Nichols plc

Annual Report & Financial Statements

31 December 2002

Registered number: 238303

> Auditors	Grant Thornton Heron House Albert Square Manchester M60 8GT
> Bankers	The Royal Bank of Scotland plc Mosley Street Manchester M60 2BE
> Solicitors	DLA 101 Barbirolli Square Manchester M2 3DL
> Stockbrokers	Investec 2 Gresham Street London EC2V 7QP
> Financial Advisors	N M Rothschild & Sons Limited Trinity Court 16 John Dalton Street Manchester M2 6HY
> Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Kent BR3 4BR
> Registered Office	Laurel House 3 Woodlands Park Ashton Road Newton-le-Willows WA12 0HH
> Registered Number	238303

The directors present their report and the financial statements for the year ended 31 December 2002.

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 pages 6 to 7 and the managing director's group review on pages 8 to 16.

Financial results and dividends	**2002**		2001	
	£'000	**£'000**	£'000	£'000
(Loss)/profit after taxation		**(5,662)**		4,069
Interim dividend 3.0p (2001:3.0p) per share paid 23 October 2002	**1,109**		1,109	
Proposed final dividend 5.8p (2001:5.8p) per share	**2,144**		2,144	
		3,253		3,253
Retained (loss)/profit for the year transferred to reserves		**(8,915)**		816

Directors	**31 December 2002**		1 January 2002	
Interests in 10p ordinary shares	**Beneficial**	**Non-beneficial**	Beneficial	Non-beneficial
P J Nichols	**2,990,803**	**1,396,666**	2,990,803	1,396,666
G N Unsworth	**111,760**	--	111,760	--
S P Nichols	**1,795,750**	--	1,795,750	--
B M Hynes (appointed 1 October 2002)	--	--	--	--
J B Diggines	**3,227**	--	3,227	--
J D Bee (appointed 25 January 2002)	**26,000**	--	--	--

The directors all served throughout the year except J D Bee who was appointed on 25 January 2002 and B M Hynes who was appointed on 1 October 2002.
Details of directors' share options are shown in the Directors' Remuneration Report on page 26.
There were no changes in directors' shareholdings between 31 December 2002 and 26 March 2003 except that 416,667 shares were transferred on 3 February from a trust of which P J Nichols is the first named trustee to a beneficiary of that trust.
B M Hynes is standing for election and G N Unsworth and S P Nichols for re-election as directors at the Annual General Meeting.

Independent non-executive directors

J B Diggines (50) Senior non–executive director

Mr Diggines is a director of Aberdeen Asset Managers Limited and is Managing Director of Aberdeen Murray Johnstone Private Equity which manages some £500 million of client funds investing in unquoted companies predominantly in the UK. He was from 1999 to 2002, a member of the Council of the British Venture Capital Association (BVCA) and chaired the BVCA Legal and Technical Committee. He was appointed to the board of Nichols plc in July 1995.

J D Bee (61) Mr Bee spent 22 years as an accountant in practice before joining Yates Brothers Wine Lodges Limited (now Yates Group plc) as group finance director. He retired in 1997 and subsequently spent four years as part time finance director at Burtonwood Brewery plc. He has held a number of non-executive directorships with both public and private companies and is currently vice-chairman of the Manchester Building Society. He was appointed to the board of Nichols plc in January 2002.

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

Executive directors

P J Nichols (53) Mr Nichols has been a director of the company since 1976. He was appointed group managing director in 1986 and executive chairman in 1999.

G N Unsworth (51) Mr Unsworth has been a director of the company since 1992 and was appointed group managing director in 1999.

S P Nichols (47) Mr Nichols has been a director of the company since 1986 and company secretary since 1988.

B M Hynes (42) Mr Hynes joined the company as group finance director in 2002. He has previously been group finance director at KPS plc and William Baird plc.

Creditor payment policy
The company'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 2002 there were 32 (2001:25) creditor days outstanding.

Fixed assets
The group's freehold land and buildings have been valued on an open market sale basis at the end of 2002 and where the value is less than the carrying value in the accounts, and the board believes that this is a permanent loss, a provision has been made. As a result of the strategic review, certain plant and machinery will be disposed of at below current book value. Where the realisable value is likely to be less than book value full provision has been made for the likely shortfall. Details of these provisions are set out in note 5 of 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.

Charitable and political donations
Charitable donations during the year amounted to £24,000 (2001:£26,000). There were no political donations in either 2002 or 2001.

Substantial shareholders
In addition to the directors' holdings shown on page 20, 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 2003.

S J Harper	3,395,055	(9.18)
K Irvine	2,956,920	(8.00)
R J Butcher	1,892,647	(5.12)
S C Nichols	1,262,500	(3.41)

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 2002, at the tenth invitation under the Save As You Earn scheme, employees contracted for options over 134,986 shares at 96p per share.

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 a deterioration in future expected earnings per share growth. There was no purchase of shares during the year ended 31 December 2002.
The board believes that being permitted to allot shares within the limits set out in the resolution without the delay and expense of a general meeting gives the ability to take advantage of circumstances that may arise during the year.

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

By order of the Board
S P Nichols
Secretary

Laurel House
Ashton Road
Newton-le-Willows
WA12 0HH

26 March 2003

Application of principles

The company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority and for which the board is accountable to shareholders.

Statement of compliance with the Combined Code

Throughout the year ended 31 December 2002, the company has been in compliance with the Code provisions set out in section 1 of the Combined Code on Corporate Governance 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, which requires the audit committee to consist of at least three non-executive directors. The board believes that the current composition of the board is suitable for the size of the company.

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 every two months as a minimum and has a schedule of matters specifically reserved to it for decision. Management provide 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 four 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 J B Diggines' 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 P J Nichols and the company's business is run by G N Unsworth, the managing director. The board has named J B Diggines as the senior independent non-executive director. The board members are described on page 20.

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 G N Unsworth 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 principles applied to the remuneration of the directors and their individual emoluments are set out in the Directors' Remuneration Report on pages 24 to 26.

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 27. A statement of going concern is on page 23.

Internal control

Wider aspects of internal control

The board has applied Principle D.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the group faces. The board regularly reviews the process which has been in place for the whole of 2002 and is in accordance with Internal Control : Guidance for Directors on the Combined Code published in September 1999.

Initiatives within the group include:

The monitoring of our health and safety procedures by assessment under the British Safety Council 5-star Award Scheme. The group is considering ways of improving health and safety within the different operations and expects to enhance procedures via audit in 2003. Internal monitoring of accident statistics is continuing to support a strategy of continuous improvement in health and safety performance.

Retention and motivation of staff is underpinned by the achievement of Investor in People status in our businesses. Environmental issues are co-ordinated across the group. Procedures are in place to monitor effluent discharges from each site and where appropriate actions to minimise energy use have been taken to reduce the impact of the Climate Change Levy on the group. There is a continuing emphasis on the minimisation of waste and the conservation of resources.

The board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the group'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 expenditures. A further review of the 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.

Audit committee

The audit committee consists of J B Diggines and J D Bee, 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 supplied, seeking to balance objectivity and value for money.

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.

Directors' Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and un-audited information.

Un-audited information:-

Remuneration committee

The company has established a remuneration committee, comprising J B Diggines and J D Bee, which is constituted in accordance with the recommendations of the Combined code, except that there are only two independent non-executive directors as explained on page 22.

Neither of the Committee has any personal interest (other than as a shareholder), conflicts of interest arising from cross-directorship or day-to-day involvement in running the business. The committee makes recommendations to the board. No director plays a part in any discussion about his own remuneration.

Remuneration policy

Executive remuneration packages are designed to attract, motivate and retain directors and reward them for enhancing value to shareholders. The remuneration of the non-executive directors is determined by the board within limits set out in the Articles of Association.

There are four main elements to the remuneration package for executive directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- Annual bonus payments which cannot exceed 35% of basic salary;
- Pension arrangements; and
- Share option incentives.

The company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related. As described below, executive directors may earn annual incentive payments of up to 35% of their basic salary together with benefits of participation in share option schemes.

Basic salary

An executive director's basic salary is determined by the committee prior to the beginning of each year and when an individual changes position or responsibility. Basic salaries were reviewed in December 2002 with increases of 2.5% taking effect from 1 January 2003. Executive directors' contracts of service will be available for inspection at the Annual General Meeting.

In addition to basic salary, the executive directors receive certain benefits-in-kind, principally cars and private medical cover.

Annual bonus scheme

The committee determines the objectives that must be met for each financial year if a cash bonus is to be paid. The committee believes that bonuses should be aligned to the interests of the shareholders which principally comprise profitability and cash generation. Targets are set for these criteria and bonuses can be paid to a maximum of 35% of salary. No cash bonuses were paid for the year ended 31 December 2002.

Share options

The directors participate in the group-wide Save as You Earn scheme. There are no other share based incentive schemes in operation following the end of the three year scheme which finished on 31 December 2002. No share allocations have been made under this scheme.

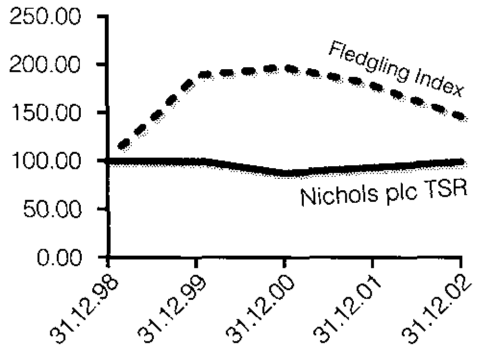
Pension arrangements

Executive directors are members of the defined benefit Retirement Benefits Scheme which closed to new members in 1998. Consequently, B M Hynes has a private pension scheme to which the company contributes 8% of his basic salary. Dependents of the directors are eligible for a lump sum payment in the event of death in service and for those who are members of the Retirement Benefit Scheme, a surviving spouse's pension.

Performance graph

The following graph shows the company's performance, measured by total shareholder return (TSR), compared with the performance of the FT Fledgling Index. The index was chosen as it represents smaller capitalisation companies and the value taken is as published at the end of each calendar year.

Nichols plc TSR vs Fledgling Index



Directors' contracts

It is the company's policy that new executive directors' service contracts should be of indefinite term providing a maximum of one year notice. The non-executive directors are appointed for an initial two year period and this can be extended by agreement of the board. The remuneration of the non-executive directors is set by the executive directors.

	Date of contract	Notice period
P J Nichols (Chairman)	1 January 1996	2 years
G N Unsworth	1 January 1996	2 years
S P Nichols	1 January 1996	2 years
B M Hynes (appointed 1 October 2002)	1 October 2002	1 year
J B Diggines	17 July 1995	None
J D Bee (appointed 25 January 2002)	25 January 2002	None

The service contract of J D Bee is due to expire on 24 January 2004.

Audited information

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:	**2002 £'000**	2001 £'000
Emoluments	**684**	653
Pension contributions	**50**	51
	734	704

Directors' remuneration	Salary & fees £'000	Benefits £'000	Pension contributions £'000	2002 Total £'000	2001 Total £'000
P J Nichols (Chairman)	174	34	18	226	223
G N Unsworth	163	13	16	192	194
S P Nichols	126	13	13	152	153
D C Garth(resigned 5 March 2002)	94	9	--	103	106
B M Hynes (appointed 1 October 2002)	30	1	3	34	--
J B Diggines	14	--	--	14	14
J D Bee (appointed 25 January 2002)	13	--	--	13	--
A T Booth (retired 20 March 2002)	--	--	--	--	14
	614	70	50	734	704

The salary of D C Garth above includes a payment of £79,500 under the notice period in his contract.

Share options	31 December 2002	31 December 2001
2000 Save as You Earn Scheme	Number	Number
P J Nichols	19,396	19,396
G N Unsworth	19,396	19,396
S P Nichols	19,396	19,396

There were no changes in the directors' share options between 31 December 2002 and 26 March 2003.
The above options are part of the Save As You Earn scheme exercisable on completion of a five year savings contract on 1 October 2005 and for a six month period thereafter. The options were issued at an excercise price of 87p per share. The share price during 2002 varied between 98p and 125p and the share price at 31 December 2002 was 107p.

Long Term Incentive Plan

A three year LTIP began in 2000 based on an increase in earnings per share to 31 December 2002. The minimum targets under this plan were not achieved and therefore no shares were allocated to directors.

Pensions	Accrued pension 31 December 2001 £'000	Increase in accrued pension in the year £'000	Accrued pension 31 December 2002 £'000
P J Nichols	92	3	95
G N Unsworth	38	5	43
S P Nichols	39	2	41

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.

	Transfer value 31 December 2001 £'000	Contributions made by the director £'000	Decrease in transfer value net of contributions £'000	Transfer value 31 December 2002 £'000
P J Nichols	716	9	(148)	577
G N Unsworth	289	8	(40)	257
S P Nichols	245	6	(51)	200

The transfer values above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme.

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.

Approval

This report was approved by the board of directors on 26 March 2003 and signed on its behalf by:

S P Nichols
Director and company secretary

26 March 2003

Directors' responsibilities in respect of the preparation of financial statements.
The directors are required by United Kingdom 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.

Report of the independent auditors to the members of Nichols plc
We have audited the financial statements of Nichols plc for the year ended 31 December 2002 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the unaudited part of the Directors' Remuneration Report, the chairman's statement, the managing director's review, the corporate governance statement and the five year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion
We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

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 2002 and of the loss of the group for the year then ended and the financial statements and the part of the Directors' Remuneration Report to be audited, have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
Manchester

26 March 2003

>consolidated profit & loss account

>year ended 31 December 2002

Continuing activities	Notes	Before Exceptional items 2002 £'000	Exceptional items 2002 £'000	**Total 2002 £'000**	Restated (see note 1) 2001 £'000
Turnover	2	96,229	--	**96,229**	94,139
Cost of sales		61,403	--	**61,403**	60,092
Gross profit		34,826	--	**34,826**	34,047
Net operating expenses	3,5	28,250	11,180	**39,430**	26,900
Operating (loss)/profit	2,4	6,576	(11,180)	**(4,604)**	7,147
Net interest payable	6	940	--	**940**	1,116
(Loss)/profit on ordinary activities before taxation		5,636	(11,180)	**(5,544)**	6,031
Tax on (loss)/profit on ordinary activities	8	1,948	(1,830)	**118**	1,962
(Loss)/profit for the financial year		3,688	(9,350)	**(5,662)**	4,069
Equity dividends	9	3,253	--	**3,253**	3,253
Retained (loss)/profit for the year	21	435	(9,350)	**(8,915)**	816
(Loss)/earnings per share (basic)	10			**(15.57p)**	11.19p
Earnings per share (diluted)	10			**--**	11.17p
Earnings per share (basic) before exceptional items	10			**10.15p**	11.19p
Earnings per share (diluted) before exceptional items	10			**10.12p**	11.17p
Dividends per share	9			**8.80p**	8.80p

There were no recognised gains or losses in 2002 or 2001 other than the (loss)/profit for the year.

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

		Group		Parent	
		2002	2001	**2002**	2001
Fixed assets	Notes	**£'000**	£'000	**£'000**	£'000
Intangible assets	11	**1,721**	6,999	**--**	--
Tangible assets	12	**28,083**	36,573	**13,357**	19,080
Investments: shares in group undertakings	13	**--**	--	**11,453**	17,460
Investments: own shares	14	**643**	670	**643**	670
		30,447	44,242	**25,453**	37,210
Current assets					
Stocks	15	**9,068**	8,441	**1,064**	1,163
Debtors	16	**20,372**	21,145	**8,747**	9,778
Cash at bank and in hand		**1,743**	635	**7,418**	9,182
		31,183	30,221	**17,229**	20,123
Creditors					
Amounts falling due within one year	17	**24,758**	24,591	**15,041**	15,653
Net current assets		**6,425**	5,630	**2,188**	4,470
Total assets less current liabilities		**36,872**	49,872	**27,641**	41,680
Creditors					
Amounts falling due after one year	18	**8,939**	11,065	**8,939**	11,065
		27,933	38,807	**18,702**	30,615
Provisions for liabilities and charges	19	**863**	2,822	**141**	1,444
		27,070	35,985	**18,561**	29,171
Share capital and reserves					
Called up share capital	20	**3,697**	3,697	**3,697**	3,697
Share premium account		**3,255**	3,255	**3,255**	3,255
Capital redemption reserve		**1,209**	1,209	**1,209**	1,209
Merger reserve		**--**	--	**775**	775
Profit and loss account	21	**18,909**	27,824	**9,625**	20,235
Shareholders' funds	22	**27,070**	35,985	**18,561**	29,171

Approved by the Board on 26 March 2003

P J Nichols

P J Nichols
Chairman

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

>consolidated cash flow statement

>year ended 31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Cash inflow from operating activities	23		**12,753**		10,880
Returns on investments and servicing of finance					
Interest receivable		**12**		6	
Interest payable		**(952)**		(1,122)	
Net cash outflow from returns on investments and servicing of finance			**(940)**		(1,116)
Taxation			**(1,604)**		(2,059)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(3,760)**		(6,370)	
Proceeds of sales of tangible fixed assets		**573**		54	
Proceeds of sale of own shares		**2**		(7)	
Net cash outflow from capital expenditure and financial investment			**(3,185)**		(6,323)
Acquisitions and disposals					
Acquisition of subsidiary undertakings		**--**		(78)	
Net borrowings acquired with subsidiaries		**--**		(77)	
Net cash outflow from acquisitions and disposals			**--**		(155)
Equity dividends paid			**(3,253)**		(3,253)
Cash inflow/(outflow) before financing			**3,771**		(2,026)
Financing					
(Decrease)/increase in borrowings	25	**(2,663)**		7,144	
Net cash (outflow)/inflow from financing			**(2,663)**		7,144
Increase in cash in the year	24		**1,108**		5,118

The accompanying accounting policies and notes form an integral part of these 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. FRS 19 "Deferred Tax" has been adopted for the first time in these financial statements.
The prior year profit and loss account has been restated to reflect a reallocation of costs from cost of sales to operating expenses and a reallocation of costs from administrative expenses to distribution costs (see note 3).

(a) The group financial statements consolidate those of the company and its subsidiary undertakings (see note 13) 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 its useful economic life.
Goodwill arising on consolidation first accounted for in 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:

Freehold and long leasehold	50 years
Plant and machinery	4-10 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 is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on the defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(f) Defined benefit pension scheme
Pension costs in respect of the defined benefit pension 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.

Defined contribution pension 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. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.
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 a permanent diminution in value.

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

(j) Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. All exchange differences are dealt with through the profit and loss account.

(k) Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest payable/receivable is accrued and charged/credited to the profit and loss account in the period to which it relates.

2. Segmental information

a. By business segment

	Turnover (sales to third parties)		Operating (loss)/profit		Net assets	
	2002	2001	**2002**	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Soft drinks	**26,386**	28,833	**4,058**	3,509	**10,674**	16,678
Food products & beverage systems	**63,124**	59,560	**2,170**	3,633	**30,015**	34,668
Contract packing	**6,719**	5,746	**348**	5	**3,463**	5,492
	96,229	94,139	**6,576**	7,147	**44,152**	56,838
Exceptional items			**(11,180)**	--		
			(4,604)	7,147		
Dividends					**(2,144)**	(2,144)
Cash and short term deposits					**1,743**	635
Debt					**(16,681)**	(19,344)
					27,070	35,985

Central costs are allocated to the operating subsidiaries and divisions.
The exceptional items above can be allocated to each segment as follows (£'000): Soft drinks £4,469; Food products & beverage systems £4,882; Contract packing £1,829.

b. Geographic analysis

All turnover and profits originate from, and all assets are located in the United Kingdom.

	2002		2001	
Turnover by geographic destination	**£'000**	**%**	£'000	%
Middle East	**4,422**	**4.6**	4,581	4.8
Africa	**1,304**	**1.4**	1,394	1.5
Rest of the world	**397**	**0.4**	436	0.5
Total exports	**6,123**	**6.4**	6,411	6.8
United Kingdom	**90,106**	**93.6**	87,728	93.2
	96,229	**100.0**	94,139	100.0

3. Net operating expenses

	Before exceptional items 2002 £'000	Exceptional items 2002 £'000	**Total 2002 £'000**	Restated 2001 £'000
Distribution costs	7,666	--	**7,666**	7,279
Administrative expenses	20,425	11,180	**31,605**	19,698
	28,091	11,180	**39,271**	26,977
Income from operating leases net of depreciation charges	159	--	**159**	(77)
	28,250	11,180	**39,430**	26,900

The comparatives for distribution costs and administrative expenses have been restated to standardise and align the treatment of certain costs across both existing divisions and the acquisition of certain distributors in prior years.

4. Operating (loss)/profit	**2002 £'000**	2001 £'000
Operating (loss)/profit is stated after charging/(crediting):		
Auditors' remuneration - audit services	**50**	42
Auditors' remuneration - non-audit services	**32**	44
Depreciation of tangible fixed assets	**5,598**	4,997
Amortisation of intangible fixed assets	**396**	396
Operating lease rentals on land and buildings	**270**	227
Operating lease rentals on plant and machinery	**1,291**	1,347
(Profit)/loss on sale of tangible fixed assets	**(43)**	5

5. Exceptional items **Operating items**	**2002 £'000**	2001 £'000
Impairment of assets	**6,122**	--
Impairment of goodwill relating to Balmoral Trading Limited	**4,882**	--
Costs relating to group restructuring	**176**	--
Total	**11,180**	--

The exceptional items relate to the strategic review outlined in the chairman's statement on pages 6 to 7.

6. Net interest payable	**2002 £'000**	2001 £'000
Bank interest payable	**952**	1,122
Bank interest receivable	**(12)**	(6)
	940	1,116

7. Directors and employees	**2002 £'000**	2001 £'000
a. Average number of persons employed during the year, including directors:		
Soft drinks	**136**	129
Food products & beverage systems	**388**	383
Contract packing	**211**	245
	735	757

b. Group employment costs were as follows:	**2002 £'000**	2001 £'000
Wages and salaries	**15,142**	14,874
Social security costs	**1,284**	1,280
Other pension costs (note 30)	**698**	704
	17,124	16,858

	2002 £'000	2001 £'000
c. Directors' remuneration for the year, including pension costs	**734**	704

Further details of the directors' remuneration, the share options, the emoluments of the executive chairman and the highest paid director are shown in the audited information of the Directors' Remuneration Report on pages 25 to 26.

8. Taxation

Tax on (loss)/profit on ordinary activities	2002 £'000	2001 £'000
Corporation tax at 30% (2001:30%)		
Current year	**1,962**	1,777
Adjustments to the tax charge in respect of prior periods	**115**	(56)
	2,077	1,721
Deferred tax		
Current year	**(1,851)**	265
Adjustments to the tax charge in respect of prior periods	**(108)**	(24)
	118	1,962

Factors affecting the tax charge for the year

The tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2001:30%) as explained below:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before taxation	**(5,544)**	6,031
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001:30%)	**(1,663)**	1,809
Effect of:		
Expenses not deductible for tax purposes	**1,774**	298
Capital allowances in excess of depreciation	**1,828**	(294)
Other short term timing differences	**23**	(36)
Adjustments to the tax charge in respect of prior periods	**115**	(56)
	2,077	1,721

9. Equity dividends

	2002 £'000	2001 £'000
Interim dividend 3.00p (2001: 3.00p) paid 23 October 2002	**1,109**	1,109
Proposed final dividend 5.80p (2001: 5.80p)	**2,144**	2,144
	3,253	3,253

If approved at the Annual General Meeting the final dividend will be paid on 19 May 2003.
Included above are dividends paid to the Employee Share Ownership Trust and Employee Benefit Trust of £33,000 (2001:£33,000).

10. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/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 (loss)/earnings per share adjusted to allow for the assumed conversion of all dilutive options.
Reconciliations of the (loss)/earnings and weighted average number of shares used in the calculation are set out below.

	Losses £'000	2002 Weighted average number of shares	Loss per share	Earnings £'000	2001 Weighted average number of shares	Earnings per share
Basic (loss)/earnings per share	**(5,662)**	**36,348,326**	**(15.57p)**	4,069	36,349,660	11.19p
Dilutive effect of share options					70,443	
Diluted earnings per share				4,069	36,420,103	11.17p

As the impact of issuing potential ordinary shares is anti-dilutive in 2002 but dilutive in 2001, the diluted loss per share in 2002 is equivalent to the basic loss per share.

Earnings per share before exceptional items have been presented in addition to the (loss)/earnings per share as defined in FRS14 since in the opinion of the directors, this provides shareholders with a more meaningful representation of the (loss)/earnings derived from the group's businesses. It can be reconciled from the basic (loss)/earnings per share as follows:

		2002	
	(Loss)/ earnings £'000	Weighted average number of shares	(Loss)/ earnings per share
Basic (loss)/ earnings per share	(5,662)	36,348,326	(15.57p)
Exceptional administrative expenses	11,180		
Taxation in respect of exceptional items	(1,830)		
Earnings per share before exceptional items	3,688	36,348,326	10.15p
Dilutive effect of share options		79,329	
Diluted earnings per share before exceptional items	3,688	36,427,655	10.12p

11. Intangible fixed assets

	Goodwill
Group	**£'000**
Cost	
At 1 January 2002 and at 31 December 2002	7,996
Amortisation	
At 1 January 2002	997
Exceptional write off (note 5)	4,882
Charge for the year	396
At 31 December 2002	**6,275**
Net book value at 31 December 2002	**1,721**
Net book value at 31 December 2001	6,999

12. Tangible fixed assets

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2002	7,904	6,965	48,887	63,756
Additions	6	--	3,754	3,760
Disposals	--	--	(1,304)	(1,304)
At 31 December 2002	**7,910**	**6,965**	**51,337**	**66,212**
Depreciation				
At 1 January 2002	1,300	292	25,591	27,183
Charge for the year	132	120	5,346	5,598
Exceptional write off (note 5)	291	--	5,831	6,122
On disposals	--	--	(774)	(774)
At 31 December 2002	**1,723**	**412**	**35,994**	**38,129**
Net book value at 31 December 2002	**6,187**	**6,553**	**15,343**	**28,083**
Net book value at 31 December 2001	6,604	6,673	23,296	36,573

Parent	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2002	7,529	7,018	11,311	25,858
Additions	1	--	323	324
Disposals	--	--	(236)	(236)
At 31 December 2002	**7,530**	**7,018**	**11,398**	**25,946**
Depreciation				
At 1 January 2002	1,252	294	5,232	6,778
Charge for the year	129	118	1,184	1,431
Exceptional write off	291	--	4,293	4,584
On disposals	--	--	(204)	(204)
At 31 December 2002	**1,672**	**412**	**10,505**	**12,589**
Net book value at 31 December 2002	**5,858**	**6,606**	**893**	**13,357**
Net book value at 31 December 2001	6,277	6,724	6,079	19,080

Freehold land amounting to £1,597,000 (2001: £1,597,000) for the parent company and group has not been depreciated.

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

Cost	**£'000**
At 1 January 2002	9,425
Additions	772
On disposals	(124)
At 31 December 2002	**10,073**
Depreciation	
At 1 January 2002	5,406
Charge for the year	1,477
On disposals	(41)
At 31 December 2002	**6,842**
Net book value at 31 December 2002	**3,231**
Net book value at 31 December 2001	4,019

13. Investments: shares in group undertakings

Parent	£'000
Cost	
At 1 January 2002 and at 31 December 2002	**17,460**
Amounts written off investments	
At 1 January 2002	--
Provided in the year	6,007
At 31 December 2002	**6,007**
Net book value at 31 December 2002	**11,453**
Net book value at 31 December 2001	17,460

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

	Group %	Parent %
Balmoral Trading Limited	–	100
Cabana (Holdings) Limited	–	100
Cabana Soft Drinks Limited	100	–
Cabana SJ 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.

14. Investments: own shares

These ordinary shares are owned by two employee share ownership trusts, the Employee Share Ownership Trust and the Employee Benefit Trust, which hold them against the exercise of share options. The trusts are funded by interest free loans from Nichols plc. The trusts did not waive any rights to dividends on the shares held. At 31 December 2002 the outstanding loans totalled £454,500 (2001:£479,500). The costs of the trusts, which are not material, are met by Nichols plc.

	Group & parent £'000
Cost	
At 1 January 2002	1,120
Disposal of shares	(5)
At 31 December 2002	**1,115**
Amounts written off	
At 1 January 2002	450
Charge for the year	22
At 31 December 2002	**472**
Net book value at 31 December 2002 (618,576 shares, market value £662,000)	**643**
Net book value at 31 December 2001 (620,550 shares, market value £655,000)	670

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

Date of grant:	Number of 10p ordinary shares under option at 31 December 2002	2001	Exercise price per share
19 September 1997	**29,033**	37,548	158p
1 October 1998	**51,471**	86,105	126p
24 September 1999	**94,985**	109,529	124p
3 October 2000	**233,100**	279,573	87p
4 October 2001	**160,427**	207,443	94p
4 October 2002	**134,986**	nil	96p

Options are exercisable at the end of a three or five year savings contract commencing on the date of grant and for a period of 6 months thereafter.

15. Stocks

	Group		Parent	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**3,309**	2,807	**359**	536
Finished goods	**5,759**	5,634	**705**	627
	9,068	8,441	**1,064**	1,163

16. Debtors

	Group		Parent	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Trade debtors	**17,187**	17,098	**5,186**	5,797
Amounts owed by group undertakings	**–**	–	**2,863**	2,091
Corporation tax	**–**	–	**–**	466
Other debtors	**775**	342	**41**	8
Prepayments and accrued income	**2,410**	3,705	**657**	1,416
	20,372	21,145	**8,747**	9,778

17. Creditors : amounts falling due within one year

	Group		Parent	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Bank loans	**7,742**	8,279	**7,742**	8,279
Trade creditors	**7,065**	7,466	**1,705**	1,993
Amounts owed to group undertakings	**--**	--	**887**	940
Corporation tax	**1,251**	778	**66**	--
Other taxes and social security	**881**	1,170	**653**	442
Accruals and deferred income	**5,675**	4,754	**1,844**	1,855
Proposed dividend	**2,144**	2,144	**2,144**	2,144
	24,758	24,591	**15,041**	15,653

18. Creditors : amounts falling due after one year

	Group		Parent	
	2002	2001	**2002**	2001
Bank loans	**£'000**	£'000	**£'000**	£'000
Due from 1-2 years	**2,742**	2,778	**2,742**	2,778
Due from 2-5 years	**5,369**	6,709	**5,369**	6,709
More than 5 years	**--**	750	**--**	750
	8,111	10,237	**8,111**	10,237
Other borrowings due from 2-5 years	**828**	828	**828**	828
	8,939	11,065	**8,939**	11,065

The bank loans in notes 17 and 18 are secured on the group properties at Haydock and Golborne.
The debts carry floating rates of interest at various margins over base rate and LIBOR.

19. Provisions for liabilities and charges

	Group		Parent	
Deferred taxation	**2002 £'000**	2001 £'000	**2002 £'000**	2001 £'000
Accelerated capital allowances	**1,085**	2,936	**223**	1,463
Short term timing differences	**(222)**	(114)	**(82)**	(19)
	863	2,822	**141**	1,444
The movement in the deferred tax provision during the year is as follows:				
At 1 January 2002	**2,822**	2,581	**1,444**	1,259
Charged to profit and loss account	**(1,959)**	241	**(1,303)**	185
At 31 December 2002	**863**	2,822	**141**	1,444

Deferred tax has been fully provided.
The group had unrelieved capital losses of £780,000 at 31 December 2002 (2001:£780,000) 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.

20. Share capital

	2002 £'000	2001 £'000
Authorised 52,000,000 (2001:52,000,000) 10p ordinary shares	**5,200**	5,200
Allotted, issued and fully paid 36,968,772 (2001:36,968,772) 10p ordinary shares	**3,697**	3,697

21. Reserves – profit and loss account

	Group 2002 £'000
At 1 January 2002	**27,824**
Retained loss for the year	**(8,915)**
At 31 December 2002	**18,909**

At 31 December 2002 the cumulative goodwill written off consolidated reserves was £12,645,000 (2001:£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 loss dealt with in the financial statements of Nichols plc was £6,582,000 (2001 profit:£2,597,000).

22. Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
(Loss)/profit for the year	**(5,662)**	4,069
Dividends	**(3,253)**	(3,253)
Net (decrease)/increase in shareholders' funds	**(8,915)**	816
Opening shareholders' funds	**35,985**	35,169
Closing shareholders' funds	**27,070**	35,985

23. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating (loss)/profit	**(4,604)**	7,147
Exceptional items	**11,004**	--
Amortisation - intangible fixed assets	**396**	396
Depreciation - tangible fixed assets	**5,598**	4,997
(Profit)/loss on sale of tangible fixed assets	**(43)**	5
Write down of investment in own shares	**22**	24
Loss on disposal of own shares	**3**	--
Increase in stocks	**(627)**	(49)
Decrease/(increase) in debtors	**773**	(1,739)
Increase in creditors	**231**	99
	12,753	10,880

The cash impact of the exceptional items was £176,000.

24. Reconciliation of net cash flow to movement in net debt

	2002 £'000	2001 £'000
Increase in cash in the period	**1,108**	5,118
Cash inflow/(outflow) from borrowings	**2,663**	(7,144)
Movement in net debt in the period	**3,771**	(2,026)
Net debt at 1 January 2002	**(18,709)**	(16,683)
Net debt at 31 December 2002	**(14,938)**	(18,709)

25. Analysis of net debt

	At 1 January 2002 £'000	Cash flows £'000	At 31 December 2002 £'000
Cash at bank and in hand	**635**	1,108	**1,743**
	635	1,108	**1,743**
Borrowings	**(19,344)**	2,663	**(16,681)**
	(18,709)	3,771	**(14,938)**

26. Financial instruments

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.

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 tangible assets have meant that the group's financing needs have become more long term, and the banking facilities reflect this change (notes 17 and 18).

Short term flexibility is achieved by overdraft and short term borrowing facilities. There are no committed bank facilities which are not drawn down.

Interest rate risk

The group finances its activities through a mixture of retained profits and borrowings. All borrowings are in sterling at floating rates of interest, based upon base rate or LIBOR. The group has limited its exposure to interest rate movements by separate contracts from the underlying borrowings. The principal contracts are as follows:

Interest rate capped at 6% with floor rates shown below determining the effective fixed rate if LIBOR is at a lower level.

Capital sum	Interest rate	Duration
£7 million	5.35%	29 June 2001 to 30 March 2002
	5.15%	1 April 2002 to 30 March 2003
	4.89%	1 April 2003 to 30 March 2004

Interest rate swap with an overriding condition that if interest rates exceed 6% the group will pay LIBOR less 0.25%, otherwise rates will be as shown below.

Capital sum	Interest rate	Duration
£4 million	4.1%	12 November 2001 to 11 November 2003
	5.1%	12 November 2003 to 12 November 2005

Currency risk

The group makes annual purchases to the value of approximately £5.3 million in foreign currencies, primarily in US Dollars, Euros and Danish Krone and makes sales of approximately £1.5 million in US dollars. Dollar income is re-circulated within the group and forward purchase contracts in the other currencies are made to cover at least one half of projected annual purchases. The forward foreign currency purchase contracts, which are a mixture of firm contracts and conditional options, and mature in line with expected purchases throughout 2003, outstanding at 31 December 2002 were as follows:

	Amount of currency	Average exchange rate
Euro	670,000	1.5855
Danish Krone	5,000,000	11.61

Foreign currency assets	2002 £'000	2001 £'000
US Dollar	**176**	262
Danish Krone	**20**	536
Euro	**34**	232
	230	1,030

Risk profile of financial liabilities and assets

All short term creditors and debtors have been excluded from these disclosures. All financial instruments in the financial statements are shown at fair value.

27. Capital commitments

	Group 2002 £'000	Group 2001 £'000	Parent 2002 £'000	Parent 2001 £'000
Authorised by the directors and contracted for but not provided for in these financial statements	**620**	2,000	**–**	–

28. Contingent Liabilities

	Parent 2002 £'000	Parent 2001 £'000
Guarantee of subsidiaries' bank overdrafts	**6,615**	8,996

There were no group contingent liabilities at either 31 December 2002 or 31 December 2001.

29. Operating leases

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

Land and buildings	Group 2002 £'000	Group 2001 £'000	Parent 2002 £'000	Parent 2001 £'000
Within one year	**84**	--	**--**	--
Between two and five years	**339**	205	**115**	135
Over five years	**290**	60	--	--
	713	265	**115**	135

Plant and machinery	Group 2002 £'000	Group 2001 £'000	Parent 2002 £'000	Parent 2001 £'000
Within one year	**172**	373	**140**	372
Between two and five years	**531**	794	**326**	536
After five years	**30**	--	**--**	--
	733	1,167	**466**	908

30. Pensions

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

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 £309,000 (2001:£275,000).

The company operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out on 5 April 2002 and updated at 31 December 2002 by an independent qualified actuary. The main assumptions used by the actuary were:

Rate of increase in salaries	3.30% p.a.
Rate of increase in (post 1997) pensions in payment (a)	3.20% p.a.
Discount rate	5.60% p.a.
Inflation assumption	2.30% p.a.

(a) Pension 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% per annum.

Over the year the company contributed to the scheme at the rate of 10.1% of pensionable salaries (3% in respect of members of the Stockpack section). The company will continue to contribute at this rate pending the results of the next actuarial valuation.

The scheme is now closed to new entrants. This means that the average age of the membership can be expected to rise which in turn means the future service cost (as a percentage of scheme members' pensionable salaries) can be expected to rise.

The assets of the scheme and the expected rates of return were:

	Long term rate of return expected at **31 December 2002**	31 December 2001	Value at **31 December 2002** **£'000**	Value at 31 December 2001 £'000
Equities	**7.5%**	8.0%	**4,285**	8,249
Bonds	**5.2%**	5.2%	**4,859**	1,426
Other	**n/a**	5.5%	**--**	585
			9,144	10,260

The following amounts at 31 December 2002 were measured in accordance with the requirements of FRS17:	**£'000**	£'000
Total market value of assets	**9,144**	10,260
Present value of scheme liabilities	**(13,146)**	(11,101)
Deficit in scheme	**(4,002)**	(841)
Related deferred tax asset	**1,201**	252
Net pension liability	**(2,801)**	(589)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2002 would be as follows:	**£'000**	£'000
Net assets excluding pension liability	**27,070**	35,985
Pension liability	**(2,801)**	(589)
Net assets including pension liability	**24,269**	35,396
Profit and loss reserve excluding pension liability	**18,909**	27,824
Pension liability	**(2,801)**	(589)
Profit and loss reserve including pension liability	**16,108**	27,235

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS17.

Operating profit	£'000
Current service costs	**446**
Past service costs	--
Total operating charge	446
Other finance income	
Expected return on pension scheme assets	782
Interest on pension scheme liabilities	(680)
Net return	**102**
Statement of total recognised gains and losses	£'000
Actual return less expected return on pension schemes assets	(2,227)
Experience gains and losses arising on the scheme liabilities	(122)
Changes in the assumptions underlying the present value of the scheme liabilities	(819)
Present value of the scheme liabilities	**(3,168)**
Movement in the deficit during the year	
Deficit in the scheme at the beginning of the year	(841)
Current service cost	(446)
Contributions	351
Other finance income	102
Actuarial loss	(3,168)
Deficit in the scheme at the end of the year	**(4,002)**

>five year summary

Years ended 31 December

	2002	2001	2000	1999	1998
Turnover	**96,229**	94,139	90,416	80,720	72,966
Operating profit before exceptional items	**6,576**	7,147	8,525	8,238	9,203
Exceptional items	**(11,180)**	--	--	906	(1,440)
Operating (loss)/profit after exceptional items	**(4,604)**	7,147	8,525	9,144	7,763
Net interest (payable)/receivable	**(940)**	(1,116)	(966)	(396)	342
(Loss)/profit before tax	**(5,544)**	6,031	7,559	8,748	8,105
Tax	**118**	1,962	2,311	2,547	2,619
(Loss)/profit after tax	**(5,662)**	4,069	5,248	6,201	5,486
Dividends	**3,253**	3,253	3,253	3,197	3,059
Retained (loss)/profit	**(8,915)**	816	1,995	3,004	2,427
(Loss)/earnings per share (basic)	**(15.57p)**	11.19p	14.35p	16.37p	14.67p
Earnings per share (diluted)	**--**	11.17p	14.34p	16.34p	14.65p
Earnings per share (basic) before exceptional items	**10.15p**	11.19p	14.35p	16.37p	14.67p
Earnings per share (diluted) before exceptional items	**10.12p**	11.17p	14.34p	16.34p	14.65p
Dividends per share	**8.80p**	8.80p	8.80p	8.50p	8.20p