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the group

The group is a soft drinks business comprising two divisions; Soft Drinks and Dispense Operation.

Soft Drinks

Our brand portfolio in the main consists of; Vimto, Panda and Sunkist.

In the UK, the division sells into major retail, wholesale and cash and carry customers.

Outside of the UK, Vimto is available in over 65 countries. Our typical business model is to work with local partners who share our passion for building the Vimto brand and providing consumers with the Vimto flavour experience.

Dispense Operation

The Dispense Operation provides consumers with a broad range of cold soft drinks on draught and was previously referred to as the Dispense Systems Operation. Typically our products are available to consumers via pubs, clubs, restaurants and other leisure outlets.

The division comprises; our Cabana, Cariel and Beacon businesses. The group's 50% holding In Dayla Liquid Packing Limited, acquired in December 2008 is also now part of the division.

financial calendar

Preliminary results announced
25 March 2009

Annual general meeting
20 May 2009

Interim results announced
5 August 2009

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chairman's statement

It is pleasing to announce another year of strong results for 2008, our centenary year, particularly within the context of a deteriorating economy, increased promotional activity by our competitors and another year of poor summer weather.

Sales of the Vimto brand again grew strongly and were up by 16.1% in the UK, with end user international sales in the Middle East, Africa and the Rest of the World also increasing year on year.

Our Dispense Operation improved operating profits by 18.1%, despite volumes being impacted by the economic downturn within the pubs and clubs sectors, however, the acquisition of 50% equity in Dayla Liquid Packing Limited in December 2008 further strengthens this division. Dayla provides the Group with direct access to the growing premium juice market, as well as a number of other exciting opportunities in the UK and overseas.

Results

For the year ended 31 December 2008, the Group's profit before tax and exceptional items increased by 11.1% to £10.0 million (2007: £9.0 million) on revenues up 1.6% to £56.2 million (2007: £55.3 million). Earnings per share (pre-exceptional items) increased 15.4% to 20.03 pence (2007: 17.36 pence).

Our financial statements for 2008 include exceptional items of £5.9 million, £5.7 million of which is attributable to non-cash write downs, principally goodwill impairment on the Panda brand. The remaining exceptional item of £0.2 million represents re-organisation costs within the Dispense Operation.

At 31 December 2008 the Group's net cash position was £6.0 million (31 December 2007: £7.8 million), after having purchased 50% of Dayla for £2.9 million in cash.

Dividend

As a reflection of the confidence the Board has in the ongoing strength of the Group, it is pleased to recommend a final dividend of 7.40 pence per share (2007: 6.90 pence). This gives a total dividend for the year of 11.15 pence (2007: 10.40 pence) which is an increase of 7.2% on last year.

If approved, the final dividend will be paid on 21 May 2009 to shareholders registered on 24 April 2009, the ex-dividend date being 22 April 2009.

People

I would like to take this opportunity, on behalf of the Board, to thank our employees for their individual and collective contributions to our Group's ongoing success.

In July 2008, I announced the appointment of Taylor Purkis as Group Finance Director, which completed the Executive team and positions us well to build upon our progress to date.

Nichols has a privileged role to play in being of service to the wider community and, during 2008, we committed to various fund raising initiatives. The Derian House Hospice remains our favoured charity, as it is an outstanding organisation that exists to provide care and support to terminally ill children and their families.

Outlook

Nichols continues to be a robust, focused, profitable and cash generative soft drinks business, which I believe is well placed to respond to the challenges presented by the current economic climate.

We continue to invest for growth in our core Vimto brand both in the UK and overseas. This, together with the structural changes made in our Dispense Operation during 2008 and our investment in Dayla, puts us in the best possible shape to face the future.

Based on the combination of our clear strategy, our people and our brands we remain confident of continuing our progress in 2009.



John Nichols
Non-Executive Chairman
24 March 2009

“We continue to invest for growth in our core brand Vimto both in the UK and overseas.”

“Vimto performed extremely well and once more grew its share ahead of the market in the following categories: Dilutes, Carbonates and Ready to Drink.”

chief executive's review

The Soft Drinks Market

The summer of 2008 was again disappointingly cool, not dissimilar to the previous year. Nonetheless, the total soft drinks market, excluding the 'on' trade (pubs and clubs), grew by 1.0% in value terms but was 2% down in volume terms (AC Neilson data to 27 December 2008), with the main growth categories being energy, sports and juice drinks. The Dilutes category grew by 2% in value terms and the Fruit Carbonates category declined by 1%.

Against this backdrop, Vimto performed extremely well and once more grew its share ahead of the market in the following categories: Dilutes, Carbonates and Ready to Drink. Inevitably though, following the poor summer, volume driven promotions featured heavily in the final quarter but our mixed value/volume marketing strategy again clearly worked successfully - as not only did our market share increase, but our margins were also maintained despite rising commodity costs.

The general economic and consumer uncertainty experienced throughout 2008 also saw consumers move more towards better value offerings or extra fill promotions. We believe this trend is likely to continue into 2009.

Group Financial Performance

In a difficult market and a deteriorating economic environment, we are pleased to have made further strong progress in 2008; we have again delivered sales growth, margin growth, profit growth and double digit growth in earnings per share (pre-exceptional items).

We have also improved our underlying cash generation, ending the year with £6.0 million of cash in the bank, having paid £2.9 million for 50% of Dayla, invested more year on year in our core brands and increased our market share in all territories.

chief executive's review (continued)

Soft Drinks Operation

The group's Soft Drinks operation consists of the sales and marketing of the Vimto brand throughout the world, where it is available in over 65 countries, along with sales of the Panda and Sunkist brands in the UK.

In 2008 the division's sales increased by 4.3% to £43.5 million (2007: £41.7 million) and operating profits increased by 15.7% to £9.6 million (2007: £8.3 million). This progress was mainly driven by increased distribution of Vimto in the UK, which led to the market share gains referred to above and further growth overseas, particularly in Africa, Turkey, USA and northern Europe.

Internationally, we saw further volume growth with annualised consumption of the Vimto brand reaching 370 million litres during the year, a growth of 8% on 2007. In the Group's core Middle Eastern market, a new TV advertising campaign in 2008 helped to drive increased end user sales; however, this was slightly offset by a reduction in shipments to the Yemen, driven by local

manufacturing difficulties. In Africa we accelerated the expansion of locally manufactured product during 2008, resulting in sales increasing by 19%. Overall, the reduced shipments meant that international sales into the market for 2008 were broadly flat.

Revenues from Brand Licensing were significantly up in 2008 and the Vimto brand is now available in a number of licensed products including Vimto Chewy Sweets, Vimto Tongue Ticklers, Vimto Bon-Bon Bags, Vimto Lollipops and Vimto Ice Lollies. This range was extended last year into new confectionery products, improving Vimto's brand awareness and penetration.

Despite making great progress with the Vimto brand in the UK, internationally and via Brand Licensing, we were less successful with Panda, which has suffered from the decline in the "kids carbonate" market in the UK and also from a number of multiple retailers deciding to move away from single bottles and into multipacks. As a result of this and the requirements of international accounting standard IAS 36, we have decided to write

down the carrying value of the Panda brand in these accounts. As mentioned in the Chairman's Statement, this is a non cash accounting adjustment and is shown as an exceptional item.

Although we will continue to produce and promote Panda, future Group marketing investment will concentrate more on our Vimto brand.

"In 2008 the division's sales increased by 4.3% to £43.5 million."

chief executive's review (continued)

Dispense Operation

This division, which consists of our Cabana, Beacon, Cariel and Dayla businesses, is entirely focused on dispensing cold soft drinks on draught and used to be called the Dispense Systems Operation. In recognition of 2008 being Cabana's first full year operating under its new 'distributor business model' it has been decided to rename this division the Dispense Operation. The new business model is designed to reduce operating costs, whilst increasing market share and penetration through a greater regional focus. I am pleased to report these aims have been realised and we are now a strong number three in the draught soft drinks market, behind Coca Cola and Britvic (Pepsi) and have the scale to grow further.

Operating profits in the Dispense Operation increased by a very healthy 18% to £0.91 million (2007: £0.77 million) on reduced sales (because of the change in business model) of £12.7 million (2007: £13.6 million). It should also be noted the soft drinks on dispense market was particularly impacted by reduced consumption in the licensed 'on' trade being down by circa 9% year on year – with pub closures hitting record levels.

Anticipating the decline in the 'on' trade sector, over recent years we have re-focused our Dispense Operation towards the Leisure, Foodservice, Hotels and Restaurants markets, as well as moving into new healthy product categories such as energy and juice drinks. This, combined with our move to the new business model, has enabled us to improve the performance of our dispense activities, despite the turbulence in the pubs and clubs market.

Towards the end of 2008 we acquired a 50% share of Dayla Liquid Packing Limited, with an option to acquire the remaining balance in three or four years time. This move provides access to the high growth premium juice dispense market, particularly in Europe, as well as securing the manufacturing and supply chain for our syrups – the core constituent ingredient of our dispensed products.

**“Operating profits in the
Dispense Operation increased
by a very healthy 18% to
£0.91 million.”**

chief executive's review (continued)

Corporate Responsibility

Nichols plc has a sustainable business strategy which takes into account our environmental and wider social responsibilities.

Sustainability and the Environment

We are actively working with the British Soft Drinks Association (BSDA) and also our key external suppliers and have identified four key areas for improvement, being:

- Climate change
- Waste and packaging
- Water
- Transport

During 2008 we realised some tangible improvements including a rationalisation of our product range and packaging requirements in the group's Soft Drinks division and also, in collaboration with our logistics partner and customers, we generated meaningful transportation efficiencies, whereby vehicles were loaded for both outbound and inbound journeys.

Employees

Over many years we have evolved a strong culture of mutual support, with an emphasis on excellence, learning and fun and our standards of health and safety remain exemplary.

In 2008 we were delighted to receive the Manchester Evening News Best Company Award, in the over £50 million turnover listed company category. In early 2009 we were also awarded First Class accreditation status in the 2009 Best Companies survey. These are external acknowledgments of excellence in our workplace and both awards are a credit to the whole team at Nichols plc.

Community

Our commitment to the community continued throughout 2008, with our charity team again working hard on behalf of Derian House - raising funds from a variety of events including the annual Nichols Charity Golf Day.



Brendan Hynes

Chief Executive
24 March 2009

financial review

Income Statement

In 2008, revenues from continuing operations were £56.2 million, an increase of 1.6% (2007: £55.3 million). Operating profit on continuing operations (before exceptional items) increased by 12.6% to £9.8 million (2007: £8.7 million).

As shown in note 4 to the accounts, the group has benefited from a £0.8 million year on year swing in foreign exchange differences. This upside has been offset by incremental expenditure elsewhere, mainly relating to the centenary year, pension costs and share-based payments. Taking this into consideration, the underlying improvement borne from trading activities remains in excess of 10% year on year.

Exceptional Items

A total charge of £5.9 million has been incurred. This includes a £5.7 million charge from writing down brand related assets, principally goodwill on the Panda brand. A fair value review as required under IAS 36, was undertaken by estimating future cash flows and restating them to present value. A discount rate of 9% was applied. The remaining £0.2 million charge relates to re-organisation costs within the Dispense Operation.

Taxation

Before exceptional items the tax charge was £2.7 million, an effective rate of 27.2% (2007: 29.6%). Including exceptional items the charge was £1.1 million, after having recognised a deferred tax asset of £1.5 million for the year, attributable in the main to the goodwill write down pertaining to the Panda brand. The deferred tax asset on goodwill will be amortised in future years.

Cash Flow

Cash generated from operations was £9.4 million (2007: £7.2 million). Net cash used in investing activities amounted to £4.1 million. This spend included; £2.9 million acquisition of a 50% equity stake in Dayla Liquid Packing Limited and £0.8 million as settlement on final salary pension benefits; attributable to ex employees.

Capital expenditure was £0.22 million (2007: £0.34 million).

Borrowing and Interest

At 31 December 2008 the group had positive cash balances of £6.0 million (2007: £7.8 million). Absent £3.0 million incremental investments, year on year (Dayla Liquid Packing Limited in the main), the underlying cash balance increase was £2.2 million compared to 31 December 2007.

Net bank interest earned during the year amounted to £0.28 million (2007: £0.29 million).

financial review

Earnings Per Share

Earnings per share (basic) – before exceptional items was 20.03 pence (2007: 17.36 pence).

Earnings per share (basic) – after exceptional items was 8.10 pence (2007: 15.49 pence).

Dividend

The Board is recommending a final dividend of 7.40 pence per ordinary share (2007: 6.90 pence) payable to shareholders on the register at 24 April 2009. The final dividend of 7.40 pence together with the interim dividend of 3.75 pence, gives a total dividend of 11.15 pence per share for the full year (2007: 10.40 pence).

Internal Control

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

Internal Financial Control

The Board is ultimately responsible for maintaining sound internal control systems to safeguard the investment of shareholders and the company's assets. The systems are reviewed by the Board and are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss.

Audit Committee

The Audit Committee consists of J B Diggins and J D Bee. The terms of reference of the Committee include keeping under review the scope and results of the external audit. The Committee ensures the independence and objectivity of the external auditors, including the nature and extent of non-audit services supplied. Any further services with a value over £25,000 would require Nichols plc Board approval.

Risks and Uncertainties

The investment in Dayla Liquid Packing Limited provides the Group with increased direct influence over product supply for the Dispense Operation.

Conversely the Soft Drinks division continues to be fully dependent on third party suppliers for all products.

For both scenarios we have appropriate and adequate audit procedures and resource at our disposal to ensure that the Group as a whole sells product of the highest quality.

In the case of the Dispense Operation the risk of interruption of supply is back within our direct control, offset by increased direct risk of employer's liability associated with manufacturing and direct environmental risk. The reverse is true of the Soft Drinks division.

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

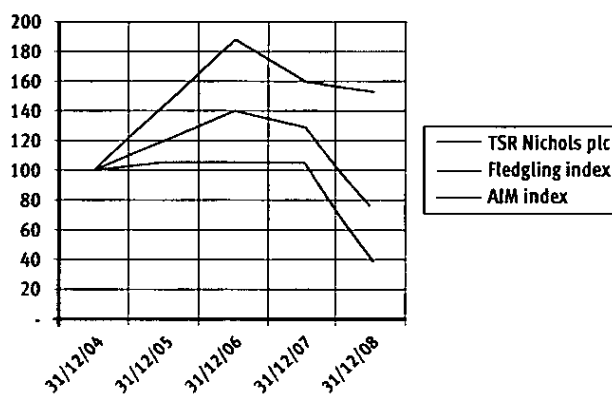
In common with many businesses we are now also highly dependent on the availability of IT systems to carry out many trading activities.

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

Shareholders

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

Nichols plc TSR vs AIM and Fledgling indices



Going Concern

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

T M Purkis

Group Finance Director
24 March 2009

directors and advisors

Back to Front: **BM Hynes** Chief Executive, **JB Diggines** Senior Non-executive Director, **JD Bee** Non-executive Director, **PJ Nichols** Non-executive Chairman, **TM Purkis** Group Finance Director and Secretary

Auditors

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

Bankers

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

Solicitors

DLA Piper 101 Barbirolli Square Manchester M2 3DL

Stockbrokers and Nominated Advisor

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

Financial Advisors

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

Registrars

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

Registered Office

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

Registered Number

238303

directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal Activities and Chief Executive's Review

The company and its principal operating subsidiaries are engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

A review of the group's trading during the year and its prospects are contained in the Chairman's Statement on pages 4 and 5, the Chief Executive's Review on pages 6 to 12 and the Financial Review on pages 13 to 14.

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

Reconciliation of profit for the financial year to retained earnings movement

	2008		2007	
	£'000	£'000	£'000	£'000
Profit for the financial year		2,957		5,669
Interim dividend 3.75p (2007: 3.50p) per share paid 3 September 2008	(1,374)		(1,294)	
2007 final dividend 6.90p (2006: 6.50p) per share paid 15 May 2008	(2,540)		(2,403)	
Other recognised gains and losses and movement on ESOT (note 20)	(1,192)		1,521	
		(5,106)		(2,176)
Retained earnings movement		(2,149)		3,493

Non-executive Directors

J B Diggines (56) – senior non-executive director

Mr Diggines is Chief Executive of Enterprise Ventures Limited. He was appointed to the Board of Nichols plc in July 1995.

J D Bee (67)

Mr Bee has held a number of non-executive directorships with both public and private companies and is currently Chairman of the Manchester Building Society. He was appointed to the Board of Nichols plc in January 2002.

P J Nichols (59)

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

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

Executive Directors

B M Hynes (48)

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

T M Purkis (41)

Mr Purkis is the Group Finance Director. He joined the company and was appointed to the Board of Nichols plc in July 2008.

Financial Risk Management Objectives and Policies

Business risks and uncertainties are included within the Financial Review on page 14 and financial risks are set out in note 22 to the financial statements.

Creditor Payment Policy

The group's policy is to agree terms of payment at the start of business with all suppliers, to abide by these terms and to pay in accordance with its contractual and other legal obligations. At 31 December 2008 there were 48 (2007: 42) creditor days outstanding.

directors' report

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 £11,000 (2007: £17,000). There were no political donations in either 2008 or 2007.

Share Options

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

Share Capital

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

In exercising its authority in respect of the purchase and cancellation of the company's shares the Board takes as its major criterion the effect of such purchases on future expected earnings per share. No purchase is made if the effect is likely to be deterioration in future expected earnings per share growth. During the year the company purchased 242,447 of its own shares for a value of £535,000.

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 UK LLP be re-appointed auditors.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and the profit or loss of the group for that period. In preparing these 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 International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

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

Directors' Indemnity

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

directors' report

Directors' Remuneration

	Salary and Fees	Benefits in Kind	Bonuses	Pension contributions	Total 2008	Total 2007
	£'000	£'000	£'000	£'000	£'000	£'000
P J Nichols	76	37	78	0	191	552
B M Hynes	200	1	72	23	296	215
T M Purkis	57	0	0	5	62	0
J B Diggines	22	0	0	0	22	17
J D Bee	22	0	0	0	22	17
Total	377	38	150	28	593	801

PJ Nichols is a member of the final salary pension scheme; BM Hynes and TM Purkis each have a personal pension plan. The company contributions to the respective schemes are shown in the above table.

PJ Nichols and BM Hynes are members of the group Save As You Earn scheme. The options outstanding under the scheme are as follows:

	Exercisable	Issue Price	Number at 31 December 2008	Number at 31 December 2007
P J Nichols	16 October 2011	192p	8,203	8,203
B M Hynes	16 October 2009	192p	4,922	4,922

The options are exercisable on the date shown above and for six months thereafter. There were no changes to the directors' share options between 31 December 2008 and 24 March 2009. The share price during 2008 varied between 204p and 255p and the share price at 31 December 2008 was 204p.

By order of the Board



TM Purkis
Secretary

Laurel House
Ashton Road
Newton le Willows
WA12 0HH

24 March 2009

report of the independent auditor to the members of nichols plc

Report of the independent auditor to the members of Nichols plc

We have audited the group and parent financial statements (the 'financial statements') of Nichols plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company statement of cash flows, the consolidated and parent company statement of recognised income and expense and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Statement and the Financial Review that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report the Chairman's Statement, the Chief Executive's Review, the Financial Review 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and company'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 consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements



GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
MANCHESTER

24 March 2009

Consolidated income statement

Year ended 31 December 2008

		Before exceptional items 2008 £'000	Exceptional items 2008 £'000	Total 2008 £'000	Before exceptional items 2007 £'000	Exceptional items 2007 £'000	Total 2007 £'000
	Notes						
Revenue	3	56,221	0	56,221	55,276	0	55,276
Cost of sales		(27,520)	0	(27,520)	(27,321)	0	(27,321)
Gross profit		28,701	0	28,701	27,955	0	27,955
Distribution expenses		(3,892)	0	(3,892)	(3,795)	0	(3,795)
Administrative expenses	5	(15,005)	(5,940)	(20,945)	(15,418)	(978)	(16,396)
Operating profit		9,804	(5,940)	3,864	8,742	(978)	7,764
Finance income	6	288	0	288	291	0	291
Finance expense	6	(54)	0	(54)	(7)	0	(7)
Profit before taxation		10,038	(5,940)	4,098	9,026	(978)	8,048
Taxation	8	(2,732)	1,591	(1,141)	(2,672)	293	(2,379)
Profit for the financial year		7,306	(4,349)	2,957	6,354	(685)	5,669
Earnings per share (basic)	10			8.10p			15.49p
Earnings per share (diluted)	10			8.10p			15.47p
Dividends paid per share	9			10.65p			10.00p

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

Consolidated and parent company balance sheets

Year ended 31 December 2008

		Group		Parent	
	Notes	2008 £'000	2007 £'000	2008 £'000	2007 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	2,006	2,448	372	638
Goodwill	12	9,521	10,910	0	5,480
Investments	13	0	0	12,001	7,696
Deferred tax assets	14	2,705	1,197	2,697	1,187
Total non-current assets		14,232	14,555	15,070	15,001
Current assets					
Inventories	15	2,758	2,509	1,287	1,546
Trade and other receivables	16	13,575	13,177	11,009	11,199
Cash and cash equivalents	21	6,048	7,814	4,458	6,777
Total current assets		22,381	23,500	16,754	19,522
Total assets		36,613	38,055	31,824	34,523
LIABILITIES					
Current liabilities					
Trade and other payables	17	10,136	8,828	8,525	7,941
Current tax liabilities	17	1,308	1,058	894	842
Provisions	18	181	681	0	117
Total current liabilities		11,625	10,567	9,419	8,900
Non-current liabilities					
Pension obligations	27	3,567	3,635	3,567	3,635
Deferred tax liabilities	14	155	356	0	192
Total non-current liabilities		3,722	3,991	3,567	3,827
Total liabilities		15,347	14,558	12,986	12,727
Net assets		21,266	23,497	18,838	21,796
EQUITY					
Share capital	19	3,697	3,697	3,697	3,697
Share premium	20	3,255	3,255	3,255	3,255
Capital redemption reserve	20	1,209	1,209	1,209	1,209
Other reserves	20	(574)	(492)	201	283
Retained earnings	20	13,679	15,828	10,476	13,352
Total equity		21,266	23,497	18,838	21,796

The financial statements on pages 22 to 54 were approved by the Board of Directors on 24 March 2009 and were signed on its behalf by:

P J Nichols

Chairman

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



T POKIS
GROUP FINANCE DIRECTOR

Consolidated statement of cash flows

Year ended 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Profit for the financial year			2,957		5,669
Cash flows from operating activities					
Adjustments for:					
Depreciation		656		782	
Loss on sale of property, plant and equipment		20		27	
Impairment of goodwill and property, plant and equipment		5,615		0	
Equity-settled share-based payment transactions		543		192	
Interest receivable		(288)		(291)	
Interest payable		54		7	
Tax expense recognised in the income statement		1,141		2,379	
Change in inventories		342		(299)	
Change in trade and other receivables		347		(570)	
Change in trade and other payables		(1,032)		159	
Change in provisions		(353)		(530)	
Change in pension obligations		(588)		(347)	
			6,457		1,509
Cash generated from operating activities			9,414		7,178
Tax paid			(2,595)		(1,800)
Net cash generated from operating activities			6,819		5,378
Cash flows from investing activities					
Interest received		288		291	
Proceeds from sale of property, plant and equipment		135		455	
Acquisition of property, plant and equipment		(220)		(336)	
Acquisition of subsidiary, net of cash acquired		0		(1,125)	
Acquisition of subsidiary's net overdraft		0		(144)	
Acquisition of joint venture, net of cash acquired	13	(2,908)		0	
Acquisition of joint venture's net overdraft	13	(131)		0	
Additional consideration in respect of a prior acquisition		(480)		(240)	
Payment on settlement of pension obligations	27	(809)		0	
Net cash used in investing activities			(4,125)		(1,099)
Cash flows from financing activities					
Interest paid	6	(11)		(4)	
Repurchase of own shares	20	(535)		(224)	
Dividends paid	9	(3,914)		(3,697)	
Net cash used in financing activities			(4,460)		(3,925)
Net increase in cash and cash equivalents			(1,766)		354
Cash and cash equivalents at 1 January			7,814		7,460
Cash and cash equivalents at 31 December	21		6,048		7,814

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

Parent company statement of cash flows

Year ended 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Profit for the financial year			2,230		5,304
Cash flows from operating activities					
Adjustments for:					
Depreciation		234		238	
Impairment of goodwill and property, plant and equipment		5,615		0	
Equity-settled share-based payment transactions		543		192	
Interest receivable		(288)		(291)	
Interest payable		53		7	
Tax expense recognised in the income statement		806		2,208	
Change in inventories		259		(384)	
Change in trade and other receivables		190		162	
Change in trade and other payables		(460)		214	
Change in provisions		(117)		(308)	
Change in pension obligations		(588)		(347)	
			6,247		1,691
Cash generated from operating activities			8,477		6,995
Tax paid			(2,324)		(1,807)
Net cash generated from operating activities			6,153		5,188
Cash flows from investing activities					
Interest received		288		291	
Acquisition of property, plant and equipment		(104)		(126)	
Acquisition of subsidiary, net of cash acquired		0		(1,125)	
Acquisition of joint venture	13	(2,908)		0	
Additional consideration in respect of a prior acquisition		(480)		(240)	
Payment on settlement of pension obligations	27	(809)		0	
Net cash used in investing activities			(4,013)		(1,200)
Cash flows from financing activities					
Interest paid		(10)		(4)	
Repurchase of own shares	20	(535)		(224)	
Dividends paid	9	(3,914)		(3,697)	
Net cash used in financing activities			(4,459)		(3,925)
Net increase in cash and cash equivalents			(2,319)		63
Cash and cash equivalents at 1 January			6,777		6,714
Cash and cash equivalents at 31 December	21		4,458		6,777

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

Statement of recognised income and expense

Year ended 31 December 2008

Group	2008 £'000	2007 £'000
Defined benefit plan actuarial (loss)/gain (see note 27)	(1,286)	2,522
Deferred taxation on pension obligations and employee benefits (see note 14)	132	(933)
Income and expense recognised directly in equity	(1,154)	1,589
Profit for the financial year	2,957	5,669
Total recognised income and expense for the year	1,803	7,258

Parent	2008 £'000	2007 £'000
Defined benefit plan actuarial (loss)/gain (see note 27)	(1,286)	2,522
Deferred taxation on pension obligations and employee benefits (see note 14)	132	(933)
Income and expense recognised directly in equity	(1,154)	1,589
Profit for the financial year	2,230	5,304
Total recognised income and expense for the year	1,076	6,893

Notes to the financial statements

Year ended 31 December 2008

1. Reporting entity

Nichols plc (the "company") is a company domiciled in the United Kingdom. The address of the company's registered office is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH. The consolidated financial statements of the company as at and for the year ended 31 December 2008 comprise the company and its subsidiaries (together referred to as the "group"). The group primarily is engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

2. Accounting policies

Basis of preparation

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

The financial statements were approved by the Board of Directors on 24 March 2009.

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

The accounting policies have been applied consistently by the group.

Functional and presentation currency

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

Use of estimates and judgements

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

The following is the critical judgement, apart from those involving estimations (see below), that management have made in the process of applying the group's accounting policies, and that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making their judgement, management have considered the detailed criteria for the recognition of revenue from the sale of goods as outlined in IAS 18 "Revenue" and in particular where the group has transferred to the customer the significant risks and rewards of ownership of the goods. Management are satisfied that recognition of all such revenue in the current year is appropriate and that the significant risks and rewards attached to such sales have been transferred to the buyer.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The "value in use" calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 12).

The carrying amount of goodwill at the balance sheet date was £9.5 million (2007: £10.9 million).

Share options

The assumptions on the expected life of share options, volatility of shares, risk free yield to maturity and expected dividend yield on shares are used in the IFRS fair value calculation of the group's share options outstanding at the balance sheet date (see note 20).

Defined benefit obligations

For the group's defined benefit plan, the main assumptions used by the actuary are the rate of future salary increases, the rate of increase in pensions in payment, the discount rate and the expected rate of inflation (see note 27).

Notes to the financial statements

Year ended 31 December 2008

2. Accounting policies (continued)

Useful lives of property, plant and equipment

As described within the property, plant and equipment paragraph below, the group reviews the estimated useful lives of property, plant and equipment at least annually.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2008. Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities whose economic activities are jointly controlled by the group and other ventures independent of the group are accounted for using the proportionate consolidation method.

Intra-group balances, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. All group companies have coterminous year ends with the exception of Dayla Liquid Packing Limited which has a year end of 30 September.

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

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

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

Revenue recognition

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

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

Foreign currency transactions

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

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

Notes to the financial statements

Year ended 31 December 2008

2. Accounting policies (continued)

Exceptional items

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

Taxation

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

Current tax

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

Deferred tax

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

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

Goodwill

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

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

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

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

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

Impairment

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

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

Notes to the financial statements

Year ended 31 December 2008

2. Accounting policies (continued)

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

Property, plant and equipment

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

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

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

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

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

Buildings	50 years
Plant and equipment	3-10 years

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

Inventories

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

Financial assets

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

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

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

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

Financial liabilities

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

Leased assets

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

Notes to the financial statements

Year ended 31 December 2008

2. Accounting policies (continued)

Employee benefits

Defined contribution plan

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

Defined benefit plan

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

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

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

Share-based payment transactions

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

Provisions and contingent liabilities

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

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

Finance income and expenses

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

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

Earnings per share

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

Notes to the financial statements

Year ended 31 December 2008

2. Accounting policies (continued)

Employee Share Ownership Trust

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

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

Investments in subsidiaries

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

Standards and interpretations in issue not yet adopted

The following standards and interpretations have been issued, but are not yet effective and have not been adopted early by the group:

IAS 1 (revised in 2007) "Presentation of financial statements" applicable to accounting periods beginning on or after 1 January 2009*

IAS 23 (revised in 2007) "Borrowing costs" applicable to accounting periods beginning on or after 1 January 2009*

IAS 27 (revised in 2008) "Consolidated and separate financial statements" applicable to accounting periods beginning on or after 1 July 2009

IAS 32 (Amendment) "Financial instruments: Presentation" with consequential amendments to IAS 1 "Presentation of financial statements" applicable to accounting periods beginning on or after 1 January 2009.

IFRS 2 "Share-based payment" amendment applicable to accounting periods beginning on or after 1 January 2009*

IFRS 3 (revised in 2008) "Business combinations" applicable to accounting periods beginning on or after 1 July 2009*

IFRS 8 "Operating segments" applicable to accounting periods beginning on or after 1 January 2009*

IFRIC 13 "Customer loyalty programmes" applicable to accounting periods beginning on or after 1 July 2008

IFRIC 17 Distributions of Non-cash Assets to Owners applicable to accounting periods beginning on or after 1 January 2009.

* IAS 1 (revised in 2007) "Presentation of financial statements" will result in changes to the presentation of the group's financial statements as the format currently adopted for the statement of changes in equity will no longer be permitted. Instead, the group will present a statement of comprehensive income combining the existing income statement with other income and expenses currently presented as a part of the statement of changes in equity. In addition, the group will present a separate statement of changes in equity showing owner changes in equity.

* IAS 23 (revised in 2007) "Borrowing costs" requires that borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The standard must be applied for accounting periods beginning on or after 1 January 2009. The group's current accounting policy would be to recognise borrowing costs in the income statement as incurred. However, currently the group does not have any borrowings of this type in place which would fall within the boundaries of the new standard. If, and following implementation of the new standard, the group does fund the acquisition or construction of property, plant and equipment through borrowings, the cost of the asset and associated depreciation charge are expected to increase and finance costs are expected to reduce.

* IFRS 2 "Share-based payment" amendment clarifies the term "vesting conditions", and provides the accounting treatment for non-vesting conditions and cancellations. Management is assessing the impact of changes to vesting conditions and cancellations on the group's option scheme.

* IFRS 3 (revised in 2008) "Business combinations" will apply to any future business combinations that the group may undertake once it is in force. The group has no plans to adopt the revised standard in advance of its mandatory implementation date and it is not possible to quantify the effect of the standard on future business combinations until those combinations take place.

* IFRS 8 "Operating segments" requires that the group will be required to report operating segments on the basis of internal reports about components of the business which are regularly reviewed by management. The effect of this standard has been considered and management are satisfied that the group can continue to report two segments in the financial statements.

The other standards and interpretations are not expected to have any significant impact on the group's financial statements, in their periods of initial application.

Notes to the financial statements

Year ended 31 December 2008

3. Segmental information

a. Primary reporting format-by business segment

	Revenue (sales to third parties)		Operating profit	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Soft Drinks	43,479	41,709	9,569	8,332
Dispense Operation	12,742	13,567	905	766
	56,221	55,276	10,474	9,098
IAS 19 "Employee benefits" charge			(127)	(164)
IFRS 2 "Share-based payment" charge			(543)	(192)
Operating profit before exceptional items and interest			9,804	8,742
Exceptional items (see note 5) - Soft Drinks			(5,713)	(544)
Exceptional items (see note 5) - Dispense Operation			(227)	(434)
Operating profit			3,864	7,764
Finance income			288	291
Finance expense			(54)	(7)
Profit before tax			4,098	8,048

	Assets		Liabilities		Net assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Soft Drinks	13,649	17,823	(8,614)	(8,288)	5,035	9,535
Dispense Operation	16,916	12,418	(3,166)	(2,635)	13,750	9,783
	30,565	30,241	(11,780)	(10,923)	18,785	19,318
Employee benefits obligations	0	0	(3,567)	(3,635)	(3,567)	(3,635)
Cash and cash equivalents	6,048	7,814	0	0	6,048	7,814
	36,613	38,055	(15,347)	(14,558)	21,266	23,497

The group is managed according to two operating divisions: Soft Drinks and Dispense Operation. These divisions are the basis on which the group reports its primary segment information. Central costs are allocated to the operating subsidiaries and divisions. Exceptional items include amounts directly attributable to a segment, in addition to those costs that can be allocated on a reasonable basis.

Capital expenditure

Capital expenditure costs within Soft Drinks totalled £103,000 (2007: £126,000), and within Dispense Operation totalled £117,000 (2007: £210,000).

Depreciation

Depreciation costs within Soft Drinks totalled £234,000 (2007: £238,000), and within Dispense Operation totalled £422,000 (2007: £544,000).

Notes to the financial statements

Year ended 31 December 2008

3. Segmental information (continued)

b. Secondary reporting format-by geographic segment

Revenue by geographic destination

	2008		2007	
	£'000	%	£'000	%
Middle East	6,058	10.8	6,492	11.7
Africa	2,627	4.7	2,156	3.9
Rest of the World	297	0.5	217	0.4
Total exports	8,982	16.0	8,865	16.0
United Kingdom	47,239	84.0	46,411	84.0
	56,221	100.0	55,276	100.0

Revenue from continuing operations arose principally from the provision of goods.

The group's business segments operate in the Middle East, Africa, the Rest of the World and the United Kingdom. The group's Head Office operations are located in the United Kingdom. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and not on the legal entity in which the transaction occurred.

Total assets

The assets of the group at 31 December 2008 and 31 December 2007 are entirely located within the United Kingdom.

Capital expenditure

The capital expenditure of the group for the years ended 31 December 2008 and 31 December 2007 was entirely made within the United Kingdom.

Depreciation

The group's depreciation charges for the years ended 31 December 2008 and 31 December 2007 are against fixed assets all retained within the United Kingdom.

Notes to the financial statements

Year ended 31 December 2008

4. Operating profit

	2008 £'000	2007 £'000
Operating profit is stated after charging/(crediting):		
Inventory amounts charged to cost of sales	27,462	26,521
Auditors' remuneration - audit of the company's annual accounts	35	30
Fees payable to the auditors for other services:		
Audit of the company's subsidiaries	15	17
Other services pursuant to legislation	0	12
Depreciation of property, plant and equipment	656	782
Operating lease rentals payments	472	522
Equity-settled share-based payments	543	192
(Profit)/ loss on foreign exchange differences	(672)	129
Loss on sale of property, plant and equipment	20	27

During 2008 depreciation of £30,000 has not been charged through the income statement as a provision was made for this cost at the end of 2007.

5. Exceptional items

	2008 £'000	2007 £'000
Soft Drinks brands portfolio review	5,713	0
Dispense Operation restructuring costs	227	0
Cariel Soft Drinks Limited integration costs	0	434
Head Office restructuring costs	0	544
Total	5,940	978

The brands portfolio review comprises £5.5 million impairment on Panda goodwill, £0.1 million write down on equipment pertaining to Panda and £0.1 million write down on costs incurred relating to Simpsons' Smoothies.

The restructuring of the Dispense Operation has incurred staff costs of £118,000 and stock and equipment write offs of £109,000.

The cash impact in 2008 of the exceptional items is £104,000 (2007: £275,000).

6. Finance income and expense

	2008 £'000	2007 £'000
Finance income comprises:		
Bank interest received	288	291
Finance expense comprises:		
Bank interest paid	11	4
Expected return on defined benefit pension scheme assets	1,145	(1,085)
Interest on defined benefit pension scheme obligations	(1,102)	1,088
Finance expense	54	7

Notes to the financial statements

Year ended 31 December 2008

7. Directors and employees

	2008 Number	2007 Number
a. Average number of persons employed during the year, including directors:		
Soft Drinks	60	68
Dispense Operation	67	69
	127	137

	2008 £'000	2007 £'000
b. Group employment costs were as follows:		
Wages and salaries	5,678	5,510
Social security costs	514	548
Pension costs - defined contribution scheme	227	236
Pension costs - defined benefit scheme (see note 27)	84	161
Equity-settled share-based payments	543	192
	7,046	6,647

The amounts disclosed above are also the employment costs for the parent company for the year ended 31 December 2008.

	2008 £'000	2007 £'000
Directors' remuneration for the year, including pension costs	593	801

The highest paid director has received £295,780 (2007: £551,675) including pension contributions. He has no accrued pension benefit (2007: £138,535) and no accrued lump sum (2007: £622,966).

There are no longer any directors accruing benefits (2007: 1 director) under a defined benefit scheme. Benefits are accruing to 2 directors (2007: 1 director) under a defined contribution scheme.

Equity-settled share-based payments in respect of directors, not included in the above figures, amounted to £302,000 (2007: £107,000).

Further information regarding directors' remuneration is provided in the directors' report on pages 16 to 18.

c. Key management personnel are deemed to be the executive directors of the company and members of the Executive Committee.

The compensation payable to key management in the year is detailed below:

	2008 £'000	2007 £'000
Wages and salaries	939	1,100
Pension costs - defined contribution scheme	40	34
Pension costs - defined benefit scheme	12	41
Equity-settled share-based payments	525	165
	1,516	1,340

Notes to the financial statements

Year ended 31 December 2008

8. Taxation

a. Analysis of expense recognised in the consolidated income statement

	2008 £'000	2007 £'000
Current taxation:		
UK corporation tax on income for the year	2,539	2,318
Adjustments in respect of prior years	229	(57)
Total current tax charge for the year	2,768	2,261
Deferred tax:		
Origination and reversal of temporary differences	(1,551)	29
Adjustments in respect of prior years	(76)	89
Total deferred tax (credit)/charge for the year	(1,627)	118
Total tax expense in the consolidated income statement	1,141	2,379

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation

	2008 £'000	2007 £'000
Profit before taxation	4,098	8,048
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28.5% (2007: 30%)	1,168	2,414
Effect of:		
Expenses not deductible for tax purposes	38	42
Tax exempt revenues	(231)	(78)
Adjustments to the tax charge in respect of prior years	143	32
Differences in tax rates	(5)	(16)
Reduction in tax rate to 28% in respect of deferred taxation	28	(15)
Total tax expense in the consolidated income statement	1,141	2,379

The effective rate of tax for the year of 27.8% (2007: 29.6%) is lower than the standard rate of corporation tax in the United Kingdom (28%). The differences are explained above.

c. The effective rate of tax on profit before exceptional items is 27.2% (2007: 29.6%).

d. Tax on items charged to equity

In addition to the amount credited to the consolidated income statement, £132,000 (2007: charge £933,000) has been charged directly to equity, being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

9. Equity dividends

	2008 £'000	2007 £'000
Interim dividend 3.75p (2007: 3.50p) paid 3 September 2008	1,374	1,294
Final dividend proposed in 2007 6.90p (2006: 6.50p) paid 15 May 2008	2,540	2,403
	3,914	3,697

The interim dividend for the prior year of £1,294,000 (2006: £1,220,000) was paid on 7 September 2007.

In accordance with IAS 10 "Events after the balance sheet date", the 2008 final dividend of £2,736,000 (7.40p per share) has not been accrued as it had not been approved by the year end.

Notes to the financial statements

Year ended 31 December 2008

10. Earnings per share

	2008	2007
Earnings per share (basic)	8.10p	15.49p
Earnings per share (diluted)	8.10p	15.47p
Earnings per share (basic) - before exceptional items	20.03p	17.36p
Earnings per share (diluted) - before exceptional items	20.01p	17.34p

Earnings per share

	Earnings £'000	2008 Weighted average number of shares	Earnings per share	Earnings £'000	2007 Weighted average number of shares	Earnings per share
Basic earnings per share	2,957	36,480,421	8.10p	5,669	36,602,810	15.49p
Dilutive effect of share options		24,879			49,557	
Diluted earnings per share	2,957	36,505,300	8.10p	5,669	36,652,367	15.47p

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

Earnings per share - before exceptional items

	Earnings £'000	2008 Weighted average number of shares	Earnings per share	Earnings £'000	2007 Weighted average number of shares	Earnings per share
Basic earnings per share	2,957	36,480,421	8.10p	5,669	36,602,810	15.49p
Exceptional items	5,940			978		
Taxation in respect of exceptional items	(1,591)			(293)		
Basic earnings per share before exceptional items	7,306	36,480,421	20.03p	6,354	36,602,810	17.36p
Dilutive effect of share options		24,879			49,557	
Diluted earnings per share before exceptional items	7,306	36,505,300	20.01p	6,354	36,652,367	17.34p

Notes to the financial statements

Year ended 31 December 2008

11. Property, plant and equipment

Group	Plant and equipment
Cost	£'000
At 1 January 2007	6,264
Acquisitions through business combinations	197
Additions	336
Disposals	(1,114)
At 1 January 2008	5,683
Acquisitions through business combinations (see note 13)	312
Additions	220
Impairment	(300)
Disposals	(568)
At 31 December 2008	5,347
Depreciation	
At 1 January 2007	3,085
Charge for the year	782
On disposals	(632)
At 1 January 2008	3,235
Charge for the year	686
Impairment	(165)
On disposals	(415)
At 31 December 2008	3,341
Net book value at 31 December 2008	2,006
Net book value at 31 December 2007	2,448

Parent	Plant and equipment
Cost	£'000
At 1 January 2007	1,654
Additions	126
At 1 January 2008	1,780
Additions	103
Impairment	(300)
At 31 December 2008	1,583
Depreciation	
At 1 January 2007	904
Charge for the year	238
At 1 January 2008	1,142
Charge for the year	234
Impairment	(165)
At 31 December 2008	1,211
Net book value at 31 December 2008	372
Net book value at 31 December 2007	638

Notes to the financial statements

Year ended 31 December 2008

12. Goodwill

Group	
Cost	£'000
At 1 January 2007	9,624
Additions	1,286
At 1 January 2008	10,910
Additions	4,091
Impairment	(5,480)
At 31 December 2008	9,521

Parent	
Cost	£'000
At 1 January 2007 and 1 January 2008	5,480
Impairment	(5,480)
At 31 December 2008	0

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

Goodwill additions for 2008 in the main are arising from the acquisition of 50% of the issued share capital of Dayla Liquid Packing Limited which has been allocated to the Dispense Operation, as this segment is the group of cash-generating units expected to benefit from the business combination. The total goodwill is entirely attributable to the Dispense Operation.

A full review of the Panda brand has been performed by management and due to continuously falling sales volumes, the goodwill attributable to the Panda brand has been fully impaired. Panda goodwill relates to the Soft Drinks division. Cash flow projections are based on the most recent financial budgets as approved by management. Management have applied an annual rate of decline of 5% (2007: fruit drinks growth 6%, spring water growth 3%, carbonated drinks decline 2%) in projecting the cash flows for a period of five years. The discount rate applied is 9% (2007: 7%).

13. Investments: shares in group undertakings

Parent	
Cost and net book amount	£'000
At 1 January 2007	6,331
Additions	1,365
At 1 January 2008	7,696
Additions (see * below)	4,305
At 31 December 2008	12,001

*Parent company additions comprise £3.9 million relating to the group's acquisition of Dayla Liquid Packing Limited (see acquisitions on the next page) and £0.4 million relating to Beacon Drinks Limited, a prior year acquisition, in respect of earn-out arrangements on the shares acquired by the group.

Notes to the financial statements

Year ended 31 December 2008

13. Investments: shares in group undertakings (continued)

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

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

The company directly owns Cabana (Holdings) Limited, Beacon Holdings Limited, Cariel Soft Drinks Limited and 50% of Dayla Liquid Packing Limited (see acquisitions table below).

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

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

All group undertakings are consolidated.

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

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

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

Acquisitions

On 9 December 2008 the group acquired 50% of the issued share capital of Dayla Liquid Packing Limited for £2.9 million. At 31 December 2008 there is an obligation to pay £1 million deferred consideration that is payable on 9 December 2009. Dayla Liquid Packing Limited manufactures and distributes soft drinks. The acquisition enables Nichols plc to capitalise on opportunities both in the UK and overseas and allow it direct access in the premium juice market.

The company has an option to buy the remaining 50% shareholding in 2011 or 2012. Management have assessed the fair value of the option but have concluded that they cannot reliably estimate the fair value and therefore, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the option is held at cost.

The contribution of Dayla Liquid Packing Limited to the group results has not been disclosed since, in the opinion of the directors, the value of contribution and cash generated since acquisition is not material.

Details of the net assets acquired and the goodwill are as follows:

	Provisional and fair value £'000
Property, plant and equipment	312
Inventories	590
Trade and other receivables	745
Trade and other payables	(1,177)
Overdraft	(131)
Net assets acquired	339
Cash consideration	2,908
Deferred consideration	1,000
Total consideration	3,908
Goodwill	3,569

Due to the acquisition occurring on 9 December 2008, management are continuing to finalise their evaluation of the fair value of the assets acquired, in particular the evaluation of intangible assets currently recognised as goodwill in the balance sheet and hence the values included in the table above are deemed to be provisional. This exercise will be completed before the first anniversary of the acquisition date.

Notes to the financial statements

Year ended 31 December 2008

14. Deferred tax assets and liabilities

Movement in temporary differences during the year

Group	Net balance at 1 January 2008	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2008
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(59)	88	0	(50)	(21)
Goodwill	(192)	1,533	0	0	1,341
Employee benefits	1,059	(2)	132	0	1,189
Provisions	33	8	0	0	41
	841	1,627	132	(50)	2,550

Group	Net balance at 1 January 2007	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2007
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(95)	36	0	0	(59)
Goodwill	(86)	(106)	0	0	(192)
Employee benefits	1,951	41	(933)	0	1,059
Provisions	122	(89)	0	0	33
	1,892	(118)	(933)	0	841

Parent	Net balance at 1 January 2008	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2008
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	95	39	0	0	134
Goodwill	(192)	1,533	0	0	1,341
Employee benefits	1,059	(2)	132	0	1,189
Provisions	33	0	0	0	33
	995	1,570	132	0	2,697

Parent	Net balance at 1 January 2007	Recognised in income	Recognised in equity	Deferred tax acquired	Net balance at 31 December 2007
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	128	(33)	0	0	95
Goodwill	(86)	(106)	0	0	(192)
Employee benefits	1,951	41	(933)	0	1,059
Provisions	63	(30)	0	0	33
	2,056	(128)	(933)	0	995

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	134	105	(155)	(164)	(21)	(59)
Goodwill	1,341	0	0	(192)	1,341	(192)
Employee benefits	1,189	1,059	0	0	1,189	1,059
Provisions	41	33	0	0	41	33
	2,705	1,197	(155)	(356)	2,550	841

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Parent	Assets		Liabilities		Net	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	134	95	0	0	134	95
Goodwill	1,341	0	0	(192)	1,341	(192)
Employee benefits	1,189	1,059	0	0	1,189	1,059
Provisions	33	33	0	0	33	33
	2,697	1,187	0	(192)	2,697	995

Notes to the financial statements

Year ended 31 December 2008

15. Inventories

	Group		Parent	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Finished goods	2,758	2,509	1,287	1,546

In 2008 the group write-down of inventories to net realisable value amounted to £107,000 (2007: £168,000).

16. Trade and other receivables

	Group		Parent	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade receivables	12,215	11,741	9,121	8,761
Amounts owed by group undertakings	0	0	1,717	2,227
Other receivables	1,079	1,198	19	5
Prepayments and accrued income	281	238	152	206
	13,575	13,177	11,009	11,199

Other receivables include an amount of £327,000 (2007: £864,000) due in more than one year, all other amounts above are short-term debt. The difference between the carrying value and fair value of all receivables is not considered to be material.

All trade and other receivables have been reviewed for indicators of impairment and a provision of £674,000 (2007: £544,000) has been recorded accordingly.

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

	2008	2007
	£'000	£'000
Group		
Up to 30 days overdue	1,332	2,511
Over 30 days and up to 60 days overdue	612	433
Over 60 days and up to 90 days overdue	343	108
Over 90 days overdue	299	92
	2,586	3,144
Parent		
Up to 30 days overdue	1,037	1,775
Over 30 days and up to 60 days overdue	590	337
Over 60 days and up to 90 days overdue	339	97
Over 90 days overdue	347	378
	2,313	2,587

	At 1 January 2008	Charge in the year	Utilised	At 31 December 2008
	£'000	£'000	£'000	£'000
Group				
Bad debt provision	544	159	(29)	674

	At 1 January 2008	Charge in the year	Utilised	At 31 December 2008
	£'000	£'000	£'000	£'000
Parent				
Bad debt provision	481	131	(2)	610

Notes to the financial statements

Year ended 31 December 2008

17. Trade and other payables and current tax liabilities

	Group		Parent	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade payables	2,264	3,452	1,026	2,588
Amounts owed to group undertakings	0	0	805	803
Other taxes and social security	778	689	645	486
Accruals and deferred income	7,094	4,687	6,049	4,064
	10,136	8,828	8,525	7,941
Current tax liabilities	1,308	1,058	894	842
	11,444	9,886	9,419	8,783

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

At 31 December 2008, liabilities have contractual maturities which are summarised below:

	2008		2007	
Group	Within 6 months	Within 6 to 12 months	Within 6 months	Within 6 to 12 months
	£'000	£'000	£'000	£'000
Trade payables	2,264	0	3,452	0
Other short term financial liabilities	6,094	1,000	4,687	0
	8,358	1,000	8,139	0

	2008		2007	
Parent	Within 6 months	Within 6 to 12 months	Within 6 months	Within 6 to 12 months
	£'000	£'000	£'000	£'000
Trade payables	1,026	0	2,588	0
Other short term financial liabilities	5,049	1,805	4,064	803
	6,075	1,805	6,652	803

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

	2008		2007	
Group and parent	Within 6 months	Within 6 to 12 months	Within 6 months	Within 6 to 12 months
	£'000	£'000	£'000	£'000
Forward exchange contracts	582	0	590	472

Notes to the financial statements

Year ended 31 December 2008

18. Provisions

	At 1 January 2008	Charge in the year	Utilised	At 31 December 2008
Group	£'000	£'000	£'000	£'000
Exceptional cost provision	681	132	(632)	181

	At 1 January 2008	Charge in the year	Utilised	At 31 December 2008
Parent	£'000	£'000	£'000	£'000
Exceptional cost provision	117	0	(117)	0

An amount of £132,000 was charged against the provision in 2008 in respect of the costs committed but not incurred at the reporting date.

19. Share capital

	2008	2007
	£'000	£'000
Authorised 52,000,000 (2007: 52,000,000) 10p ordinary shares	5,200	5,200
Allotted, issued and fully paid 36,968,772 (2007: 36,968,772) 10p ordinary shares	3,697	3,697

The share capital of Nichols plc consists only of ordinary 10p shares. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

There were no movements in the group's authorised and allotted, issued and fully paid share capital for the financial years ending 31 December 2008 and 31 December 2007.

Notes to the financial statements

Year ended 31 December 2008

20. Reserves

	Group and parent			Group	Group	Parent	Parent
	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Other reserves £'000	Retained earnings £'000
At 1 January 2007	3,697	3,255	1,209	(487)	12,335	288	10,224
Profit for the financial year	0	0	0	0	5,669	0	5,304
Dividends	0	0	0	0	(3,697)	0	(3,697)
Other recognised gains and losses	0	0	0	0	1,589	0	1,589
Purchase of own shares	0	0	0	(224)	0	(224)	0
Movement in ESOT	0	0	0	27	(68)	27	(68)
IFRS 2 "Share-based payment" charge	0	0	0	192	0	192	0
At 1 January 2008	3,697	3,255	1,209	(492)	15,828	283	13,352
Profit for the financial year	0	0	0	0	2,957	0	2,230
Dividends	0	0	0	0	(3,914)	0	(3,914)
Other recognised gains and losses	0	0	0	0	(1,154)	0	(1,154)
Purchase of own shares	0	0	0	(535)	0	(535)	0
Movement in ESOT	0	0	0	(90)	(38)	(90)	(38)
IFRS 2 "Share-based payment" charge	0	0	0	543	0	543	0
At 31 December 2008	3,697	3,255	1,209	(574)	13,679	201	10,476

An income statement 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 Nichols plc was £2,230,000 (2007: £5,304,000).

Other reserves

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

Purchase of own shares

During the year, the group purchased 242,447 of its own 10p ordinary shares. The shares acquired represent 0.7% of the group's total called up share capital. The purchase of own shares occurred because the group opted to hold a pre-determined number of its shares in treasury for a fixed period of time.

Share-based payments

The group's equity-settled share-based payments comprise the grant of options under the group's share option schemes. Details of the share options subject to equity-settled share-based payments are set out below.

In accordance with IFRS 2 "Share-based payment", the group has recognised an expense to the income statement representing the fair value of outstanding equity-settled share-based payment awards to employees which have not vested as at 1 January 2008 for the year ending 31 December 2008.

Those fair values were charged to the income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels. The group has calculated the fair market value of the nil cost options as being based on the market value of a company share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

Notes to the financial statements

Year ended 31 December 2008

20. Reserves (continued)

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

Save As You Earn Scheme

Date of Grant	Number granted	Share price on grant date	Exercise price	Fair values on grant date	Vesting period	Expected dividend yield	Lapse rate	Risk free rate	Volatility
3 October 2003	64,168	£1.36	£1.04	£0.23	3.25 years	3.50%	5.00%	4.29%	22.80%
3 October 2003	21,112	£1.36	£1.04	£0.27	5.25 years	3.50%	5.00%	4.52%	22.80%
14 October 2004	39,751	£1.60	£1.26	£0.30	3.25 years	3.50%	5.00%	4.60%	24.08%
14 October 2004	24,052	£1.60	£1.26	£0.33	5.25 years	3.50%	5.00%	4.50%	24.08%
26 September 2005	26,151	£2.05	£1.63	£0.36	3.25 years	3.50%	5.00%	4.02%	22.65%
26 September 2005	28,991	£2.05	£1.63	£0.40	5.25 years	3.50%	5.00%	3.91%	22.65%
3 October 2006	57,075	£2.51	£1.92	£0.42	3.25 years	3.50%	5.00%	4.47%	21.13%
3 October 2006	60,376	£2.51	£1.92	£0.46	5.25 years	3.50%	5.00%	4.38%	21.13%
1 September 2008	30,796	£2.45	£1.77	£0.66	3.25 years	4.35%	5.00%	4.36%	20.31%
1 September 2008	11,398	£2.45	£1.77	£0.65	5.25 years	4.35%	5.00%	4.37%	20.31%

Long Term Incentive Plan

Date of Grant	Number granted	Share price on grant date	Exercise price	Fair values on grant date	Vesting period	Expected dividend yield	Lapse rate	Risk free rate	Volatility
10 October 2005	150,000	£2.02	£0.00	£1.98	2.00 years	3.50%	0.00%	3.95%	22.65%
10 October 2005	150,000	£2.02	£0.00	£1.96	3.00 years	3.50%	0.00%	3.87%	22.65%
11 June 2008	125,000	£2.43	£0.00	£2.37	3.00 years	4.28%	0.00%	5.22%	19.93%
11 June 2008	150,000	£2.43	£0.00	£2.28	3.00 years	4.28%	0.00%	5.26%	19.93%
11 June 2008	150,000	£2.43	£0.00	£2.18	3.00 years	4.28%	0.00%	5.22%	19.93%

Expected volatility

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

Risk-free rate

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

Expected life

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

Notes to the financial statements

Year ended 31 December 2008

20. Reserves (continued)

The following options for 10p ordinary shares under the SAYE and LTIP schemes were outstanding at the year end:

	At 1 January 2008	Granted	Exercised	Lapsed	At 31 December 2008	Exercise price per share
Date of grant:						
4 October 2002	9,922	0	(9,922)	0	0	96p
3 October 2003	6,705	0	(6,705)	0	0	104p
14 October 2004	7,497	0	(2,109)	(143)	5,245	126p
26 September 2005	20,673	0	(11,007)	0	9,666	163p
10 October 2005	300,000	0	(230,000)	(70,000)	0	n/a
3 October 2006	107,905	0	(953)	(15,055)	91,897	192p
11 June 2008	0	125,000	0	0	125,000	n/a
11 June 2008	0	150,000	0	0	150,000	n/a
11 June 2008	0	150,000	0	0	150,000	n/a
1 September 2008	0	42,194	0	0	42,194	177p
	452,702	467,194	(260,696)	(85,198)	574,002	

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

The share price during 2008 varied between 204p and 255p and the weighted average price for the year was 227p.

At 31 December 2008, options over 149,002 shares were outstanding under Employee Share Option Plans.

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

	2008		2007	
	Number	Weighted average exercise price in pence	Number	Weighted average exercise price in pence
Outstanding on 1 January	452,702	116.59	509,027	118.65
Granted	467,194	177.00	-	-
Exercised	(260,696)	126.81	(28,224)	116.28
Lapsed	(85,198)	191.38	(28,101)	168.23
Outstanding on 31 December	574,002	141.71	452,702	116.59

21. Cash and cash equivalents

Group	At 1 January 2008 £'000	Cash flow £'000	At 31 December 2008 £'000
Cash at bank and in hand	7,814	(1,766)	6,048

Parent	At 1 January 2008 £'000	Cash flow £'000	At 31 December 2008 £'000
Cash at bank and in hand	6,777	(2,319)	4,458

Notes to the financial statements

Year ended 31 December 2008

22. Financial instruments

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

Treasury management

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

Liquidity risk

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs. The acquisition of companies and the continuing investment in non-current assets will be achieved by a mix of operating cash and short term borrowing facilities. Short term flexibility is achieved by bank overdraft (see note 17 for maturity analysis).

Interest rate risk

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

Credit risk

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

Foreign currency risk

The group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the group. The currencies giving rise to this risk are primarily US Dollars (USD) and Euros (€). The group uses forward exchange contracts to hedge its foreign currency risk. Forward purchase contracts in Euros are made to cover at least the full year of projected purchases. The forward foreign currency purchase contracts, which are a mixture of firm contracts and conditional options, mature in line with expected purchases throughout 2009 (see note 17). The directors have reviewed the fair value of the forward contracts outstanding at the balance sheet date, and have concluded that this amount is not material.

Notes to the financial statements

Year ended 31 December 2008

22. Financial instruments (continued)

	2008 £'000	2007 £'000
Foreign currency assets/(liabilities)		
US Dollar	81	2,423
Euro	4	(37)
	85	2,386

Foreign currency sensitivity

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

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

If Sterling had strengthened against the US Dollar and Euro by 5% (2007: 5%), then this would have had the following impact:

	2008 £'000			2007 £'000		
	USD	Euro	Total	USD	Euro	Total
Net result for the year	4	0	4	128	(2)	126

If Sterling had weakened against the US Dollar and Euro by 5% (2007: 5%), then this would have had the following impact:

	2008 £'000			2007 £'000		
	USD	Euro	Total	USD	Euro	Total
Net result for the year	(4)	0	(4)	(116)	2	(114)

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

Notes to the financial statements

Year ended 31 December 2008

23. Summary of financial assets and liabilities by category

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

	Group		Parent	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current assets				
Trade receivables and other receivables	13,294	12,939	10,857	10,993
Cash and cash equivalents	6,048	7,814	4,458	6,777
Total loans and receivables	19,342	20,753	15,315	17,770

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

	Group		Parent	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current liabilities				
Other financial liabilities at amortised cost				
Trade and other payables	9,358	8,139	7,880	7,455

24. Capital management policies and procedures

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. This strategy remains unchanged from 2007.

At 31 December 2008 the group had no debt, and therefore the capital structure consists of equity only.

The directors regularly monitor the level of net assets of the company in accordance with Section 142 of the Companies Act 1985 (Serious Loss of Capital).

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Within one year	533	917	390	724
Between one and five years	443	524	144	346
More than five years	213	34	0	0
	1,189	1,475	534	1,070

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

Notes to the financial statements

Year ended 31 December 2008

26. Related party transactions

Parent company

The parent company entered into the following transactions with subsidiaries during the year:

	Transaction value		Balance outstanding	
	Year ended		as at	
	31 December		31 December	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Sale of goods and services (including recharge of costs)	2,741	3,444	690	1,424

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

27. Employee benefits

The group operates two employee benefit plans, a defined benefit plan which provides benefits based on final salary which is now closed to new members, and a defined contribution group personal plan.

The group personal plan consists of individual contracts with contributions from both the employer and employee.

The charge for the year for the group personal plan was £197,000 (2007: £236,000).

The company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2005 and updated at 31 December 2008 by an independent qualified actuary. The company paid an additional £0.5 million into the plan in the year (2007: £0.5 million) and will continue to monitor the deficit.

The principal actuarial assumptions used by the actuary at the reporting date (expressed as weighted averages) were as follows:

	31 December 2008	31 December 2007	31 December 2006
Future salary increases	3.10%	3.90%	3.60%
Rate of increase in (post 1997) pensions in payment (a)	2.60%	3.40%	3.10%
Discount rate at 31 December	6.70%	5.80%	4.90%
Expected rate of inflation	2.60%	3.40%	3.10%
Overall expected return on plan assets	6.00%	5.80%	5.40%

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

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

In terms of future salary increases, the actuary is recommending an assumption of approximately 1% in excess of inflation based on historic differences between price inflation and salary inflation. However, the actuary has allowed for salary inflation at the same level as last year, adopting an allowance of inflation plus 0.5% as the rate of salary increase.

Assumptions regarding future mortality experience are set based on the advice of actuaries and in accordance with published statistics. Life expectancies have been estimated as 92 years for men (2007: 92 years) and 92 years for women (2007: 92 years).

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

Over the year the company contributed to the plan at the rate of 12.7% of salaries. The charge to the consolidated income statement was £84,000 (2007: £161,000). The company will continue to contribute at this rate pending the results of the next actuarial valuation. The plan is now closed to new entrants. This means that the average age of the membership can be expected to rise which in turn means that the future service cost (as a percentage of scheme members' pensionable salaries) can be expected to rise.

Notes to the financial statements

Year ended 31 December 2008

27. Employee benefits (continued)

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

	Long term rate of return expected at				
	31 December 2008	31 December 2007	31 December 2006	31 December 2005	31 December 2004
Equity securities	6.60%	7.50%	7.50%	7.50%	7.50%
Gilts	3.60%	4.50%	4.50%	4.50%	n/a
Government bonds	6.50%	5.80%	4.90%	4.90%	5.20%
Cash and other	1.50%	5.50%	4.80%	4.50%	n/a

	Market value of assets at				
	31 December 2008	31 December 2007	31 December 2006	31 December 2005	31 December 2004
	£'000	£'000	£'000	£'000	£'000
Equity securities	8,826	12,009	11,771	10,659	5,746
Gilts	1,610	2,094	1,852	1,722	0
Government bonds	1,502	2,042	1,849	1,721	5,701
Cash and other	602	425	456	0	0
	12,540	16,570	15,928	14,102	11,447

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

The amounts recognised in the consolidated and parent company balance sheets are determined as follows:

	31 December 2008	31 December 2007	31 December 2006	31 December 2005	31 December 2004
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	12,540	16,570	15,928	14,102	11,447
Present value of defined benefit obligations	(16,107)	(20,205)	(22,432)	(21,110)	(16,766)
Recognised liability for defined benefit obligations	(3,567)	(3,635)	(6,504)	(7,008)	(5,319)

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

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Operating profit					
Current service costs	(84)	(161)	(158)	(51)	(421)
Curtailment gain	0	0	0	0	385
Total operating charge	(84)	(161)	(158)	(51)	(36)
Finance expense					
Expected return on plan assets	1,102	1,085	981	755	660
Interest on obligation	(1,145)	(1,088)	(1,007)	(887)	(838)
Total finance expense	(43)	(3)	(26)	(132)	(178)
Total charge to the consolidated income statement	(127)	(164)	(184)	(183)	(214)

Group statement of recognised income and expense

Actual return less expected return on plan assets	(4,782)	(634)	256	1,004	188
Experience gains and losses arising on plan liabilities	1,113	(22)	836	(1,194)	(215)
Changes in the assumptions underlying the present value of the plan liabilities	2,383	3,178	(1,001)	(2,316)	(514)
Actuarial movement in defined benefit plan recognised in group statement of recognised income and expense	(1,286)	2,522	91	(2,506)	(541)

Notes to the financial statements

Year ended 31 December 2008

27. Employee benefits (continued)

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

	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Liability for defined benefit obligations at 1 January	(3,635)	(6,504)	(7,008)	(5,319)	(4,991)
Current service costs	(84)	(161)	(158)	(51)	(36)
Contributions paid into the plan	672	511	597	1,000	427
Gain on settlement of obligations	809	0	0	0	0
Other finance costs	(43)	(3)	(26)	(132)	(178)
Actuarial (loss)/gain recognised in equity	(1,286)	2,522	91	(2,506)	(541)
Liability for defined benefit obligations at 31 December	(3,567)	(3,635)	(6,504)	(7,008)	(5,319)

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

	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Opening fair value of plan assets	16,570	15,928	14,102	11,447	10,341
Expected return on plan assets	1,102	1,085	981	755	660
Actuarial (loss)/gain	(4,782)	(634)	256	1,004	188
Contributions by the group	417	191	589	896	258
Assets distributed on settlement of obligations	(767)	0	0	0	0
Closing fair value of plan assets	12,540	16,570	15,928	14,102	11,447

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

	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Opening defined benefit obligations	20,205	22,432	21,110	16,766	15,332
Current service costs	84	161	158	51	36
Contributions by participants	(255)	(320)	(8)	(104)	(169)
Other finance costs	1,145	1,088	1,007	887	838
Actuarial (gain)/loss	(3,496)	(3,156)	165	3,510	729
Liabilities discharged on settlement	(1,576)	0	0	0	0
Closing defined benefit obligations	16,107	20,205	22,432	21,110	16,766

Difference between expected and actual return on plan assets

	2008	2007	2006	2005	2004
Amount	(4,782)	(634)	256	1,004	188
Percentage of plan assets	(38.1%)	(3.8%)	1.6%	7.1%	1.6%
Experience gains and losses on plan liabilities					
Amount	1,113	(22)	836	(1,194)	(215)
Percentage of present value of plan liabilities	6.9%	(0.1%)	3.7%	(5.7%)	(1.3%)
Gain and losses on changes in assumptions					
Amount	2,383	3,178	(1,001)	(2,316)	(514)
Percentage of present value of plan liabilities	14.8%	15.7%	(4.5%)	(11.0%)	(3.1%)
Total actuarial gains and losses					
Amount	(1,286)	2,522	91	(2,506)	(541)
Percentage of present value of plan liabilities	(8.0%)	12.5%	0.5%	(11.9%)	(3.2%)

Five year summary

Years ended 31 December

	IFRS			UK GAAP	
	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Revenue	56,221	55,276	52,296	63,336	88,073
Operating profit before exceptional items, IAS 19 and IFRS 2 charges	10,474	9,098	8,181	7,756	7,153
Exceptional items	(5,940)	(978)	(2,482)	(1,002)	(2,291)
IAS 19 operating profit charges	(127)	(164)	(184)	(51)	(36)
IFRS 2 operating profit charges	(543)	(192)	(100)	(33)	(6)
Operating profit after exceptional items	3,864	7,764	5,415	6,670	4,820
Profit/(loss) on disposal of business	0	0	2,038	0	(11,062)
Net interest receivable/(paid)	234	284	58	(707)	(887)
Profit before tax	4,098	8,048	7,511	5,963	(7,129)
Tax	(1,141)	(2,379)	(1,238)	(1,999)	(1,579)
Profit after tax	2,957	5,669	6,273	3,964	(8,708)
Dividends paid	(3,914)	(3,697)	(3,475)	(3,309)	(3,253)
Retained (loss)/profit	(957)	1,972	2,798	655	(11,961)
Earnings per share - (basic)	8.10p	15.49p	17.10p	10.82p	(23.84p)
Earnings per share - (diluted)	8.10p	15.47p	17.08p	10.79p	(23.84p)
Earnings per share - (basic) before exceptional items	20.03p	17.36p	15.43p	12.74p	11.54p
Earnings per share - (diluted) before exceptional items	20.01p	17.34p	15.41p	12.70p	11.52p
Dividends paid per share	10.65p	10.00p	9.40p	8.95p	8.80p

The above amounts for 2004 and 2005 are presented under UK GAAP and have not been restated to comply with IFRS. The main adjustments required to these amounts to comply with IFRS are as follows:

- reversal of goodwill amortisation charges
- corresponding deferred tax adjustments on reversal of amortisation charges