2015	3,444	2,666	6,110
Additions	0	441	441
Disposals	0	(2)	(2)
At 1 January 2016	3,444	3,105	6,549
Additions	0	323	323
Disposals	0	0	0
At 31 December 2016	3,444	3,428	6,872

Parent	Land and buildings £'000	Property, plant and equipment £'000	Total £'000
Depreciation			
At 1 January 2015	40	2,311	2,351
Charge for the year	69	202	271
On disposals	0	(1)	(1)
At 1 January 2016	109	2,512	2,621
Charge for the year	69	212	281
On disposals	0	0	0
At 31 December 2016	178	2,724	2,902

Net book value at 31 December 2016	3,266	704	3,970
Net book value at 31 December 2015	3,335	592	3,928

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

11. Goodwill

Group	Cost £'000	Parent	Cost £'000
At 1 January 2015	16,447	At 1 January 2015	0
Acquisitions	2,661	Acquisitions	2,504
At 1 January 2016	19,108	At 1 January 2016	2,504
Acquisition (see note 19)	3,953	Acquisitions	0
At 31 December 2016	23,061	At 31 December 2016	2,504

The Group goodwill acquisition for 2016 relates to the acquisition of the remaining 51% of the issued share capital of The Noisy Drinks Co. Limited, completed on 8 January 2016. The total goodwill is entirely attributable to the Out of Home business. Details of the fair value of identifiable assets acquired, purchase consideration and goodwill are shown in note 19.

All goodwill relates to the Out of Home business which is considered by management to be two cash-generating units (CGU's) sitting below each of the Still and Carbonate operating segments:

	2016 £'000	2015 £'000
Still		
Out of Home	14,409	10,456
Carbonate		
Out of Home	8,652	8,652
	23,061	19,108

Brand names with indefinite lives were recognised as part of the fair value exercise on the acquisition of Noisy (2016) and the trade and assets of Feel Good Drinks (2015). Both have been allocated to the CGU's above for impairment testing.

Impairment review

Goodwill and intangible assets with indefinite lives are tested at least annually for impairment and whenever there are indications that the assets 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 10.35% 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 in projecting the cash flows for a period of five years in line with these budgets. Further periods have been included in the impairment test based on growth into perpetuity of 2% per annum. Management consider the annual growth projections for 5 years and into perpetuity to be reasonable in light of company growth in the current year and economic growth rates.

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 it is correctly allocated to goodwill.

The headroom on the assessment is significant. If the discount rate were to increase by 10% (i.e. to 20.35%) the discounted cash flows would still exceed the carrying amount, likewise if the free cash flows were to reduce by 10% the discounted cash flows would still exceed the carrying amount.

The following are the key assumptions on which the directors have based their cash flow projections to undertake impairment testing:

- Volume growth rates - reflect senior management expectations of volume growth based on growth achieved to date, current strategy and expected market trends.
- Brand contribution - being revenue less marginal costs that the directors consider to be directly attributable to the sale of the given brand. Key to brand contribution is pricing, discounts and the cost base.
- Raw material price, distribution costs and overhead inflation - the basis used to determine the value assigned to inflation is the forecast CPI.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

12. Investments: shares in Group undertakings

Parent

Cost and net book amount	£'000
At 1 January 2015, 1 January 2016 and at 31 December 2016	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
Dispense Solutions Limited *****	100
Festival Drinks Limited ***	100
Vimto (Out of Home) Limited	100
Nichols Dispense (S.W.) Limited ****	100
The Noisy Drinks Co. Limited *****	100

The Company directly owns Ben Shaws Dispense Drinks Limited, Dayla Liquid Packing Limited and Vimto (Out of Home) Limited.

*Beacon Drinks Limited is directly owned by Vimto (Out of Home) Limited.

**Cabana Soft Drinks Limited is directly owned by Vimto (Out of Home) Limited.

*** Festival Drinks Limited is directly owned by Vimto (Out of Home) Limited.

**** Nichols Dispense (S.W.) Limited is directly owned by Vimto (Out of Home) Limited.

***** Dispense Solutions (Wales) Limited is directly owned by Nichols Dispense (S.W.) Limited.

***** The Noisy Drinks Co. Limited is directly owned by Vimto (Out of Home) 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 confirmation statement.

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

The registered address of each of the above is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

13. Intangibles

Group	Brand name £'000	Customer list £'000	Total £'000
At 1 January 2015	-	-	-
Acquisitions	1,316	-	1,316
At 1 January 2016	1,316	-	1,316
Acquisitions (see note 19)	2,573	2,352	4,925
At 31 December 2016	3,889	2,352	6,241

Amortisation

At 1 January 2015 and 1 January 2016	0	0	0
Charge in the year	0	157	157
At 31 December 2016	0	157	157

Carrying value at 31 December 2016	3,889	2,195	6,084
Carrying value at 31 December 2015	1,316	0	1,316

Parent	Brand name £'000
At 1 January 2015	-
Acquisitions	1,316
At 1 January 2016 and 31 December 2016	1,316

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

14. Deferred tax assets and liabilities

Movement in temporary differences during the year

Group	Net balance at 1 January 2016 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	Net balance at 31 December 2016 £'000
Property, plant and equipment	(41)	0	(158)	0	(199)
Goodwill and intangibles	247	(886)	(31)	0	(670)
Employee benefits	770	0	(202)	601	1,169
Provisions	36	0	(1)	0	35
	1,012	(886)	(392)	601	335

Group	Net balance at 1 January 2015 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2015 £'000
Property, plant and equipment	(37)	0	(4)	0	(41)
Goodwill and intangibles	294	0	(47)	0	247
Employee benefits	1,277	0	(233)	(274)	770
Provisions	95	0	(59)	0	36
	1,629	0	(343)	(274)	1,012

Parent	Net balance at 1 January 2016 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	Net balance at 31 December 2016 £'000
Property, plant and equipment	45	0	(29)	0	16
Goodwill and intangibles	247	0	(31)	0	216
Employee benefits	770	0	(202)	601	1,169
Provisions	36	0	(1)	0	35
	1,098	0	(263)	601	1,436

Parent	Net balance at 1 January 2015 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2015 £'000
Property, plant and equipment	34	0	11	0	45
Goodwill and intangibles	294	0	(47)	0	247
Employee benefits	1,277	0	(233)	(274)	770
Provisions	94	0	(58)	0	36
	1,699	0	(327)	(274)	1,098

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

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	16	45	(215)	(86)	(199)	(41)
Goodwill and intangibles	216	247	(886)	0	(670)	247
Employee benefits	1,169	770	0	0	1,169	770
Provisions	35	36	0	0	35	36
	1,436	1,098	(1,101)	(86)	335	1,012

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	16	45	0	0	16	45
Goodwill and intangibles	216	247	0	0	216	247
Employee benefits	1,169	770	0	0	1,169	770
Provisions	35	36	0	0	35	36
	1,436	1,098	0	0	1,436	1,098

15. Inventories

	Group		Parent	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Finished goods	5,452	3,378	3,914	2,430
Raw materials	1,265	567	0	0
Total inventories	6,717	3,945	3,914	2,430

In 2016 the Group write-down of inventories to net realisable value amounted to £389,000 (2015: £173,000).

**NOTES TO THE FINANCIAL STATEMENTS
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16. Trade and other receivables

	Group		Parent	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	28,808	24,640	21,018	19,097
Amounts owed by Group undertakings	0	0	3,031	362
Other receivables	1,515	2,710	367	849
Prepayments and accrued income	1,185	510	604	457
	31,508	27,860	25,020	20,765

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 £1,805,000 (2015: £736,000) 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	2016	2015	Parent	2016	2015
	£'000	£'000		£'000	£'000
Up to 30 days overdue	4,139	2,105	Up to 30 days overdue	2,972	1,122
Over 30 days and up to 60 days overdue	781	171	Over 30 days and up to 60 days overdue	311	146
Over 60 days and up to 90 days overdue	948	90	Over 60 days and up to 90 days overdue	26	86
	5,868	2,366		3,309	1,354

Group	At 1 January	Charge in the year	Utilised	At 31 December
	2016			2016
	£'000	£'000	£'000	£'000
Bad debt provision	737	1,374	(306)	1,805

Group	At 1 January	Charge in the year	Utilised	At 31 December
	2015			2015
	£'000	£'000	£'000	£'000
Bad debt provision	424	327	(14)	737

Parent	At 1 January	Charge in the year	Utilised	At 31 December
	2016			2016
	£'000	£'000	£'000	£'000
Bad debt provision	736	1,371	(306)	1,801

Parent	At 1 January	Charge in the year	Utilised	At 31 December
	2015			2015
	£'000	£'000	£'000	£'000
Bad debt provision	415	325	(4)	736

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

17. Trade and other payables and current tax liabilities

	Group		Parent	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	5,254	5,364	4,298	4,244
Amounts owed to Group undertakings	0	0	2,721	1,740
Other taxes and social security	1,239	802	726	270
Accruals and deferred income	14,963	11,961	13,263	10,727
	21,456	18,127	21,008	16,981
Current tax liabilities	2,355	2,679	357	1,160
	23,811	20,806	21,365	18,141

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

At 31 December 2016, liabilities have contractual maturities which are summarised below:

Group	2016		2015	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	5,254	0	5,364	0
Other short-term financial liabilities	14,963	0	11,962	0
	20,217	0	17,326	0

Parent	2016		2015	
	Within 6 months £'000	Within 6 to 12 months £'000	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	4,298	0	4,244	0
Other short-term financial liabilities	13,263	2,721	10,727	1,740
	17,561	2,721	14,971	1,740

18. Share capital

	2016 £'000	2015 £'000
Allotted, issued and fully paid 36,968,772 (2015: 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 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

19. Acquisitions

2015 Acquisition

On 23 July 2015, the Group acquired the trade and assets of Feel Good Drinks Limited, an established range of premium juice drinks containing no added sugar and 100% natural ingredients. The acquisition is a key part of the Group's growth strategy and we plan to further develop the brand across our established UK and international markets, supported by increased marketing resource and investment.

Details of the fair value of identifiable assets acquired, purchase consideration and goodwill are as follows:

	Fair value £'000	Fair value of consideration paid	Fair value £'000
Inventories	384	Cash	3,884
Brand	1,316	Contingent cash consideration (paid 2 February 2016)	320
Total assets acquired	1,700	Total consideration	4,204
		Goodwill (see note 11)	2,504

The goodwill recognised on the acquisition relates to expected synergies from combining operations of Feel Good and Nichols plc. Feel Good has an important part to play in all of the Group's routes to market and the brand is a core element of the Group's future growth strategy. There is no further contingent consideration on the acquisition other than as disclosed above.

2016 Acquisition

On 8 January 2016, the Group acquired the remaining 51% of the issued share capital of The Noisy Drinks Co. Limited, the UK's leading frozen drinks business, supplying the Starlush brand to a number of prestigious customers in both the UK and mainland Europe. In addition to enhancing the Group's product portfolio, the acquisition also strengthens the Group's supply chain capabilities as the business has an established UK network facilitating direct access to customers on a national basis.

Details of the fair value of identifiable assets acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	1,177	0	1,177
Inventory	390	(133)	257
Trade and other receivables	519	0	519
Cash	600	0	600
Trade and other payables	(2,267)	0	(2,267)
Tax liabilities	(131)	0	(131)
Brand	0	2,573	2,573
Customer list	0	2,352	2,352
Deferred tax on acquired intangibles	0	(886)	(886)
Total assets acquired	288	3,906	4,194

Fair value of consideration paid

	Fair value £'000
Cash paid	3,165
Contingent cash consideration (see below)	1,000
Fair value of previously held interest	3,982
Total consideration	8,147
Goodwill (see note 11)	3,953

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the scale and the future growth opportunities that is provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Acquisition costs of £30,032 arose as a result of the transaction. These have been recognised within administrative expenses.

The contingent cash consideration payable was originally payable in February 2018 based on profitability targets established with the vendor. During 2016, a deed of variation was signed and the contingent consideration settled for a reduced amount of £550,000. The difference between the £1.0m and £550,000 paid has been taken as a credit within administrative expenses.

Since the acquisition, The Noisy Drinks Co. Limited has contributed £5.8m to revenue. It is not possible to determine the net profit impact as the business has been subsumed into the trade of the Out of Home CGU. If the acquisition had occurred on 1 January rather than 8 January 2016 the revenue contribution would be unchanged.

In line with the requirements of IFRS 3 Business Combinations, the acquisition of the remaining 51% of the issued share capital of The Noisy Drinks Co. Limited has been accounted for as a step-acquisition. As a result, the original 49% holding has been treated as though disposed and subsequently re-acquired as part of the acquisition of the full 100% of the issued share capital. This has given rise to a deemed profit on disposal of the previously held interest of £1,087,000, presented as an exceptional item in the income statement (see note 5). In the prior year, the previously held 49% interest was equity accounted for as an investment in associate.

Investment in associate

	£'000
Carrying value as at 1 January 2016	2,970
Reclassification	(75)
Carrying value as at 8 January 2016	2,895
Fair value of 49% investment at 8 January 2016	3,982
Exceptional credit recognised	1,087

20. Cash and cash equivalents

Group	At 1 January 2016 £'000	Cash flow £'000	At 31 December 2016 £'000	Parent	At 1 January 2016 £'000	Cash flow £'000	At 31 December 2016 £'000
Cash at bank and in hand	35,438	4,316	39,754	Cash at bank and in hand	22,907	2,861	25,768

21. Financial instruments

Exposure to treasury management, liquidity, credit and currency risks arise 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 where required, short-term borrowing facilities.

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 (\$) and Euros (€). During 2016, the Group entered into foreign currency transactions that over the course of the year resulted in the Group having a 'natural currency 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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

21. Financial instruments (continued)

Foreign currency assets:	2016	2015
	£'000	£'000
US Dollar	2,769	2,136
Euro	2,541	2,862
Swiss Franc	304	304
	5,614	5,302

Foreign currency sensitivity

Some of the Group's transactions are carried out in US Dollars and Euros. As a result, management have undertaken sensitivity analysis to consider the financial impact if Sterling had both strengthened and weakened against the US Dollar and the Euro.

If Sterling had strengthened against the US Dollar and Euro by 5% (2015: 5%), then this would have had the following impact:

	USD	2016	Total	USD	2015	Total
	£'000	Euro	£'000	£'000	Euro	£'000
		£'000			£'000	
Net result for the year	(72)	(114)	(186)	(102)	(136)	(238)

If Sterling had weakened against the US Dollar and Euro by 5% (2015: 5%), then this would have had the following impact:

	USD	2016	Total	USD	2015	Total
	£'000	Euro	£'000	£'000	Euro	£'000
		£'000			£'000	
Net result for the year	212	141	353	112	151	263

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 statement of financial position and the headings in which they are included are as follows:

Current assets	Group		Parent	
Loans and other receivables	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade receivables and other receivables	30,323	27,350	24,416	20,308
Cash and cash equivalents	39,754	35,438	25,768	22,907
Total financial assets	70,077	62,788	50,184	43,215

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

Current liabilities	Group		Parent	
Other financial liabilities at amortised cost	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade and other payables	5,254	5,364	7,019	5,984
Total financial liabilities	5,254	5,364	7,019	5,984

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

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 2015.

At 31 December 2016 the Group had no debt and therefore the capital structure consists of equity only.

24. Operating leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Parent	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Within one year	963	658	553	382
Between two and five years	1,804	1,041	762	423
More than five years	398	313	0	0
	3,165	2,012	1,315	805

The Group leases its operating depots under non-cancellable operating lease agreements 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		Balance outstanding	
	Year ended 31 December		as at 31 December	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Sale of goods and services (including recharge of costs)	1,254	1,539	240	(1,578)

All sales noted above with the related parties are conducted in line with similar transactions with external parties.

Details of key management personnel compensation have been disclosed in note 6, no other transactions were entered into with key management personnel in the year.

Two family members of the Non-Executive Chairman are employed in management roles within the business. The total remuneration paid in the year was £119,500 (2015: £110,000). An accrued amount of £33,000 (2015: £30,000) will be paid in the subsequent financial year.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

26. Pension obligations and 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 £319,000 (2015: £293,000).

The Company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2014 and updated at 31 December 2016 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 2016 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. Increases 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 2016 and 2015 is shown below.

	31 December 2016 £'000	31 December 2015 £'000
Present value of funded obligations	(30,380)	(27,593)
Fair value of plan assets	23,985	23,700
Deficit in the plan	(6,395)	(3,893)
Related deferred tax asset	1,098	710
Net liability recognised	(5,297)	(3,183)

Defined benefit obligation

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

	31 December 2016 £'000	31 December 2015 £'000
Opening defined benefit obligation	27,593	29,970
Current service cost (Company only)	29	37
Interest cost	971	1,021
Actual contributions paid by plan participants	6	6
Experience adjustment	(335)	0
Actuarial losses/ (gains) from changes in financial assumptions	6,185	(1,506)
Actuarial gains from changes in demographic assumptions	0	(315)
Benefits paid - including insurance premiums	(4,069)	(1,620)
Closing defined benefit obligation	30,380	27,593

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

Plan assets

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

	31 December 2016 £'000	31 December 2015 £'000
Fair value of plan assets at start of accounting period	23,700	23,780
Interest income	845	820
Return on plan assets (excluding amounts included in net interest)	2,377	(189)
Contributions paid by the employer	1,126	903
Actual contributions paid by plan participants	6	6
Benefits paid	(4,069)	(1,620)
Fair value of plan assets at end of accounting period	23,985	23,700

The actual return on plan assets was £3,223,000 (2015: £631,000). 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 2016 £'000	31 December 2015 £'000
The major categories of plan assets, measured at fair value are:		
Equities	16,970	15,991
Gilts	1,582	1,605
Bonds	2,393	3,278
Other, including cash	3,040	2,826
Total fair value of assets	23,985	23,700

	31 December 2016 £'000	31 December 2015 £'000
Assets included which do not have a quoted market value:		
Equities	-	-
Gilts	-	-
Other, including cash	-	-
Total	-	-

	31 December 2016 £'000	31 December 2015 £'000
The significant actuarial assumptions used for the valuations are as follows:		
Future salary increases	3.25%	3.15%
Rate of increase in (post 1997) pensions in payment (a)	3.30%	3.25%
Discount rate at 31 December	2.55%	3.80%
Expected rate of inflation - RPI	3.25%	3.15%
Overall expected return on plan assets	2.55%	3.80%

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

26. Pension obligations and employee benefits (continued)

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 (2015: 89 years) and 92 years for women (2015: 92 years). For current pensioners, life expectancies have been estimated as 87 years for men (2015: 87 years) and 90 years for women (2015: 90 years).

Defined benefit plan expenses

	31 December 2016 £'000	31 December 2015 £'000
Amounts recognised in profit or loss are:		
Current service cost (Company)	29	37
Net interest cost (on net defined benefit liability)	126	201
Total amount recognised in the consolidated income statement	155	238

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 relating to the Group's defined benefit plan are as follows:

	31 December 2016 £'000	31 December 2015 £'000
Remeasurements recognised in other comprehensive income:		
Actuarial gains/ (losses) on the assets	2,378	(189)
Experience adjustment	335	0
Actuarial (losses)/ gains from changes in financial assumptions	(6,185)	1,506
Changes in demographic assumptions	0	315
Total (loss)/ gain recognised in other comprehensive income	(3,472)	1,632

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 £900,000 to be paid in 2017.

	31 December 2016	31 December 2015
Increase in discount rate by 0.5%	-8.00%	-8.00%
Increase in price inflation adjustment by 0.5%	4.00%	4.00%
1 year increase in life expectancy	3.00%	3.00%

The method and assumptions used in this analysis are similar to those used in the previous year.

(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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

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. The parent undertaking, Nichols plc, registered number 238303, guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year

	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
Vimto (Out of Home) Limited	8795779
Nichols Dispense (S.W.) Limited	8766560
Dispense Solutions (Wales) Limited	8671127
The Noisy Drinks Co. Limited	5905631

28. Contingent liability

The Company had previously entered into contracts with some of its senior management relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC have written to the Company with their initial view that the arrangements should have been taxed as employment income which the Company and its advisors dispute. If HMRC pursues its current position and is successful in its argument then the Company may have to pay up to £3.2m in income tax and national insurance. The employees who are party to the contracts have formally indemnified the Company in relation to income tax and employees' national insurance and an amount of up to £2.4m can be requested from them. The directors have obtained

(being the year ended 31 December 2016 for each company listed below). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

external advice and on the basis of this do not believe that the company has a liability for any additional tax or national insurance. In common with such disputes with HMRC it may take some time to settle and the directors are unable to assess how long this will take and the timing of any potential settlement if required. As at the date of this report, there has been no significant progress in the case to note since this time last year.

**UNAUDITED FIVE YEAR SUMMARY
YEARS ENDED 31 DECEMBER**

		Restated			
	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	117,349	109,279	109,205	105,529	103,642
Operating profit before exceptional items, IAS 19 and Long Term Incentive Scheme Charges	31,622	28,888	26,464	25,194	21,741
Exceptional items	0	0	(7,768)	(3,680)	0
IAS 19 operating profit charges	(29)	(37)	(103)	(96)	(107)
Incentive Plan operating profit charges	(1,268)	(1,017)	(764)	(2,671)	(1,117)
Operating profit after exceptional items, IAS 19 and Long Term Incentive Scheme Charges	30,325	27,834	17,829	18,747	20,517
Net finance income/ (expense)	1,167	12	93	83	(7)
Share of post-tax profits of equity accounted associate	0	190	0	0	0
Profit before taxation	31,492	28,036	17,922	18,830	20,510
Taxation	(6,015)	(5,803)	(3,776)	(4,721)	(5,252)
Profit after taxation	25,477	22,233	14,146	14,109	15,258
Dividends paid	(9,806)	(8,589)	(7,518)	(6,639)	(5,866)
Retained earnings	15,671	13,644	6,628	7,470	9,392
Earnings per share - (basic)	69.13p	60.33p	38.39p	38.30p	41.43p
Earnings per share - (diluted)	69.07p	60.25p	38.34p	38.25p	41.38p
Earnings per share - (basic) before exceptional items	66.18p	60.33p	55.03p	45.79p	41.43p
Earnings per share - (diluted) before exceptional items	66.12p	60.25p	54.96p	45.72p	41.38p
Dividends paid per share	26.60p	23.30p	20.40p	18.02p	15.92p

**NOTICE OF ANNUAL
GENERAL MEETING**

Notice is hereby given that the twenty fifth Annual General Meeting of Nichols plc ("Company") will be held at Nichols plc, Laurel House, Woodlands Park, Ashton Road, Newton-le-Williows, Merseyside, WA12 0HH on Wednesday, 26 April 2017 at 11:00 a.m. for the following purposes:

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

- To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2016.
- To declare a final dividend for the year ended 31 December 2016 of 20.30 pence per ordinary share of 10 pence in the capital of the Company to be paid on 5 May 2017 to shareholders whose names appear on the register of members at the close of business on 7 April 2017.
- To re-elect P J Nichols, who retires by rotation, as a director of the Company.
- To re-elect M J Millard, who retires by rotation, as a director of the Company.
- To reappoint BDO LLP as auditors of the Company.
- To authorise the directors to determine the remuneration of the auditors.
- 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 27 July 2018 (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:

- That, subject to the passing of resolution 8 and pursuant to sections 570 and 573 of the Companies Act 2006 ("Act"), the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 8 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:
- in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
- to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

- 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,
- otherwise than pursuant to paragraph 7 of this resolution, up to an aggregate nominal amount of £184,244, 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 27 July 2018 (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).
- 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:
 - the maximum aggregate number of Shares which may be purchased is 3,684,882:
 - the minimum price (excluding expenses) which may be paid for a Share is 10p; and
 - 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 27 July 2018 (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



Tim Croston
Secretary
1 March 2017

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

Registered in England and Wales No. 238303.

GENERAL NOTES

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2016.
2. Biographical details of all those directors who are offering themselves for re-election at the meeting are set out on pages 38-39 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 close of business on Monday, 24 April 2017 (or, if the meeting is adjourned, close of business 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 +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 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 5 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 asset services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 11:00 a.m. on Monday, 24 April 2017 (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, 24 April 2017 (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.

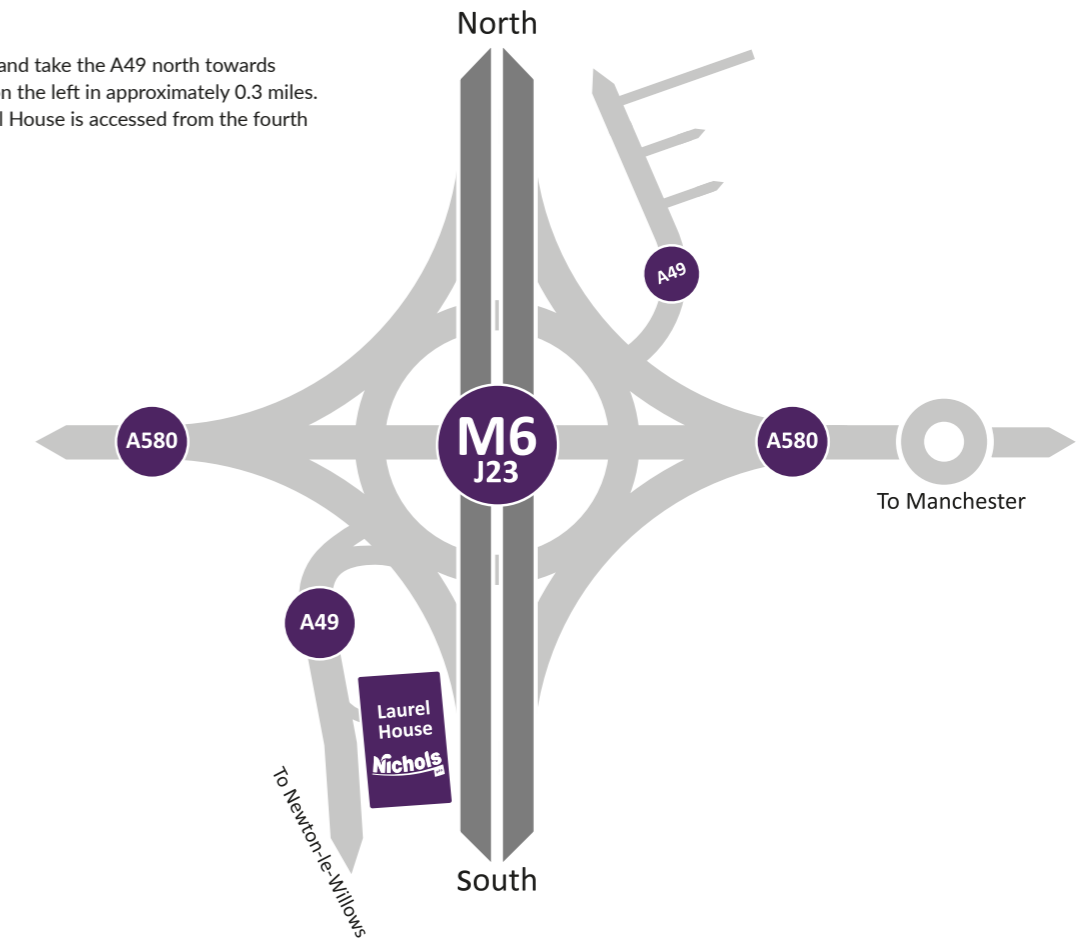
9. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative 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 16 March 2017 (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 85,039 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 16 March 2017 are 37,053,811.
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.

GENERAL NOTES & DIRECTIONS TO THE ANNUAL GENERAL MEETING

Directions to the Annual General Meeting

Car:

Leave the M6 at Junction 23 and take the A49 north 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.



Public Transport

Train:

Newton-le-Willows railway station is located 1.3 miles away from Woodlands Park on Southworth Road, WA12 9SF.

Bus:

The nearest bus service to Woodlands Park is located on Cobden Street, 0.8 miles from Woodlands Park, operating the number 22 service into Newton-le-Willows.

NOTES

FINANCIAL CALENDAR

Preliminary Results Announced

2 March 2017

Annual General Meeting

26 April 2017

Interim Results Announced

20 July 2017



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