238303

the group

J N Nichols (Vimto) plc

NICHOLS foods

In addition to being a major supplier to the vending and foodservice markets, a planned programme of growth has seen the business establish itself in the retail sector. Importing many dry ingredients from all over the world, it blends them into high quality products, which are then marketed throughout the UK.

Vimto

Primarily involved in the manufacture, sales, marketing and licensing of Vimto throughout the world, it now operates out of one site at Stone Cross, near Haydock. This operation supplies product to all major retail, wholesale and cash and carry outlets in the UK as well as exporting to over 60 countries.

Solution STOCKPACK Providers

A leading contract packing operation, co-packing dry ingredients and promotional items for many of the country's blue-chip food manufacturers. Highly versatile yet streamlined packing combined with reliable and quality customer service is their trademark.

Cabana

The largest independent supplier of dispense soft drinks on draught in the UK, servicing a national network of distributors, who in turn service over 6,000 outlets in the licensed trade, leisure and catering markets.

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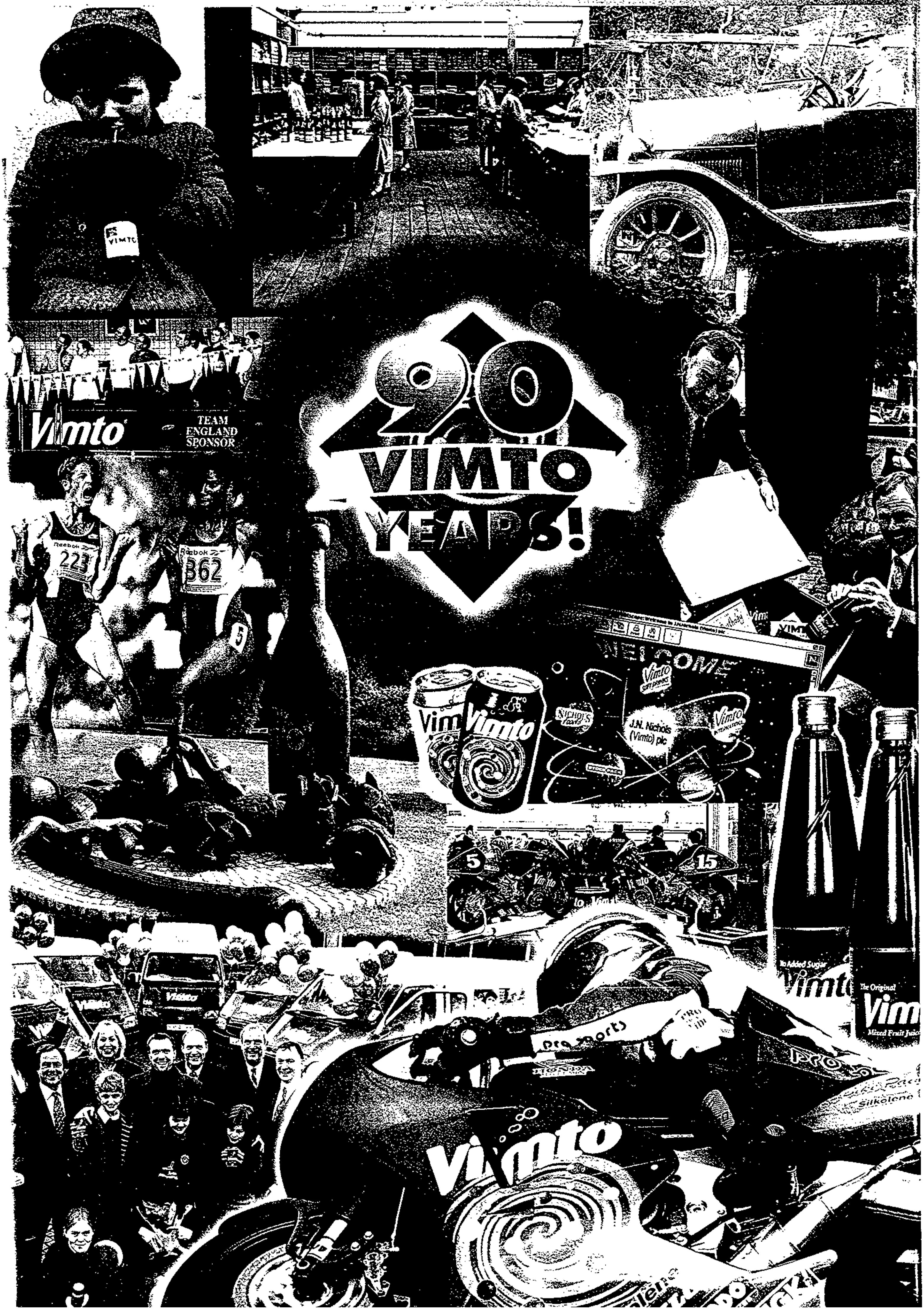

90 VIMTO YEARS!
Vimto
TEAM ENGLAND SPONSOR
Reebok 223
Reebok 362
WELCOME
J.N. Nichols (Vimto) plc
Vimto
No Added Sugar Vimto
The Original Vimto Mixed Fruit Juice
Vimto

chairman's statement

As outlined at the interim stage, we knew that 1998 was going to be a difficult year, largely as a result of the poor summer weather which adversely affected sales in the soft drinks industry. Despite this the year was one in which the group made considerable progress in a number of areas, taking some very important new steps towards reshaping itself to meet the challenges of the future.

Turnover for the year to 31 December 1998 was £73.0 million (1997: £75.1 million) and profit before tax and exceptional items was £9.55 million (1997: £10.52 million). The group incurred an exceptional charge of £1.44 million (1997: £ nil) relating to the relocation of the Soft Drinks Operation to new premises resulting in a profit before tax of £8.11 million. Earnings per share before the exceptional charge was 17.32 pence (1997: 19.25 pence) and the directors have recommended a final dividend of 5.40 pence per share, bringing the total for the year to 8.20 pence per share (1997: 7.90 pence per share). This will be paid on 17 May 1999 to those shareholders on the Register on 23 April 1999.

The weather depressed the UK soft drinks market as a whole, affecting both Soft Drinks and Cabana. Internationally, although difficult economic conditions were compounded by a strong pound, volumes and sales were maintained throughout the Middle East and Africa. At Nichols Foods there was a further increase in both sales and profits, another year of achievement in what is an increasingly competitive market. The increased sales in the second half at Stockpack, forecast at the time of the interim report, were achieved but at a lower margin than anticipated.

Last year our Soft Drinks Operation was dominated by two events, the launch of the new packaging designs and the planning, reorganisation and move to the new purpose built facility at Stone Cross near Haydock. This brings the entire Soft Drinks Operation under one roof and meant the closure of our previous production facilities at Southampton and Wythenshawe, Manchester. A production line currently at Nichols Foods in Haydock has also been moved into the new site.

The new development also dominated our expenditure on tangible fixed assets, accounting for some £6.1 million of the total of £11.1 million spent last year. In 1999 there will be additional expenditure of £2.5 million relating to the project. I am pleased to report that agreements have been reached to dispose of the redundant leases at Southampton and for the sale of the Wythenshawe site. To enable shareholders to see for themselves the result of the reorganisation, the Annual General Meeting will be held at the new factory at Stone Cross this year.

It is the Board's policy to improve the return on shareholders' capital wherever possible, and to advance this aim one million of the group's shares were bought in and cancelled during the year at an average cost of £1.47 each.

1998 also marked the 90th anniversary of the founding of Vimto and amid a number of events involving many staff held to celebrate the occasion, I am proud to report that fund raising efforts around the group enabled us to present five Variety Club Sunshine Coaches to schools near our businesses.

I am pleased to report that all businesses in the group are making positive plans for progress in 1999 and I would like to pay tribute to the hard work of all staff, who have supported the group throughout a year of significant change. We look forward to an improved trading year in 1999.

Finally, along with the announcement of our preliminary results on 26 March, we also announced completion of the purchase of Balmoral Trading Limited for net initial consideration of £5.81 million. Balmoral founded in 1976 and based in Kettering, Northants is a national supplier of hot beverage systems to the catering and leisure industries. Amongst its major bluechip customers are Little Chef, Burger King, First Leisure, Tussauds Group and BP. Balmoral will operate as an independent subsidiary of the group.

Tom Booth

Tom Booth
Chairman
26 March 1999

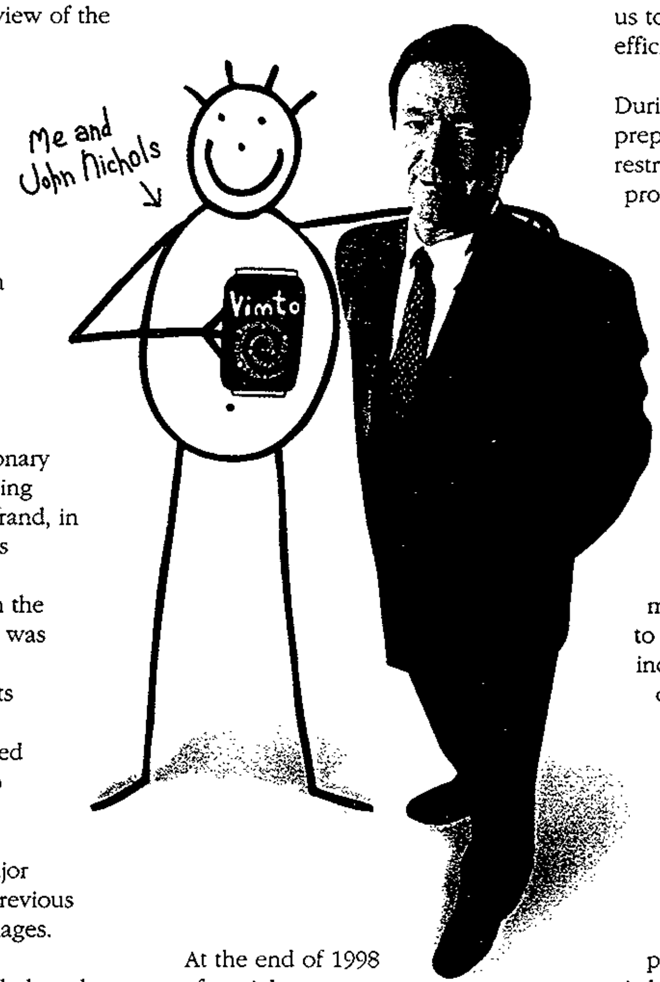

partnership
people
commitment
creative
& innovative
Berlingo
Cabana
Soft drinks on draught
passion
integrity

managing director's review

As a result of the disappointing Summer weather, 1998 turned out to be a difficult year but nevertheless the Group made considerable progress on a number of important fronts. Several strategic initiatives were implemented and it would be inappropriate if my review of the year allowed these achievements to go unrecorded. This is especially relevant as some of the major steps taken have, and will continue to have, a fundamental impact on the group for many years to come.

After considerable consumer research, a complete and revolutionary re-design of all packaging relating to the Vimto brand, in each of its formats, was undertaken. We were extremely pleased with the result, particularly as it was very well received by consumers and stockists alike. The new 'vortex' design now incorporated with the original Vimto logo on all carbonated products, whether in bottles or cans, is a major move away from the previous and rather outdated images.

The Vimto Cordial bottle has also undergone a radical change in design. When the new shape is combined with the latest label design the product takes on a much more modern image, suitable for moving forward into the next century. All of the above initiatives were achieved while maintaining the quality appearance of each of the Vimto products. The new label designs and bottle shapes help our brand stand out better on the shelves, in what is an increasingly competitive market.

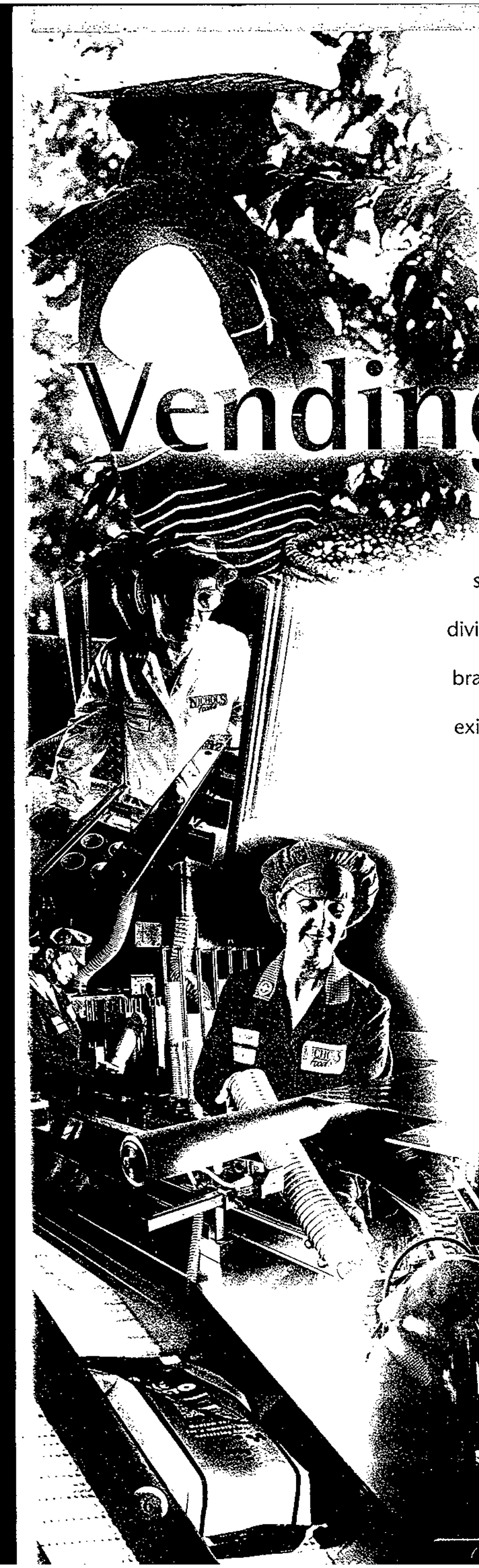


At the end of 1998 after eighteen years, we closed our canning plant in Southampton as it was no longer viable due to the expiry of property leases which would have to be renewed at a much higher cost. This has provided us with the opportunity to make substantial future cost savings by incorporating the canning line into the new factory we are building at Stone Cross, near Haydock, to house all of our Soft Drinks Operation. This is the first time the division will operate from under one roof and it has enabled us to enhance production efficiencies.

During 1998 Cabana has been preparing for a major restructuring. We are moving the production of all of Cabana's syrups to our Nichols Foods facility at Haydock and Nichols Foods will also assume the responsibility for all the third party independent distributors of Cabana products. This will leave the remainder of Cabana's business, that which deals directly with end-user customers only, operating from the existing Preston office. These moves will enable more focus to be given to Cabana's individual outlets and for tighter control over the six UK depots.

Stockpack has undergone substantial change during 1998, particularly with regard to its management structure and culture. I am pleased to report the new team is building a solid base from which to move forward and has engendered a much improved team spirit within the business.

On the following pages I will now review each of the group's operational divisions individually and in detail:



NICHOLS Foods

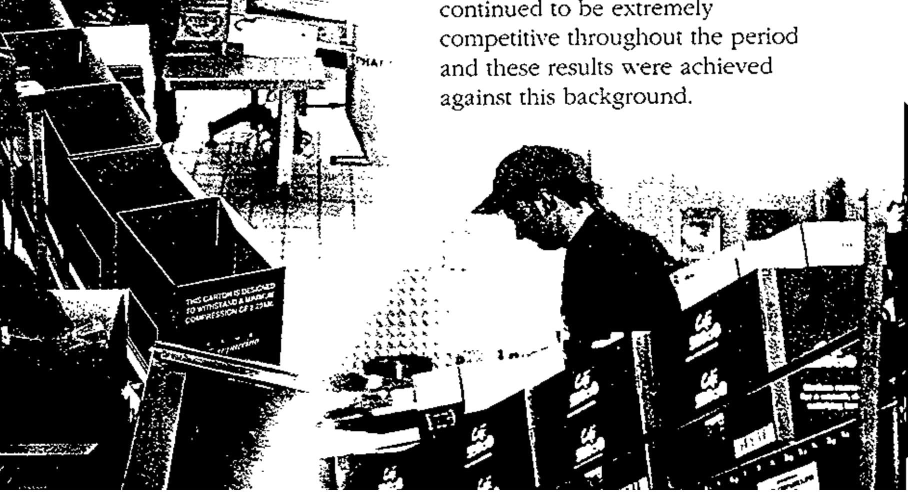
Vending

Nichols Foods continues to operate in the vending, foodservice and retail markets and has again successfully improved its performance in each area. The vending market, where ingredients are supplied to the operators of vending equipment, remains the division's largest market sector. 1998 saw the addition of further brands, such as PG Tea, Pepsi and Del Monte to the portfolio of existing products which also includes Kenco, Nestlé Gold Blend coffees, Carnation Coffeemate, Vimto and Irn Bru.

In the foodservice area, notable success in marketing and product development was achieved, particularly in the wholesale sector (cash and carries and delivered wholesalers) and the educational sectors (schools and colleges) where new long-term product supply contracts were gained.

Nichols Foods' third market, retail, remains the smallest. However it is of strategic importance to the future development of the company as a whole. Last year saw new products, such as Thick'n'Creamy and various hot chocolate ranges successfully introduced to the retail market. These were developed to help expand the company's retailer brand offerings in the coming years.

Turnover of Nichols Foods increased by 2.8% to £33.91 million (1997: £33.0 million) and operating profit improved by 6.6% to £3.40 million (1997: £3.19 million). Market conditions continued to be extremely competitive throughout the period and these results were achieved against this background.



Foodservice

Investment in the business continues and a further £2.1 million was spent during the year on plant and machinery to ensure the company's leading market position is maintained. A major investment has also been made in a new IT system which will come on stream during 1999. This system has been designed to further improve customer service levels and overall efficiency.

Retail

Commitment to excellence in customer service has always taken the highest priority at Nichols Foods. The company was therefore delighted to have received the Management Today/Unisys Service Excellence Award in the 'Business to Business' category. Additionally, Nichols Foods was a finalist in the Manchester Evening News 'Business of the Year' Award and winner of the Duke of Westminster Business & Industry Award. These awards were testimony, not only to the financial performance of the company, but also to Nichols Foods' continued focus on developing its people. To this end, the company is committed to a continuous improvement programme involving all members of staff.

Like previous years, 1998 saw a period of heavy-weight sales and marketing activity which has been designed to positively affect the business performance in future years. The investment in resources and people has positioned Nichols Foods ideally to take advantage of the numerous opportunities that exist within its core markets.

worldwide Vimto

In the five years prior to 1998, the UK soft drinks market enjoyed a period of healthy and sustained growth of between 3% and 4% per annum. As was said at the interim stage, the much discussed poor summer weather last year naturally affected everyone in the soft drinks industry and the group's operations were no exception.

Total market growth, particularly of carbonates where industry sales were actually down year on year, slowed dramatically. This was despite the continuing trend of increased advertising spend and price discounting by all the major manufacturers.

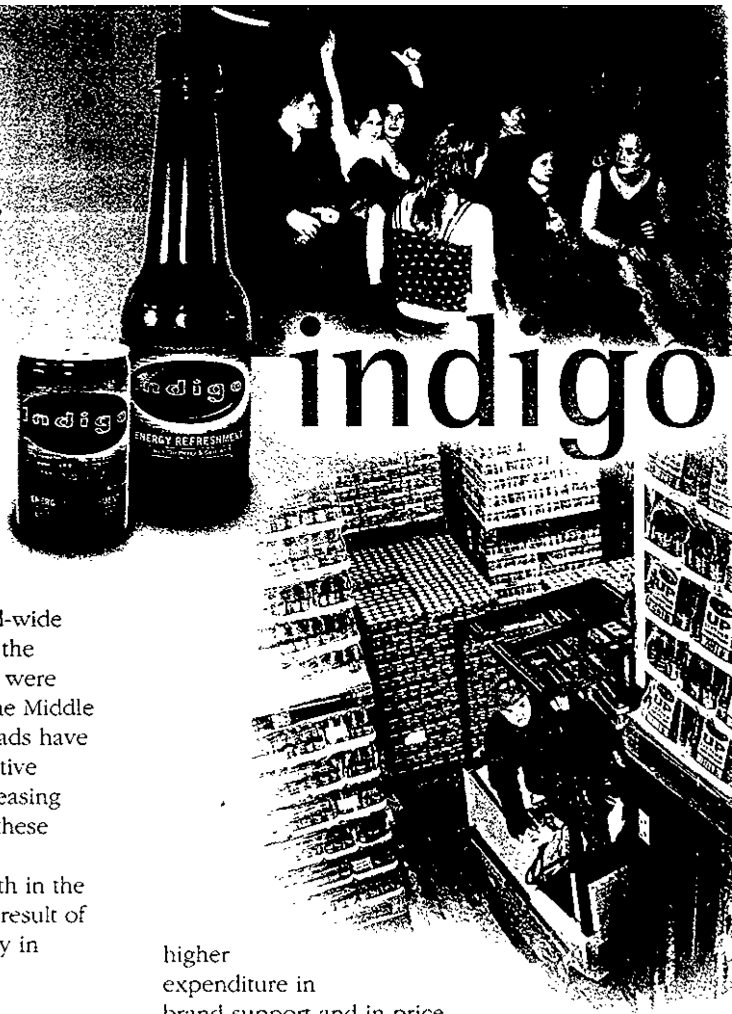
Against these tough market conditions the Vimto brand, which constitutes most of the group's soft drinks operation, performed well. In particular Vimto Cordial increased its UK market share to

over 6% of its sector, which is very pleasing as this product category remained flat overall. This advance was achieved by increased investment in price discounting and marketing support; however, these naturally had a corresponding adverse effect on margins.

Vimto, sold both in the UK and internationally, is a well established branded fruit drink manufactured in two varieties, Original and Light. It is produced in many different pack formats including cordial and carbonated, bottles of various sizes and in cans. In the UK, approximately 60% of the operation's sales are through the major multiples with the remainder sold through the Wholesale, Cash & Carry and Impulse Trade channels, including garage forecourts and small shops.

1998 saw the second successful year of the "Vimto Smile" media campaign effectively communicated by the cartoon character "Purple Ronnie" and also the launch of new packaging and product labelling design. External market research confirms the success of this approach to the brand's market positioning and the measurable benefit to consumer awareness that has been gained.

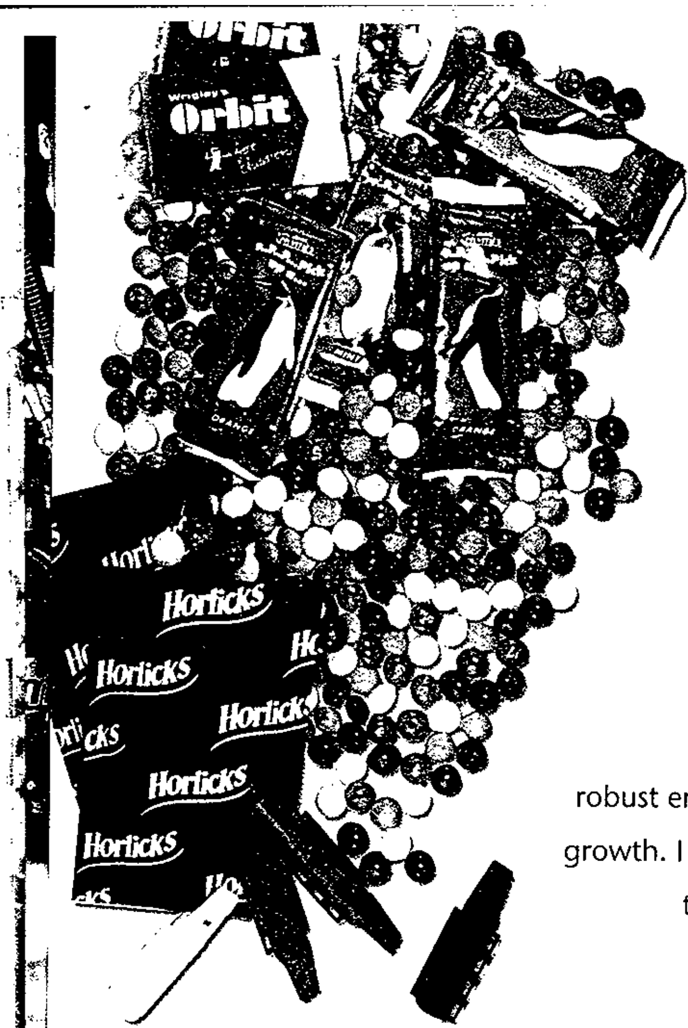
Indigo, launched in 1996, is a refreshing natural energy drink and is the operation's other main brand. Indigo has successfully increased its acceptance among both consumers and the trade marketplace and is now well established among its peers.



Internationally, Vimto performed strongly, despite the general world-wide economic downturn and the strength of sterling. Sales were maintained throughout the Middle East and Africa and in-roads have been made into the lucrative American market. It is pleasing that our performance in these markets more than offset disappointing sales growth in the Far East and Russia, as a result of severe economic difficulty in these regions.

The effect of the summer weather and the various conditions outlined above, together with a related weak contract packing market for soft drinks, resulted in the turnover of the Soft Drinks Operation being lower than last year at £23.92 million (1997: £27.76 million). Savings were made in operational efficiencies and product costs, although the benefit of these was off-set by higher expenditure in brand support and in price discounting. The combination of these factors sought to reduce operational profits to £3.84 million from £4.13 million last year.

Given more normal summer weather conditions this year, together with the efficiencies to be gained from the new Stone Cross site, both the Vimto and Indigo brands are very well placed to re-establish their pattern of profitable growth.



Solution
STOCKPACK
Providers

Stockpack is the group's contract packing operation, co-packing dry ingredients and promotional items for many of the UK's leading blue chip food manufacturers. In my review last year I mentioned that significant investment had been made during 1997 in people, to create a structure robust enough to effectively handle the planned programme of future growth. I also mentioned that a programme was underway to improve the overall efficiency of the operation and its internal systems.

co-packing

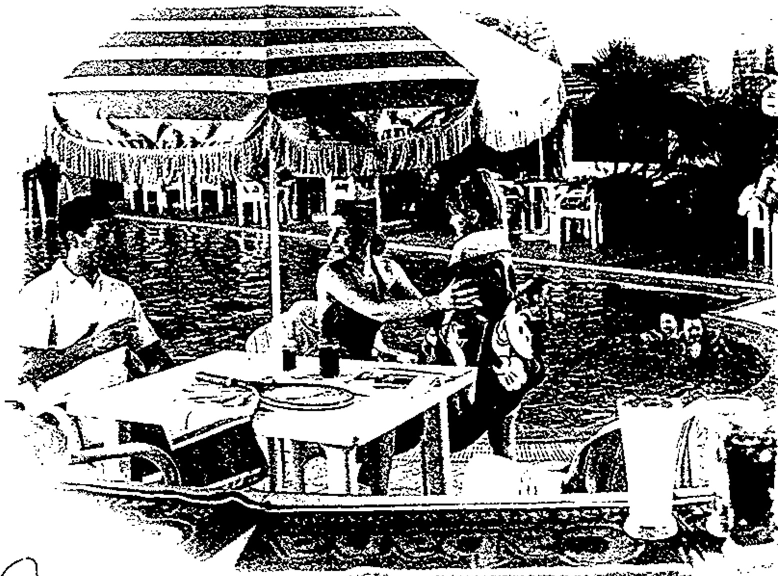
Further changes were required during 1998, particularly with regards to management structure and these have been implemented. A number of key external appointments were made, including a new Managing Director, Operations Manager and a Senior Management Accountant. At Stockpack it has taken longer than anticipated to introduce new IT systems and controls but we are now confident a good solid base is in place to move the business forward.

It was disappointing, however, that despite achieving the increase in second half volumes as forecast at the interim stage, a number of projects in the past six months had to be undertaken at minimal margin. Margins have now regained a more normal level and we are confident of a significant improvement in profit for the current year. Turnover, at £6.90 million (1997: £5.99 million) and operating profit of £0.3 million (1997: £0.8 million), were both below expectations.

Although it is essential that production within Stockpack remains flexible, we are continuing to invest in further automation. This has resulted in a 7.6% reduction in the average number of people employed within the business, which fell from 317 at the beginning of the year to 293 at the end. Stockpack now faces the future with confidence.

Cabana

dispense



Unsurprisingly, the poor summer and its effects on market conditions mentioned elsewhere, also adversely affected Cabana, the group's soft drinks on draught operation. Despite this background, however, Cabana made significant progress against the objective set last year, of increasing its market share of the leisure and catering markets.

Cabana's position in Scotland was further strengthened with the appointment of a new distributor. Hay's of Aberdeen now provides Cabana's products in the North of Scotland which, when combined with the existing structure, completes Cabana's geographical coverage north of the border.

Cabana continued to exploit its licence, acquired in April 1997, to manufacture, distribute and sell AG Barr's brands, including Irn Bru and Tizer, in the dispense and vending markets throughout the UK.

Turnover was £8.25million (1997: £8.32 million) and operating profit £1.66 million (1997: £2.09 million).

Cabana continues to pursue new product opportunities and as a result SuperSlush was successfully introduced on a trial basis during 1998. It is intended this product will be launched nationally to the trade during 1999.

Finally, the major initiatives mentioned earlier in relation to the restructuring of the business, including the merging of a significant element of the business into Nichols Foods, will bring great benefits as we move forward.

John Nichols

John Nichols
Managing Director
26 March 1999

Directors' report

The directors present their report and the financial statements for the year ended 31 December 1998.

Activities

The company and its principal operating subsidiaries are engaged in the manufacture and supply of soft drinks and other beverages to the retail, wholesale, vending, catering, licensed and leisure industries and the provision of contract packing services to the food industry.

A review of the group's trading during the year and of its prospects are contained in the Chairman's statement on page 3 and the managing director's group review on pages 5 to 11.

Financial results and dividends	£'000	£'000
Profit after taxation		5,486
Interim dividend 2.80p per share paid 26 October 1998	1,063	
Proposed final dividend 5.40p per share	1,996	
		3,059
Retained profit for the year transferred to reserves		2,427

Directors

Beneficial interests in 10p ordinary shares	31 December 1998	1 January 1998
A T Booth	15,000	15,000
P J Nichols	4,404,081	4,404,081
S P Nichols	1,795,750	1,795,750
G N Unsworth	37,500	35,000
J B Diggines	1,200	1,000

The directors all served throughout the year.
Details of directors' share options are shown in the remuneration committee report.
There were no changes in directors' shareholdings between 31 December 1998 and 26 March 1999, except J B Diggines purchased a further 2,027 shares on 29 January 1999.
P J Nichols and S P Nichols are standing for re-election as directors at the Annual General Meeting.

Non-executive directors

A T Booth CBE FCA

Mr Booth is Chairman of Henry Cooke Group plc and Chairman of the Board of Governors of Manchester Metropolitan University. He was appointed to the board of J N Nichols (Vimto) plc in October 1993 and became Chairman in May 1995.

J B Diggines

Mr Diggines is a director of Murray Johnstone Limited and of a number of other companies. He was appointed to the board of J N Nichols (Vimto) plc in July 1995.

Both of the above are members of the audit and remuneration committees of the board.

Executive directors

P J Nichols Mr Nichols has been a director of the company since 1976 and managing director since 1986.
S P Nichols Mr Nichols has been a director of the company since 1986 and finance director and company secretary since 1988.
G N Unsworth Mr Unsworth has been a director of the company since 1992 and is managing director of Nichols Foods Limited.

Creditor payment policy

The group's policy is to agree terms of payment at the start of business with all suppliers, to abide by these terms and to pay in accordance with its contractual and other legal obligations. At 31 December 1998 there were 31 (1997 - 37) creditor days outstanding.

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always fully considered bearing in mind the qualification and abilities of the applicants. In the event of employees becoming disabled every effort is made to ensure their continued employment. The managements of the individual operating companies consult with employees and keep them informed on matters of current interest and concern to the business.

Charitable and political donations

Charitable donations during the year amounted to £22,000 (1997-£8,930). There were no political donations in either 1998 or 1997.

Substantial shareholders

In addition to the directors' holdings shown on page 12, the following have notified the company of disclosable interests in shares. The figures in brackets represent the percentage of the issued share capital at 26 March 1999.

K Irvine	3,049,570	(8.25)
S J Harper	2,995,000	(8.10)
Norwich Union plc	2,086,250	(5.65)
Universities Superannuation Scheme	1,824,100	(4.94)
S C Nichols	1,262,500	(3.42)

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. In August 1998, at the sixth invitation under the Save As You Earn scheme, employees contracted for options over 351,969 shares at 126p per share.

Share capital

During the year the company purchased and cancelled 1,000,000 10p ordinary shares at an average price, including costs, of 147p per share. This represented 2.63% of the called up share capital. This purchase was made to improve earnings per share and the return on shareholders' 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 a deterioration in future expected earnings per share growth.

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

Year 2000

All companies in the group have appointed a person to be responsible for year 2000 compliance. Group procedures are co-ordinated by S P Nichols. All suppliers of hardware and software have provided assurance of compliance or procedures to ensure compliance. In addition all major suppliers of materials and plant have been asked to provide assurance of their own compliance and the compliance of any microprocessors contained within plant operating on any group sites. It is expected that full compliance of internal IT systems will be achieved by 30 June 1999 and at this date assurances will have been received by all major suppliers as to their compliance and that of any plant operating on group sites. This is a complex issue, and there can be no guarantee that all systems will continue to function normally following the millennium. All costs have been written off as incurred, and future costs are not expected to be material.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution will be proposed at the Annual General Meeting that Grant Thornton be re-appointed auditors.

By order of the Board
S P Nichols
Secretary
26 March 1999

Ledson Road
Manchester
M23 9NL

Corporate governance

Application of principles

The company has applied the principles of good governance contained in the Report of the Committee on Corporate Governance (the Hampel Committee).

Directors

The company supports the concept of an effective board leading and controlling the company. The board is responsible for approving company policy and strategy. It meets quarterly and has a schedule of matters specifically reserved to it for decision. Management supply the board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from independent professionals at the company's expense. Training is available for new directors and other directors as necessary.

The board consists of three executive directors, who hold key operational positions in the company and two non-executive directors, who bring a breadth of experience and knowledge, and who are both independent of management and any business or other relationship which could interfere with the exercise of their independent judgement. The non-executive directors were appointed for an initial two year period, and their service has been extended by agreement of the board as a whole. This provides a balance whereby the board's decision making cannot be dominated by an individual or small group. The Chairman of the board is AT Booth and the company's business is run by PJ Nichols, the managing director. The board has named AT Booth as the senior independent non-executive director. The board members are described on page 12.

One third of the board is subject to re-election every year and a director appointed during the year at the first Annual General Meeting after appointment. The Articles of Association of the company provide that the managing director should not be subject to re-election by rotation, but PJ Nichols has waived this proviso. Nominations to the board are considered by the whole board and there is no separate nominations committee, as the board is small enough to make this unnecessary.

Directors' remuneration

The company recognises that directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The policy of the company is to provide sufficient levels of remuneration to attract, retain and motivate executive directors, but to avoid paying more than is necessary for this purpose.

The remuneration committee, which carries out the policy on behalf of the board, comprises AT Booth and JB Diggines, both of whom are independent non-executive directors. The committee meets when it considers necessary, consults with the managing director and has access to professional advice.

The remuneration packages of individual directors are structured so that the performance related elements form a significant proportion of the total and are designed to align their interests with those of the shareholders. This element is formulated in accordance with Schedule A of the Combined Code. The executive directors' service contracts all have a two year notice period which the remuneration committee considers appropriate given the size and nature of the group. The remuneration of the non-executive directors is determined by the executive directors. The board's report on remuneration is on page 15 and sets out the elements in the remuneration package of each individual director.

Relations with shareholders

The Annual General Meeting is used to communicate with private investors and they are encouraged to participate. All directors are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

Accountability and audit

The board presents a balanced and understandable assessment of the company's position and prospects in all interim and price sensitive reports as well as the information required to be presented by statutory requirements. The responsibilities of the directors as regards the accounts and those of the auditors are described on page 16. A statement of going concern is on page 16. A review of the effectiveness of the internal control system has been undertaken in accordance with the guidance for directors on internal controls and financial reporting that was issued by the Rutteman Working Group in December 1994 pending the publication of guidance on compliance with the Code provision D.2.1 by the working party set up by the ICAEW.

The board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the company's assets. The group operates through subsidiaries and divisions that prepare annual budgets which are presented to the board and subsequently monthly accounts are used to compare performance with budget. Regular meetings are held to discuss and address any issues that become apparent from monthly trading analyses and also to approve major capital expenditure. A further review of trading and likely outcome for the year is carried out at the time the interim results are published. The systems are reviewed by the board and are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. The board keeps under review whether an internal audit function would add value to the company.

The audit committee consists of AT Booth and JB Diggines, both of whom are non-executive directors. The terms of reference of the committee include keeping under review the scope and results of the external audit. The committee ensures the independence and objectivity of the external auditors, including the nature and extent of non-audit services supplies, seeking to balance objectivity and value for money.

Compliance

The company has complied throughout the year with the Code provisions set out in Section 1 of the Combined Code except that there are only two non-executive directors who also make up the audit committee, and therefore the company does not comply with provision D.3.1 of the Code. The board believes that the current composition of the board is suitable for the size of the company.

Remuneration committee report

year ended 31 December 1998

Details of the directors' remuneration are set out below. The profit related bonus forms part of pensionable pay as this is considered to be a part of normal remuneration.

The executive directors participate in a "phantom option" scheme for senior management which generates a cash bonus after a five year period based on the increase of the company's share price since the options were granted and dependent on having achieved a profit target of compound growth in pre-tax profits of 7% per annum. Each of the directors was granted options over a notional 50,000 shares at 231p per share in September 1995. The share price at 31 December 1998 was 142.5p and therefore no benefits accrued under the scheme. Any payments from this scheme are excluded from pensionable pay.

a. Directors' remuneration

	Salary & Fees £'000	Benefits £'000	Bonus £'000	1998 Total £'000	1997 Total £'000
A T Booth (Chairman)	12	—	—	12	12
P J Nichols	162	25	24	211	219
S P Nichols	117	12	18	147	153
G N Unsworth	112	9	15	136	142
J B Diggines	8	—	—	8	8
	411	46	57	514	534

b. Share options

1993 Save as You Earn scheme	1 January 1998	Granted	Lapsed	31 December 1998
P J Nichols	9,801	—	9,801	—
S P Nichols	9,801	—	9,801	—
G N Unsworth	9,801	—	9,801	—
1998 Save as You Earn scheme				
P J Nichols	—	13,690	—	13,690
S P Nichols	—	13,690	—	13,690
G N Unsworth	—	13,690	—	13,690

There were no changes in the directors' share options between 31 December 1998 and 26 March 1999.
The above options are part of the Save As You Earn scheme exercisable on completion of a five year savings contract. The 1993 options were issued at 176p per share, the 1998 options at 126p per share. The share price during 1998 varied between 142.5p and 227.5p and the share price at 31 December 1998 was 142.5p.

c. Pensions

	Increase in accrued pension during the year ended 31 December 1998 £'000	Transfer value of increase £'000	Accumulated total accrued pension at 31 December 1998 £'000
P J Nichols	3	15	84
S P Nichols	2	7	32
G N Unsworth	2	5	28

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and directors' contributions have been deducted. Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

Directors' responsibilities & Auditors' report

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities in respect of the preparation of financial statements.

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company and the group at the end of the year and of the profit of the group for the year to that date. In preparing those financial statements the directors are required to:

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

They are also responsible for maintaining adequate accounting records, for safeguarding the assets of the group and for taking reasonable steps to prevent and detect fraud and other irregularities.

Auditors' report

To the members of J N Nichols (Vimto) plc

We have audited the financial statements on pages 17 to 30 which have been prepared under the accounting policies set out on page 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described above, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on page 14 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
Manchester

Grant Thornton

26 March 1999

Consolidated profit and loss account

year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover	2	**72,966**	75,075
Cost of sales		**53,835**	55,873
Gross profit		**19,131**	19,202
Net operating expenses	3	**9,928**	8,984
Operating profit	2,4	**9,203**	10,218
Exceptional item	4	**1,440**	—
Profit on ordinary activities before interest		**7,763**	10,218
Net interest receivable	5	**342**	305
Profit on ordinary activities before taxation		**8,105**	10,523
Tax on profit on ordinary activities	7	**2,619**	3,267
Profit for the financial year		**5,486**	7,256
Equity dividends	8	**3,059**	2,999
Retained profit for the year	18	**2,427**	4,257
Earnings per share (basic)	9	**14.67p**	19.25p
Earnings per share (fully diluted)	9	**14.65p**	19.22p
Earnings per share before exceptional costs (basic)	9	**17.32p**	19.25p
Dividends per share	8	**8.20p**	7.90p

There were no recognised gains or losses in 1998 or 1997 other than the profit for the year.

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

Balance sheets

year ended 31 December 1998

		Group		Parent	
	Notes	**1998 £'000**	1997 £'000	**1998 £'000**	1997 £'000
Fixed assets					
Tangible assets	10	**27,325**	20,033	**14,379**	6,795
Investments: shares in group undertakings	11	**—**	—	**10,203**	10,203
Investments: own shares	12	**588**	624	**588**	624
		27,913	20,657	**25,170**	17,622
Current assets					
Assets held for resale	10	**484**	—	**484**	—
Stocks	13	**6,929**	5,453	**1,984**	905
Debtors	14	**15,070**	14,225	**10,182**	9,735
Short term deposits		**—**	4,000	**—**	4,000
Cash at bank and in hand		**1,426**	2,060	**108**	603
		23,909	25,738	**12,758**	15,243
Creditors					
Amounts falling due within one year	15	**20,220**	16,367	**10,371**	8,110
Net current assets		**3,689**	9,371	**2,387**	7,133
Total assets less current liabilities		**31,602**	30,028	**27,557**	24,755
Provisions for liabilities and charges	16	**1,584**	966	**527**	—
		30,018	29,062	**27,030**	24,755
Share capital and reserves					
Called up share capital	17	**3,696**	3,796	**3,696**	3,796
Share premium account		**746**	746	**746**	746
Capital redemption reserve	18	**1,019**	919	**1,019**	919
Merger reserve		**—**	—	**775**	775
Profit and loss account	18	**24,557**	23,601	**20,794**	18,519
Equity shareholders' funds	19	**30,018**	29,062	**27,030**	24,755

Approved by the Board on 26 March 1999

P J Nichols
Director

P J Nichols

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

Consolidated cash flow statement

year ended 31 December 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Cash flow from operating activities	20		**8,332**		14,415
Returns on investments and servicing of finance					
Interest receivable		**366**		314	
Interest payable		**(15)**		—	
Interest element of hire purchase contracts		**(9)**		(9)	
Net cash inflow from returns on investments and servicing of finance			**342**		305
Taxation			**(3,422)**		(3,131)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(11,147)**		(5,643)	
Investments in own shares		**—**		(30)	
Proceeds of sales of tangible fixed assets		**143**		195	
Net cash outflow from capital expenditure and financial investment			**(11,004)**		(5,478)
Equity dividends paid			**(3,037)**		(2,804)
Cash (outflow) / inflow before use of liquid resources and financing			**(8,789)**		3,307
Management of liquid resources					
Cash withdrawn / (deposited) regarding short term deposits		**4,000**		(1,000)	
Net cash inflow / (outflow) from management of liquid resources			**4,000**		(1,000)
Financing					
Capital element of hire purchase contracts		**(17)**		(73)	
Cancellation of own shares	18	**(1,471)**		(628)	
Net cash outflow from financing			**(1,488)**		(701)
(Decrease) / increase in cash in the year	21		**(6,277)**		1,606

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

Notes to the financial statements

1. Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies of the group have remained unchanged from the prior year.

(a) The group financial statements consolidate those of the company and its subsidiary undertakings (see note 11) for the year. Results of subsidiaries acquired during the year are consolidated from their date of acquisition using the acquisition method, assets and liabilities being recorded at fair value. All intra-group profits or losses are eliminated on consolidation. All group companies have coterminous year ends.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over 20 years.

Goodwill arising on consolidation first accounted for on accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10, was written off to reserves immediately on acquisition. Such goodwill will be charged to the profit and loss account on the subsequent disposal of the business to which it relates.

(b) Turnover represents the net amount invoiced to external customers during the year (excluding sales taxes).

(c) Fixed assets are stated at cost and are depreciated over their estimated useful lives, having regard to their residual values. The principal depreciation periods, using the straight line method, are:

Land and buildings	:freehold and long leasehold	50 years (excluding land)
	:short leasehold	Remaining life of lease
Plant and machinery		5-10 years

(d) Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads where appropriate.

(e) Deferred tax in respect of accelerated capital allowances and other timing differences is provided where it is expected to crystallise in the foreseeable future. Advance corporation tax which is considered recoverable is deducted from the deferred taxation account, whenever this is available, or included in debtors.

(f) Pension costs in respect of the defined benefit scheme are charged against profits and are calculated on an actuarial basis designed to provide the anticipated pension costs over the service lives of the employees in the scheme in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme. Costs of the group personal pension plan are charged against profits as incurred.

(g) Where assets are financed by leasing agreements which give risks and rewards approximating to ownership ('finance leases'), they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term. Operating lease income is credited to the profit and loss account on a straight line basis over the lease term.

(h) Fixed asset investments in group undertakings are shown at cost less amounts written off in respect of any diminution in value.

(i) Government grants are credited to deferred income and released to the profit and loss account in line with the expected useful life of related assets or as expenditure is incurred in the case of project related grants.

(j) Shares purchased for the Employee Share Ownership Trust are written down to realisable value over the period of the scheme of the underlying options. The financial statements of the Trust are included within those of the group.

Notes to the financial statements

2. Segmental information

a. By operating business

	Turnover (sales to third parties)		Operating profits		Net assets	
	1998	1997	**1998**	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Soft Drinks	**23,915**	27,755	**3,842**	4,132	**5,702**	2,406
Nichols Foods	**33,905**	33,008	**3,399**	3,188	**10,405**	8,416
Cabana	**8,251**	8,323	**1,660**	2,092	**3,777**	3,695
Stockpack	**6,895**	5,989	**302**	806	**3,201**	1,953
	72,966	75,075	**9,203**	10,218	**23,085**	16,470
Freehold and long leasehold land and buildings					**11,150**	6,532
Cash and short term deposits					**1,426**	6,060
Bank overdraft					**(5,643)**	—
					30,018	29,062

Central costs are allocated among the operating subsidiaries and divisions.

b. Geographic analysis

All turnover and profit originates from, and all assets are located in, the United Kingdom.

	1998		1997	
Turnover by geographic destination	**£'000**	**%**	£'000	%
Arabian peninsula	**3,249**	**4.5**	3,445	4.6
Africa	**1,142**	**1.6**	1,562	2.1
Europe	**463**	**0.6**	580	0.8
Others	**158**	**0.2**	101	0.1
Total exports	**5,012**	**6.9**	5,688	7.6
United Kingdom	**67,954**	**93.1**	69,387	92.4
	72,966	**100.0**	75,075	100.0

3. Net operating expenses

	1998	1997
	£'000	£'000
Distribution costs	**5,958**	5,425
Administrative expenses	**4,549**	4,163
	10,507	9,588
Other operating income		
Royalties received	**(241)**	(259)
Income from operating leases	**(338)**	(345)
	9,928	8,984

Notes to the financial statements

continued

	1998	1997
4. Operating profit	**1998**	1997
a. Operating profit is stated after charging / (crediting):	**£'000**	£'000
Auditors' remuneration - audit services	**42**	42
Auditors' remuneration - non-audit services	**17**	31
Depreciation of tangible fixed assets	**3,247**	2,840
Operating lease rentals on land and buildings	**147**	155
Operating lease rentals on plant and machinery	**373**	353
Profit on sale of tangible fixed assets	**(19)**	(23)

b. The exceptional item relates to the costs of relocating Soft Drinks Operations to Stone Cross. This is more fully explained in the Chairman's statement and managing director's review.

5. Net interest receivable	**1998**	1997
	£'000	£'000
Interest receivable	**366**	314
Hire purchase interest payable	**(9)**	(9)
Bank interest payable	**(15)**	—
Interest payable	**(24)**	(9)
Net interest receivable	**342**	305

6. Directors and employees	**1998**	1997
a) Average number of persons employed during the year, including directors:	**Number**	Number
Soft Drinks	**120**	131
Nichols Foods	**178**	173
Cabana	**82**	73
Stockpack	**293**	317
	673	694

b) Group employment costs were as follows:	**1998**	1997
	£'000	£'000
Wages and salaries	**10,426**	9,611
Social security costs	**859**	770
Other pension costs (note 26)	**487**	489
	11,772	10,870

	1998	1997
	£'000	£'000
c) Directors' remuneration for the year, including pension costs	**558**	579

Further details of the directors' remuneration and share options and the emoluments of the Chairman and highest paid director are shown in parts a, b and c of the remuneration committee report on page 15 and form part of these financial statements.

7. Taxation

Tax on profit on ordinary activities	**1998 £'000**	1997 £'000
Charge for the year:		
Corporation tax at 31% (1997-31.5%)	**2,497**	3,240
Deferred tax	**141**	157
	2,638	3,397
Prior year adjustments:		
Corporation tax	**(2)**	(54)
Deferred tax	**(17)**	(76)
	2,619	3,267

8. Equity dividends

	1998 £'000	1997 £'000
Interim dividend 2.80p (1997 - 2.70p) paid 26 October 1998	**1,063**	1,025
Proposed final dividend 5.40p (1997 - 5.20p)	**1,996**	1,974
	3,059	2,999

If approved at the Annual General Meeting the final dividend will be paid on 17 May 1999.
Included above are dividends paid to the employee share ownership trust of £32,000 (1997 - £31,000).

9. Earnings per share

The calculation of basic earnings per share is based on earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held in the employee share ownership trust are treated as cancelled for the purposes of this calculation. The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the assumed conversion of all dilutive options. Reconciliations of the earnings and weighted average number of shares used in the calculation are set out below.

	Earnings £'000	**1998 Weighted average number of shares**	**Earnings per share**	Earnings £'000	1997 Weighted average number of shares	Earnings per share
Basic earnings per share	**5,486**	**37,402,333**	**14.67p**	7,256	37,693,840	19.25p
Dilutive effect of share options		**45,824**			50,960	
Diluted earnings per share	**5,486**	**37,448,157**	**14.65p**	7,256	37,744,800	19.22p

Basic earnings per share before exceptional items is based on the weighted average number of shares as disclosed in the table above and earnings of £6,480,000 calculated as follows:

	1998 £'000	1997 £'000
Earnings after exceptional costs	**5,486**	7,256
Exceptional costs net of corporation tax at 31%	**994**	—
Earnings before exceptional costs	**6,480**	7,256

Notes to the financial statements

continued

10. Tangible fixed assets

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 1998	6,821	673	492	25,411	33,397
Additions	5,216	—	—	5,931	11,147
Disposals	—	—	—	(909)	(909)
Transfer to current assets	—	(673)	(451)	—	(1,124)
At 31 December 1998	**12,037**	**—**	**41**	**30,433**	**42,511**
Depreciation					
At 1 January 1998	746	216	416	11,986	13,364
Charge for the year	141	13	32	3,061	3,247
On disposals	—	—	—	(785)	(785)
Transfer to current assets	—	(229)	(411)	—	(640)
At 31 December 1998	**887**	**—**	**37**	**14,262**	**15,186**
Net book value at 31 December 1998	**11,150**	**—**	**4**	**16,171**	**27,325**
Net book value at 31 December 1997	6,075	457	76	13,425	20,033

Parent	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 1998	4,202	673	503	5,962	11,340
Additions	5,082	—	—	1,683	6,765
Inter group transfers	2,475	—	—	—	2,475
Transfer to current assets	—	(673)	(503)	—	(1,176)
At 31 December 1998	**11,759**	**—**	**—**	**7,645**	**19,404**
Depreciation					
At 1 January 1998	286	216	423	3,620	4,545
Inter group transfers	455	—	—	—	455
Charge for the year	121	13	40	543	717
Transfer to current assets	—	(229)	(463)	—	(692)
At 31 December 1998	**862**	**—**	**—**	**4,163**	**5,025**
Net book value at 31 December 1998	**10,897**	**—**	**—**	**3,482**	**14,379**
Net book value at 31 December 1997	3,916	457	80	2,342	6,795

Notes to the financial statements

10. Tangible fixed assets continued

Freehold land amounting to £1,597,000 (1997: £500,000) for the parent company and group, and assets associated with the relocation of production facilities for Soft Drinks not brought into use in 1998, amounting to £3,667,000 of freehold buildings and £1,322,000 of plant and machinery, have not been depreciated.

Assets included in group plant and machinery held for use in operating leases are as follows:

Net book value	£'000
At 1 January 1998	2,181
Additions	1,152
Depreciation charge for the year	(790)
At 31 December 1998	**2,543**

Assets included in the parent company and group plant and machinery held under hire purchase agreements are as follows:

Net book value	£'000
At 1 January 1998	69
Depreciation charge for the year	(17)
At 31 December 1998	**52**

11. Investments: shares in group undertakings

	Parent £'000
At 1 January 1998 and 31 December 1998	**10,203**

All fixed asset investments relate to group undertakings; listed below are the trading subsidiaries and the ownership of their ordinary share capital.

	Group %	Parent %
Cabana (Holdings) Limited	—	100
Cabana Soft Drinks Limited	100	—
Cabana Soft Drinks (West Midlands) Limited	100	—
Nichols Foods Limited	—	100
Stockpack Limited	—	100

All group undertakings are consolidated.
The above companies and the parent company are all registered and operate in England and Wales.
Particulars of non-trading companies are filed with the annual return.
Stockpack Limited carries out contract packing for the food industry.
All other companies in the group are engaged in the manufacture and supply of soft drinks and other beverages.

Notes to the financial statements

continued

12. Investments: own shares

These ordinary shares are owned by the employee share ownership trust which holds them against the exercise of share options. The Trust is funded by interest free loans from J N Nichols (Vimto) plc. The Trust did not waive any rights to dividends on the shares held. At 31 December 1998 the outstanding loans totalled £583,500 (1997 - £614,500). The costs of the trust, which are not material, are met by J N Nichols (Vimto) plc.

	Group & parent £'000
Cost at 1 January 1998 and 31 December 1998	886
Amounts written off at 1 January 1998	262
Charge during the year	36
Amounts written off at 31 December 1998	298
Net book value at 31 December 1998 (388,449 shares, market value £554,000)	**588**
Net book value at 31 December 1997 (388,449 shares, market value £817,000)	624

The following options under the Save As You Earn scheme were outstanding at the year end:

Date of grant:	Number of shares under option at 31 December 1998	1997	Price per share
25 October 1993	**nil**	179,110	176p
16 September 1994	**9,570**	18,239	191p
11 September 1995	**6,706**	13,604	185p
20 September 1996	**59,142**	96,814	175p
19 September 1997	**73,221**	137,800	158p
1 October 1998	**351,969**	nil	126p

Options are exercisable at the end of a three or five year savings contract commencing on the date of grant.

13. Stocks

	Group		Parent	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Raw materials and consumables	**2,793**	3,106	**404**	412
Finished goods	**4,136**	2,347	**1,580**	493
	6,929	5,453	**1,984**	905

14. Debtors

	Group		Parent	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Trade debtors	**13,607**	12,983	**5,178**	4,505
Amounts owed by group undertakings	—	—	**4,395**	4,699
Other debtors	**554**	338	**304**	6
Prepayments and accrued income	**909**	904	**275**	313
Corporation tax	—	—	**30**	—
Advance corporation tax recoverable	—	—	—	212
	15,070	14,225	**10,182**	9,735

15. Creditors : amounts falling due within one year

	Group		Parent	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Bank overdraft	**5,643**	—	**3,046**	—
Trade creditors	**6,276**	7,184	**1,914**	1,923
Amounts owed to group undertakings	**—**	—	**1,235**	1,541
Corporation tax	**1,715**	3,136	**—**	1,111
Other taxes and social security	**619**	849	**128**	472
Accruals and deferred income	**3,919**	3,155	**2,000**	1,020
Hire purchase creditors	**52**	69	**52**	69
Proposed dividend	**1,996**	1,974	**1,996**	1,974
	20,220	16,367	**10,371**	8,110

The bank overdraft is unsecured.

16. Provisions for liabilities and charges

	Group		Parent	
Deferred taxation	**1998**	1997	**1998**	1997
The balance on the deferred tax account comprises	**£'000**	£'000	**£'000**	£'000
Accelerated capital allowances	**2,018**	1,697	**879**	473
Short term timing differences	**(434)**	(237)	**(352)**	(191)
	1,584	1,460	**527**	282
Advance corporation tax recoverable	**—**	(494)	**—**	(282)
	1,584	966	**527**	—
Deferred tax				
At 1 January 1998	**1,460**	1,379	**282**	250
Charged to profit and loss account	**124**	81	**245**	32
At 31 December 1998	**1,584**	1,460	**527**	282

Deferred tax has been fully provided.
The group had unrelieved capital losses of £880,000 at 31 December 1998 (1997 - £880,000) not adjusted through the deferred tax account which are all attributable to the company and which are available to be set off against future capital gains.

17. Share capital

	1998	1997
	£'000	£'000
Authorised 52,000,000 (1997 - 52,000,000) ordinary 10p shares	**5,200**	5,200
Allotted, issued and fully paid 36,960,645 (1997 - 37,960,645) ordinary 10p shares	**3,696**	3,796

During the year the company purchased and cancelled 1,000,000 shares at an average price, including costs, of 147p per share.

Notes to the financial statements

continued

18. Reserves

	Capital redemption reserve		Profit and loss account	
	Group £'000	Parent £'000	Group £'000	Parent £'000
At 1 January 1998	919	919	23,601	18,519
Retained profit for the year	—	—	2,427	3,746
Ordinary shares cancelled	100	100	(1,471)	(1,471)
At 31 December 1998	**1,019**	**1,019**	**24,557**	**20,794**

At 1 January 1998 and 31 December 1998 the cumulative goodwill written off consolidated reserves was £12,645,000.
A profit and loss account is not provided for the parent company as permitted by Section 230 of the Companies Act 1985.
The profit dealt with in the financial statements of J N Nichols (Vimto) plc was £6,805,000 (1997 - £4,965,000).

19. Reconciliation of movements in equity shareholders' funds

	1998 £'000	1997 £'000
Profit for the year	**5,486**	7,256
Dividends	**(3,059)**	(2,999)
	2,427	4,257
Purchase of own shares	**(1,471)**	(628)
Net increase in equity shareholders' funds	**956**	3,629
Opening equity shareholders' funds	**29,062**	25,433
Closing equity shareholders' funds	**30,018**	29,062

20. Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Operating profit	**9,203**	10,218
Reorganisation costs	**(1,440)**	—
Depreciation	**3,247**	2,840
Profit on sale of tangible fixed assets	**(19)**	(23)
Write down of own shares	**36**	25
Increase in stocks	**(1,476)**	(59)
Increase in debtors	**(845)**	(483)
(Decrease) / increase in creditors	**(374)**	1,897
	8,332	14,415

21. Reconciliation of net cash flow to movement in net (debt) / funds

	1998 £'000	1997 £'000
(Decrease) / increase in cash in the period	**(6,277)**	1,606
Net cash (inflow) / outflow from management of liquid resources	**(4,000)**	1,000
Cash outflow from reduction in hire purchase contracts	**17**	73
New finance leases	**—**	(20)
Movement in net (debt) / funds in the period	**(10,260)**	2,659
Net funds at 1 January 1998	**5,991**	3,332
Net (debt) / funds at 31 December 1998	**(4,269)**	5,991

Notes to the financial statements

22. Analysis of net funds

	At 1 January 1998 £'000	Cash flows £'000	At 31 December 1998 £'000
Short term deposits	**4,000**	(4,000)	**—**
Finance leases	**(69)**	17	**(52)**
Cash at bank and in hand	**2,060**	(634)	**1,426**
Bank overdraft	**—**	(5,643)	**(5,643)**
	5,991	(10,260)	**(4,269)**

Liquid resources include short term deposits.

23. Capital commitments

	Group		Parent	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Authorised by the directors and contracted for but not provided for in these financial statements	**2,611**	328	**2,506**	25

24. Contingent liabilities

	Parent	
	1998 £'000	1997 £'000
Guarantee of subsidiaries' bank overdrafts	**2,597**	1,551

There were no group contingent liabilities at either 31 December 1998 or 31 December 1997

25. Operating leases

At the year end the parent company and group had annual commitments under non-cancellable operating leases as follows:

	Group		Parent	
Land and buildings	**1998 £'000**	1997 £'000	**1998 £'000**	1997 £'000
Between two and five years	**51**	51	**42**	42
Over five years	**81**	73	**—**	—
	132	124	**42**	42

	Group		Parent	
Plant and machinery	**1998 £'000**	1997 £'000	**1998 £'000**	1997 £'000
Within one year	**54**	48	**27**	29
Between two and five years	**239**	174	**94**	108
	293	222	**121**	137

Notes to the financial statements

continued

26. Pensions

The group operates two pension schemes, a defined benefit scheme which provides benefits based on final pensionable pay which is now closed to new members, and a group personal pension plan.

The assets of the defined benefit scheme are held separately from those of the group, being invested in managed funds. The scheme is funded by contributions from the employer and employee. The contributions of the employer are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives.

An actuarial valuation of the scheme was conducted as at 5 April 1996 using the projected unit credit method with a 15 year control period. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in pensionable salaries, which were 9.0% and 6.5% respectively. In calculating the discounted income value of assets, equity dividends were assumed to increase in the future at 4.5% per annum. Following the valuation it was agreed that total contributions, including members' contributions, be paid at a rate of 14.3% of pensionable salaries. The valuation indicated that there were sufficient assets to cover 122% of the benefits that had accrued to members, and that the value of the scheme's assets was approximately £5,408,000. If the scheme was to be discontinued, the valuation indicated a solvency level of 118%.

The pension charge for the year for the defined benefit scheme was £407,000 (1997 - £479,000).

The group personal pension plan consists of individual contracts with contributions from both the employer and employee.
The pension charge for the year for the group personal pension plan was £80,000 (1997 - £10,000).

27. Post balance sheet events

Along with the announcement of our preliminary results on 26 March, we also announced completion of the purchase of Balmoral Trading Limited for net initial consideration of £5.81 million. Balmoral founded in 1976 and based in Kettering, Northants is a national supplier of hot beverage systems to the catering and leisure industries. Amongst its major bluechip customers are Little Chef, Burger King, First Leisure, Tussauds Group and BP. Balmoral will operate as an independent subsidiary of the group.

Five year summary

years ended 31 December

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
Turnover	**72,966**	75,075	72,649	65,427	56,317
Operating profit	**9,203**	10,218	9,457	8,827	8,449
Exceptional item	**(1,440)**	—	—	—	—
Other income	**342**	305	315	780	617
Profit before tax	**8,105**	10,523	9,772	9,607	9,066
Tax	**2,619**	3,267	3,205	3,276	3,077
Profit after tax	**5,486**	7,256	6,567	6,331	5,989
Minority interests	**—**	—	—	27	—
Dividends	**3,059**	2,999	2,739	2,610	2,435
Retained profit	**2,427**	4,257	3,828	3,694	3,554
Earnings per share (basic)	**14.67p**	19.25p	16.77p	15.98p	15.13p
Earnings per share (fully diluted)	**14.65p**	19.22p	16.62p	15.87p	14.93p
Dividends per share	**8.20p**	7.90p	7.10p	6.63p	6.15p

Notice of Meeting

Notice is hereby given that the seventieth Annual General Meeting of the company will be held at the offices of Vimto Soft Drinks, Yew Tree Way, Golborne, Warrington WA3 3GB on Wednesday 12 May 1999 at 11am for the purpose of transacting the following business:

As ordinary business:

1. To receive and adopt the financial statements for the year ended 31 December 1998 together with directors' and auditors' reports.

2. To declare a final dividend.

3. To re-elect Mr P J Nichols as a director.

4. To re-elect Mr S P Nichols as a director.

5. To re-appoint Grant Thornton as auditors of the company and to authorise the directors to determine their remuneration.

As special business:

Ordinary resolutions:

6. That for the purposes of section 166 of the Companies Act 1985 (in this resolution and in resolutions 6 and 7 below "the Act") the company be and hereby is authorised to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 10 pence each in the company. The authority granted pursuant to this resolution shall be subject to the following conditions.

a. the authority hereby conferred shall expire at the conclusion of the Annual General Meeting to be held in 1999 or if later 12 August 1999 unless such authority is renewed prior to such time.

b. the maximum number of ordinary shares hereby authorised to be purchased shall be 3,600,000.

c. the minimum price which may be paid for ordinary shares is 10 pence per ordinary share (exclusive of expenses).

d. the maximum price which may be paid for ordinary shares is an amount equal to 105% of the average of the middle market quotations for an ordinary share (exclusive of expenses) taken from the Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased.

e. the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority.

7. That for the purposes of Section 80 of the Act the directors be and hereby are generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in Section 80 of the Act) up to a maximum of 1,800,000 ordinary shares to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the Annual General Meeting of the company to be held in 1999 or if later 12 August 1999 save that the company may prior to the expiry of such period make any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the directors may allot such securities in pursuance of any such offer or agreement notwithstanding the expiring of the authority given by this paragraph so that all previous authorities of the directors pursuant to Section 80 of the Act may and they are hereby revoked.

Special resolution:

8. That in accordance with Section 95(a) of the Act the directors be and they are hereby empowered to make allotments of equity securities (as defined in Section 94(2) of the Act) pursuant to the general authority conferred upon them by resolution 6 above as if Section 89(1) of the Act did not apply to any such allotment and so that:

a. reference to allotment in this resolution shall be construed in accordance with Section 94(3) of the Act.

b. the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the company to be held in 2000 or if later 12 August 2000 unless such authority is renewed prior to such time.

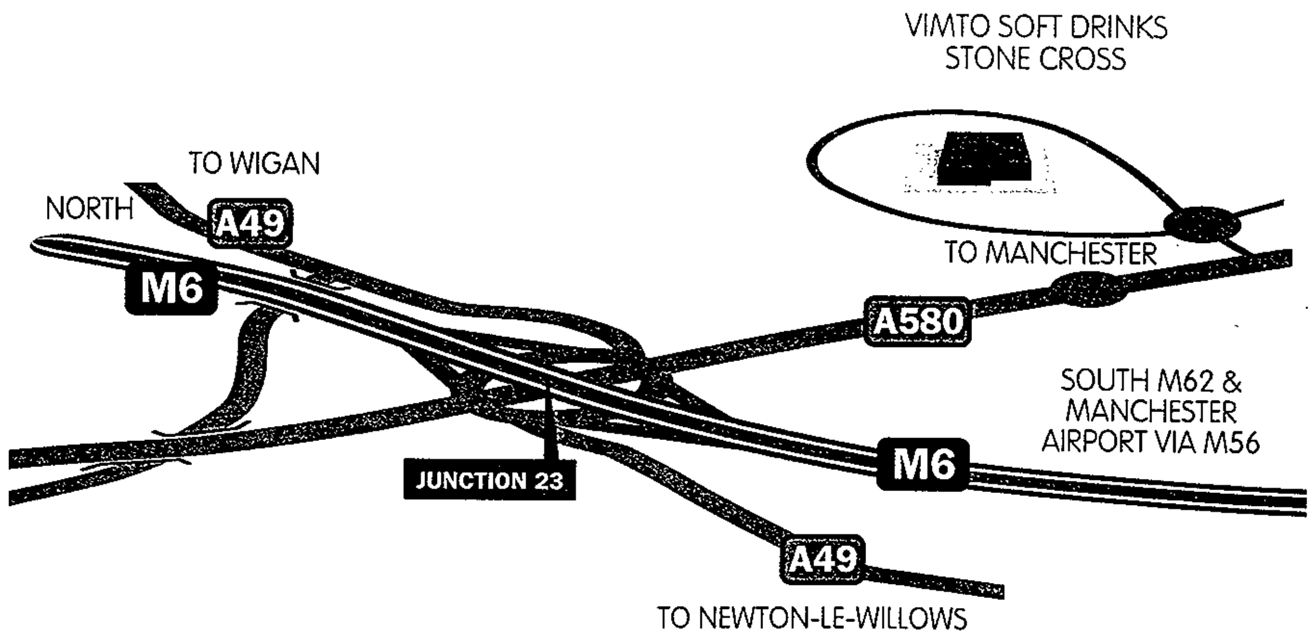
c. the power conferred by this resolution shall be limited to the allotment of equity securities up to a maximum of 1,800,000 ordinary shares.

By order of the Board
S P Nichols
Secretary
9 April 1999

The directors' service agreements will be available for inspection at the registered office during normal business hours from the date of this notice until the conclusion of the Annual General Meeting.
Any member entitled to attend and vote at the Meeting is entitled to appoint a proxy and vote on a poll in his stead.
A proxy need not be a member of the company. To be valid, forms of proxy must reach the registrars not less than forty-eight hours before the time appointed for the meeting.

Directions to the Annual General Meeting:

Leave the M6 at Junction 23 and take the A580 towards Manchester. In approximately 1.5 miles cross a roundabout and go over a railway line then come to a set of traffic lights. Turn left into the development site. At the roundabout take the second exit and the Vimto Soft Drinks gate house is on the left.



Directors and advisers

President	P Nichols
Directors	A T Booth CBE FCA Chairman (Non-executive) P J Nichols BSc Managing director S P Nichols BSc ACA Finance director / Secretary G N Unsworth Business development director J B Diggines (Non-executive)
Auditors	Grant Thornton Heron House Albert Square Manchester M60 8GT
Bankers	The Royal Bank of Scotland plc Mosley Street Manchester M60 2BE
Stockbrokers	Henry Cooke, Lumsden plc No 1 King Street Manchester M60 3AH
Financial Advisers	N M Rothschild & Sons Limited Trinity Court 16 John Dalton Street Manchester M2 6HY
Registrars	Independent Registrars Group Bourne House 34 Beckenham Road Kent BR3 4BR
Registered Office	Ledson Road Manchester M23 9NL
Registered Number	238303