ANNUAL REPORT

2022

WELCOME
- TO OUR -
ANNUAL REPORT

Nichols plc is an international soft drinks business with sales globally, selling products in both the still and carbonate categories.

The Group is home to the iconic Vimto brand which is popular in the UK and around the world, particularly in the Middle East and Africa. Other brands in its portfolio include Feel Good, Starslush, ICEE, SLUSH PUPPiE, Levi Roots and Sunkist.

Nichols plc

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WE ALL LOVE VIMTO®

THE delicious family DRINK

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OUR BRANDS

VIMTO

OUR PORTFOLIO

At Nichols we are proud to offer a leading portfolio of distinctive, iconic brands, which meet a variety of consumer needs and occasions.

PACKAGED

Our Packaged range includes Still and Carbonates in a range of formats.

Vimto is the refreshingly different soft drink that has it all. Created in Manchester in 1908 by John Noel Nichols, Vimto was originally designed as a herbal tonic to give its drinkers **'Vim and Vigour'**. For over 100 years, we have been mixing our secret recipe – a blend of fruits, herbs and spices – to produce a unique and irresistible range of drinks.

Today, we're the 9th most chosen beverage brand in the UK[1], and are enjoyed in 73 countries around the world.

Our Vimto range includes squash, carbonates, still drinks, flavoured waters and frozen drinks. With a choice of unique flavours and Original and No Added Sugar options, there are lots of ways to enjoy Vimto. This also includes our extensive range of licensed products – from protein powders and fruit spreads to desserts and confectionery.

Refreshingly different. **Unmistakably VIMTO**

[1] Kantar – British Brand Footprint 2021

Levi Roots

PUT SOME MUSIC IN YOUR Glass

Levi Roots is one of the UK's best loved and most successful entrepreneurs. In 2010, we were proud to gain the licence to create Levi's range of low sugar carbonated soft drinks – offering a mouth-watering taste of the Caribbean. These delicious, tropical fruit flavours each put a little "music in your glass".

Sunkist

MAKING WAVES SINCE 1978.

Experience the taste of California with **Sunkist**, the brand that has been making waves since 1978. Our Sunkist product range reflects the brand's Californian roots of sun, sand and surf and makes Sunkist a firm favourite across the UK. Available in a variety of refreshing low sugar flavours.

FEEL GOOD
BE KIND

3% FOR PEOPLE & PLANET

#youbuyweplant

Feel Good is a range of fruitful sparkling waters available in three unique flavours that are 100% natural with no added sugar. Feel Good has a mission to 'make the world feel better one sip at a time', donating 3% of sales to initiatives that support people and planetary wellbeing and through our 'You Buy We Plant' initiative, helping to restore our marine ecosystems and protect against climate change.

OUR BRANDS

VIMTO OUT OF HOME

OUT OF HOME

We're a one stop shop for the UK's hospitality and leisure industry with the widest range of iconic soft drinks brands for frozen, post-mix and coffee occasions.

POST-MIX

We offer the widest range of owned and licensed post-mix brands in the industry. This includes many of the biggest and most well-loved brands in the UK, alongside our own premium range of post-mix drinks, offering our customers unrivalled choice.

COFFEE

Working in partnership with Jacobs Douwe Egberts – one of the largest coffee roasters in the world, we supply high quality coffee blends including Douwe Egberts, Kenco, and the unique liquid roast coffee concept Cafitesse.

OUR BRANDS

OUT OF HOME

We're a one stop shop for the UK's hospitality and leisure industry with the widest range of iconic soft drinks brands for frozen, post-mix and coffee occasions.

FROZEN

We are the UK's leading frozen beverage supplier with a range of enviable category leading brands

ICEE - Frozen, fizzy and full of flavour, there's no other slush like the world's No.1 brand - ICEE. A favourite in the USA and around the globe since 1967, ICEE is the Swizzle Fizzle Freshy Freezy frozen drink, with a range that can be found chilling in some of the UK's largest cinema chains and premium leisure venues.

SWIZZLE
FIZZLE
FRESHY
FREEZE

Starslush

The Original
SLUSH PUPPiE

SUPER CHILL. SUPER TASTiE.

Starslush is the perfect addition to add some thirst-quenching fun to family days out, with a full range of fabulous flavours, from traditional Strawberry and Blue Raspberry to Vimto and Unicorn Watermelon. With full-on flavour, and zero sugar – you can feel good about 'Bursting Your Thirst' with Starslush.

SLUSH PUPPiE, the iconic and original frozen drink has been loved by consumers across the world for over 50 years. Available in a range of four delicious fruit flavours that are all sugar free, vegan friendly and contain Vitamin C, it's the perfect combination of frozen, healthy fun for all to enjoy.

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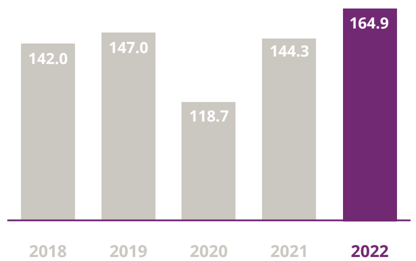
KEY PERFORMANCE INDICATORS

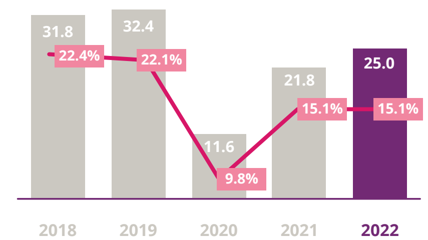
This year we have reviewed our Key Performance Indicators based on our 2022 Strategic Review.

REVENUE (£M)



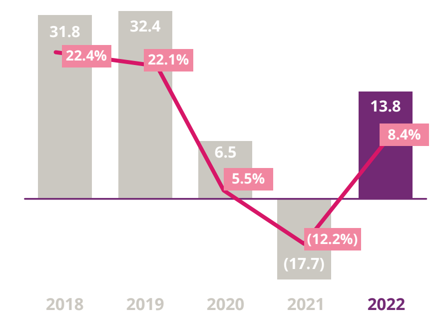
+£20.6m **+14.3%**

ADJUSTED PBT[1] (£M) AND MARGIN (%)



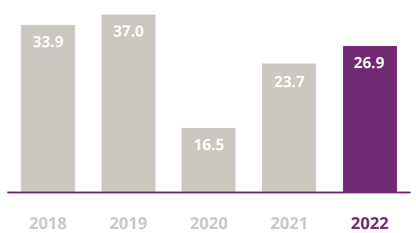
+£3.2m **+14.5%**

PBT (£M) AND MARGIN (%)



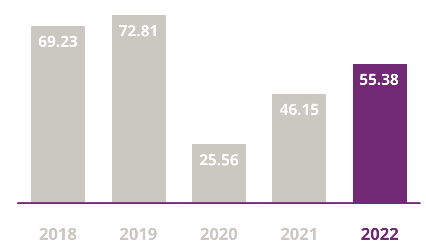
+£31.5m **+178.4%**

STATUTORY EBITDA[2] (£M)



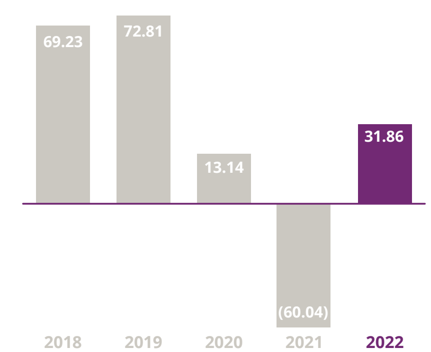
+£3.2m **+13.3%**

ADJUSTED[1] BASIC EARNINGS PER SHARE (PENCE)



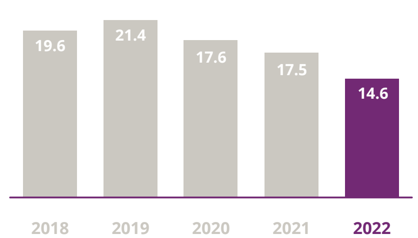
+9.23p **+20.0%**

BASIC EARNINGS PER SHARE (PENCE)



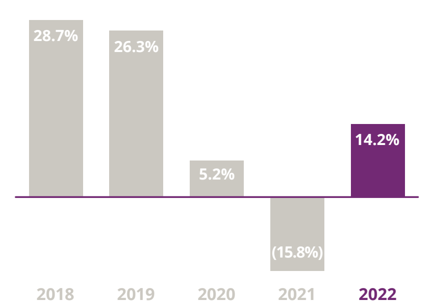
+91.90p **+153.1%**

FREE CASH FLOW[3] (£M)



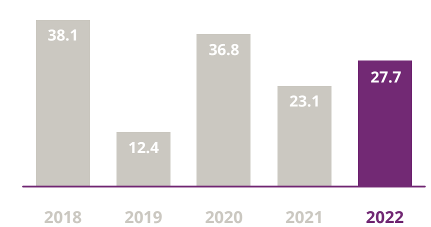
-£2.9m **-16.7%**

STATUTORY ROCE[4] (%)



+30.0ppts

FULL YEAR DIVIDEND (PENCE)



+4.60p **+19.9%**

[1] Excluding Exceptional items.
[2] EBITDA is the statutory profit before tax, interest, depreciation, and amortisation.
[3] Free Cash Flow is the net increase in cash and cash equivalents before acquisition funding and dividends.
[4] Statutory return on capital employed is the operating profit divided by the average period-end capital employed.

CHAIRMAN'S STATEMENT

JOHN - NICHOLS -

NON-EXECUTIVE CHAIRMAN

It gives me great pleasure to write to our shareholders in what is my final report as Non-Executive Chairman of Nichols.

Vimto continues to perform well both in the UK and internationally and despite ongoing inflationary pressures, which accelerated during the second half, the brand has ensured a robust financial performance for the Group. In the UK we have again seen the brand outperform in dilutes and continued to make significant progress in the ready to drink (RTD) subcategory. Internationally, we continued to see solid growth across all regions. In particular, it was pleasing to see strong underlying growth in both the Middle East and Africa given the importance of these markets to the Group.

As Out of Home (OoH) recovers from the impact of the pandemic, the Group's OoH Strategic Review is now complete, with opportunities for net margin improvement identified. Actions are expected to be implemented throughout FY23, with benefits being realised largely in FY24 and beyond. Given the differing strategic challenges between our Packaged and OoH routes to market, the Group will be segmented during FY23 to ensure appropriate strategic focus exists for each of its two proposed operating segments.

TRADING

Total Group revenues for the period were £164.9m, an increase of 14.3% compared to 2021, with all routes to market and geographies progressing in the period.

Revenue of Still products increased by 8.2% to £78.3m (2021: £72.4m), driven by the strong performance of the Vimto Squash and RTD brands in the UK and the progression of Vimto Cordial in the Middle East. Revenue from Carbonated products increased 20.4% to £86.6m (2021: £71.9m), driven largely by the recovery of the Group's OoH Dispense business as outlets fully reopened following the pandemic, and by continued strong growth in Africa.

In the UK, revenue increased by 13.7% versus last year to £127.0m (2021: £111.6m) as the OoH route to market, and in particular the Dispense business, recovered post the pandemic. The Vimto brand continued to progress by +3.0% to £105.9m, according to Nielsen[1].

Sales across our International markets were £38.0m, an increase of 16.1% (underlying +13.4% adjusting for the impact of the completion of the Group's marketing investment in the Middle East in 2021) versus the prior year (2021: £32.7m). Revenue in Africa increased 15.0%, following a 17.1% growth last year which was particularly pleasing given the long-term opportunity presented by these markets.

SHARE BUYBACK

On 14 December 2021, the Group announced its plans to conduct on-market purchases under a share buyback programme. This included the intention to repurchase up to 453,486 ordinary shares of 10p each in the capital of the Group (the 'Ordinary Shares'), representing up to approximately 1.2 per cent of the Group's issued share capital, pursuant to the authority obtained at the Group's most recent Annual General Meeting (AGM) at that time, held on 28 April 2021 ("the Buyback").

The Buyback was put in place to meet the Group's future obligations under its SAYE Option Scheme and/or Long-Term Incentive Plan. The Buyback was completed on 5 April 2022 and was funded from the Group's existing cash resources. All Ordinary Shares repurchased are now held in treasury. The weighted average price paid was 1428.18 pence and the total cost of the Buyback in the period was £5.5m.

DIVIDEND

Considering the Group's improved performance in the period and in-line with the Group's stated dividend policy of broadly 2x cover, the Board today proposes a final dividend of 15.3p which, together with the interim dividend paid, would result in a full year dividend for 2022 of 27.7p, representing a 19.9% increase year-on-year.

Subject to approval at the Group's AGM on 26 April 2023, payment will be made on 4 May 2023. The ex-dividend date and record date will be 23 March and 24 March 2023 respectively.

CHAIR SUCCESSION

I announced at the last AGM that, after 15 years in the role, it was my intention to retire as Non-Executive Chair once a suitable replacement had been identified. On 11 January 2023, the Board was pleased to announce the appointment of Elizabeth (Liz) McMeikan as the Group's next Non-Executive Chair. In Liz, the Nominations Committee have identified an outstanding candidate with significant experience in consumer-facing businesses and public company boards.

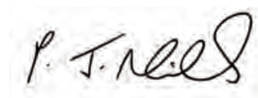
Liz joined the Group as a Non-Executive Director (NED) on 1 February 2023 and will become Non-Executive Chair on 26 April 2023 following the conclusion of the AGM on that date, subject to her re-appointment as a Director.

I am delighted to remain on the Board as a NED, taking the second of the two Nichols family Board seats, agreed as part of the Relationship Agreement signed in July 2020 alongside my son James Nichols.

OUTLOOK

The Group has a proven, diversified, and international business model. However, it is not immune to the significant and accelerating inflationary pressures impacting the wider consumer and soft drinks markets. Whilst FY23 will be a challenging year as cost of living pressures impact consumer demand across all routes to market, the Group will continue to seek to mitigate these pressures through both cost efficiency and revenue management. Throughout FY22, this has helped the Vimto brand continue to grow in the UK and internationally, which the Board is confident will continue in FY23. The Board currently expects FY23 Adjusted PBT[2] to be in line with FY22 and market expectations[3], with International ahead and OoH behind initial market forecasts. The Board remains confident of significant progress in FY24 as inflationary pressures abate and the benefits of the Out of Home Strategic Review are realised.

With a long-term track record of growth, a proven and diversified strategy in the UK and internationally, a quality range of brands and a strong balance sheet, the Board remains highly confident that the Group is very well positioned to deliver its long-term growth plans.



John Nichols
Non-Executive Chairman
28 February 2023

[1] Nielsen IQ RMS data for the Total Soft Drinks category for the YTD ending 31December 2022 for the GB Total Coverage market.
[2] Excluding exceptional items. [3] FY23 market expectations refers to a Group compiled consensus of adjusted PBT of £25.1m.

OUR BUSINESS MODEL

EXISTS TO

"MAKE LIFE *taste* BETTER"

WE ALWAYS HAVE OUR CUSTOMER AT THE HEART OF EVERYTHING WE DO

INGREDIENTS

Like all great tastes - it all starts with the best ingredients! The ***'Vimto secret recipe'*** is testimony to this.

MANUFACTURE

Our much loved products are made by the very best - ourselves or our supplier partners.

TRANSPORT

We use the most effective distribution solutions to meet customer needs, whether that be via our own team or an expert partner.

RETAILERS

Our retailers vary from some of the biggest to some of the smallest in the world.

CONSUMERS

It's ultimately all about getting our much loved brands into people's hands!

CHIEF EXECUTIVE OFFICER'S REPORT

ANDREW - MILNE -

CHIEF EXECUTIVE OFFICER

I am incredibly proud of the Group's strong performance in 2022, which is a great testament to the commitment, resilience and determination of the entire Nichols team as we navigated what was a challenging and volatile trading environment.

The teams should be very pleased with what we have achieved this year, delivering strong sales growth across all our key geographies.

Having experienced unprecedented trading conditions in recent years because of the Covid-19 pandemic, 2022 was another challenging and unpredictable year. We saw rapidly rising inflation, increased cost of living pressures on consumers and experienced a number of logistical challenges relating to the strike action that occurred in Spain during the first half of 2022 that, whilst not affecting the overall year performance, did cause a phasing issue H1 to H2. Whilst our teams have had to be flexible and continuously adapt to changing circumstances, I am really pleased that our clear strategy and diversified business model have enabled us to successfully overcome the challenges throughout the year and, ultimately, deliver returns for our shareholders.

The performance of the Vimto brand was central to the Group's success in 2022. Vimto's unique flavour continues to be loved by consumers across the globe. In the UK, the brand saw growth of 3.0%[1] during the year, once again outperforming the dilutes and ready to drink (RTD) subcategories.

One of the Group's key strategic focus areas in 2022 was to drive further operational excellence, with the objective of delivering enhanced levels of product availability and ensuring our consumers can enjoy our brands on a daily basis. A key initiative that has been successfully delivered to drive this during the year was the transition of our dilutes contract manufacturing to more efficient and faster lines that has increased our capability and capacity at an underlying favourable cost of goods position.

"I am incredibly proud to say that Vimto is the only UK dilutes brand to have achieved growth pre, during, and post Covid."

HAPPIER FUTURE

At the beginning of the year, we shared our Happier Future sustainability commitments with our stakeholders, and I am pleased to report that in 2022 we made strong progress against our three key pillars of:

01 EVERYONE MATTERS
looking after our Nichols plc family and giving back to our local communities

02 PRODUCTS WE'RE PROUD OF
Developing products that allow consumers to make healthier choices, strengthening our approach to responsible sourcing, and continuing to find sustainable packaging solutions

03 OWNING OUR CLIMATE IMPACT
Ensuring we are conducting our business in the most sustainable way to protect the world around us

Our people are focused on embedding our commitments and pledges in these key areas across all our business practices. Sustainability is front of mind for everyone, and key to our day-to-day decision-making. Some of our key highlights during the year included launching our first Camp Vimto programme which is focused on raising aspirations and driving opportunities for young people in the communities we serve and ensuring that we continue to launch a range of No Added Sugar (NAS) products to offer our consumers a balanced choice of product range. Within our Owning Our Climate Impact pillar we have delivered on transitioning all our Nichols UK sites to be operating on 100% renewable energy. You can read more on our Happier Future strategy and progress during the year in our FY22 Happier Future Progress Report.

UK SOFT DRINKS[1]

The UK soft drinks market delivered value growth during 2022 of 9.2% with a total market value of £10.5bn (2021: 9.6bn). However, market sales volumes declined 2.1% year-on-year, mainly due to the impact of cost of living pressures on consumers and despite the easing of trading and social restrictions imposed during the Covid-19 pandemic. This value growth reflected price increases seen across the market in response to inflationary pressures.

The Vimto brand continued to perform well in 2022 and, once again, delivered strong value sales of £105.9m. This was a result of the continued investment in its distribution channels, product availability, innovation, promotions and strong marketing campaigns.

The dilutes category continued to be a segment where we flourished. I am incredibly proud to say that Vimto is the only UK dilutes brand to have achieved growth pre, during, and post Covid. Building on the momentum of our brand re-launch in 2021, Vimto dilutes continues to gain market share from peers and during 2022 we further cemented our clear No.2 position in the market. Vimto Squash is the fastest-growing dilutes brand and outperformed the sub-sector by 2.3% in 2022.

Our Vimto Still RTD range experienced significant value growth in 2022, achieving 15.9% year-on-year sales growth, and a +3.8% market outperformance.

Scan here to view our full range

1 Nielsen IQ RMS data for the Total Soft Drinks, Squash, Flavoured Carbonates and RTD Stills category for the YTD ending 31 December 2022 for the GB Total Coverage market

This has been achieved as a result of winning several new listings for our products across a range of key outlets during the year.

2022 has been a challenging year for our Carbonates portfolio. We have faced significant cost of goods pressures in what is a highly competitive subcategory.

As a result we have focused on protecting our margins which has resulted in both value (-3.3%) and volume decline (-16.4%).

Innovation continued to be a key growth driver in 2022 as we launched a range of exciting new products that all share the unique and distinctive Vimto taste experience. We remain passionate and committed to providing consumers with the opportunities to make balanced and informed choices when it comes to healthy hydration, with all our Packaged products now High in Fat, Salt and Sugar (HFSS) compliant. Our product launches in 2022 included:

- Vimto Zero Cherry, Raspberry & Blackcurrant Sparkling
- Vimto Zero Blackberry, Raspberry & Blueberry Still
- Two new NAS dilutes flavours - Vimto Orange and Pineapple, and Vimto Mango and Passionfruit

Following its launch in 2021, summer 2022 saw the return of Vimto's highly successful 'Find Your Different' marketing and advertising campaign. Building on the strength of its activation last year, the multi-media campaign continued to drive a strong uplift in overall brand awareness, consideration and engagement, whilst highlighting the benefits of our fortified squash flavour range. Our fully-integrated campaign ran

on platforms including TV, video on demand, digital, social media and in cinemas. The campaign was seen by around six million consumers in total, with 80% of this group sitting within our key target audience of families.

In addition to our broadcast communications, we also ran two promotions across our Carbonates and RTD ranges, including our 'Big Cash Giveaway' and 'Love Potion' initiatives in the impulse sector. Both incentivised shoppers with the chance to win cash instantly when buying our products.

Our Levi Roots brand had another successful year, delivering strong value growth of 5.3%. This has been driven by an increase in the number of distribution points across wholesale and convenience channels, alongside a successful sales distribution drive, ensuring that the Levi Roots brand is readily accessible for both retailers and consumers.

Our Feel Good brand continues to see accelerated customer and consumer demand, with year-on-year volume and revenue growth. This was driven by strong distribution gains for multi-packs into new grocery retailers as well as new listings for our single serve range in the on-trade. In addition to our retail distribution wins, our new direct to consumer partnership will unlock more growth for the brand online.

In April 2022, Feel Good launched an exciting new partnership with Project Seagrass, a marine conservation charity dedicated to global seagrass meadow protection. We supported the protection of the UK's first seagrass nursery in Wales through our #youbuyweplant programme.

Throughout 2022, we continued to work closely with all our customers across our UK grocery, foodservice, discounter and wholesale channels to ensure their needs are at the heart of our operations. The strength of these relationships is paramount to ensuring our end consumers can enjoy our products each day.

UK ON-TRADE

Similar to the broader hospitality industry, our Out of Home route to market experienced another challenging 12 months in 2022.

During the year, we supported our key customers and partners as they faced numerous challenges resulting from increasing energy costs to rising inflation and supply shortages. Throughout the year, we remained focused on maintaining strong service levels and always maximising product availability, thereby ensuring all of our customers' drinks equipment were fully operational, and that our deliveries arrived on time and in full.

I am satisfied with the OoH route to market's performance in 2022, as it continued to recover from the impact of the pandemic to deliver sales growth of 43% versus 2021. Nonetheless, its performance during the second half of the year slowed to +5% against tougher post-Covid comparatives and many channels were impacted by the accelerating cost of living crisis which resulted in reduced footfall and consumer spending in our key leisure outlets.

Strong innovation and marketing programmes have once again been fundamental in driving the performance of our brands across key leisure and hospitality venues. Synchronising with movie launches has become an increasingly important part of our ICEE brand's strategy, driving brand visibility by trialling the product in venue. In 2022, this included collaborating with Paramount Pictures and Cineworld on the 'ICEE Challenge', a cinema advert reel led by Johnny Knoxville, to support the launch of the Jackass Forever movie.

During the year, we also launched our 'ICEE Big Flavour Vote', inviting fans to select their preferred new flavour from a range of three. As a result, the winning flavour, Mango & Passion Fruit, was launched in July across a range of cinema venues and was focused on driving incremental consumers to the brand on a more regular basis.

We continue to have strong relationships with our key partners including Coca-Cola, Pepsi, Irn-Bru, Ocean Spray and Sunkist. This year, we also introduced the Old Jamaica Ginger Beer brand on draught in the UK as part of an exclusive partnership. The strength of these partnerships underpinned double digit revenue growth versus last year on our core dispense branded offerings. In addition, in November we launched our new Vimto Out of Home website, providing customers with a more user-friendly experience, where they can easily view our portfolio and service offering in full. The website will be at the heart of future trade engagement plans.

> *Strong innovation and marketing programmes have once again been fundamental in driving the performance of our brands*

OUT OF HOME STRATEGIC REVIEW

As previously announced, in 2022 we conducted a strategic review of our OoH route to market as we assessed the significant impact of the pandemic on this channel. The review has allowed us to create a clear strategy that we believe will deliver significant additional net margin gains through a range of actions that will be implemented during 2023, with the benefits being largely realised in 2024 and beyond.

The OoH route to market's financial performance was heavily impacted by the Covid-19 pandemic, reflecting the lower margin and higher level of operational gearing that exists compared to our Packaged route to markets, particularly when its full operational costs and overheads are factored in.

The OoH dispense business is serviced on a regional basis through both owned distribution channels and third party distributors. OoH also services several national frozen contracts which cannot be serviced profitably without a wholly owned national distribution network.

The strategic review performed by the Company during 2022 provided clarity on the financial performance of OoH. It also identified that OoH operates with distinct operations, customers, products and, in part, suppliers.

It is clear post the pandemic that the strategic challenges within our OoH route to market are quite distinct from those that exist within our Packaged route to markets. The likely long-term returns from OoH are lower and a different approach to the management of the business is required to deliver shareholder value in the long term.

The strategic review identified several immediate actions that will be implemented through FY23.

These actions include:

- operating OoH as a distinct division within the Group
- exiting underperforming contracts and product categories, including coffee and national frozen accounts
- exiting the in-house central frozen region, which is considered sub scale and unprofitable and for dispense is already serviced by a distributor
- reviewing processes to simplify the business ensuring a rationalisation of operating costs and central overheads
- improving financial reporting, including divisional and regional reporting focusing on net profit and return on capital employed.

The Group incurred £0.5m of costs in the period, to prepare its recommendations for implementation. Implementation of these actions commenced in Q1 FY23 and additional exceptional costs will be incurred through the year as these recommendations are implemented.

The benefits from these actions will largely be realised during FY24.

Scan here to view our new website

INTERNATIONAL

I am pleased to report strong International sales growth of 16% in 2022. This was achieved despite the challenges posed by inflation, global supply chain challenges, and political instability in some of our international markets during the year.

Double digit growth and market share gains were achieved across all our key geographies. Sales in MEAP (Middle East Asia Pacific) were up 20% supported by strong in performance in Yemen, despite the ongoing tragic civil war, and across the Gulf Cooperation Council (GCC). This was fuelled by strengthened in-store execution, effective integrated marketing campaigns and product innovation.

In its 96th Ramadan season, our partner in MEAP, Aujan Coca-Cola Bottling Company (ACCBC), launched the region's first ever Zero Sugar cordial, a limited-edition format which proved extremely popular. Outstanding market execution and a highly effective promotional campaign, including a spectacular take-over of the Burj Khalifa, helped ensure that sales across the season exceeded those achieved in 2021. We also achieved strong sales growth in our RTD ranges with the launch of a new campaign celebrating 'The Unique Taste of Sweet Togetherness'. In November, we launched a new Vimto citrus flavoured RTD product in a green can, targeted to drive incremental consumers to the brand.

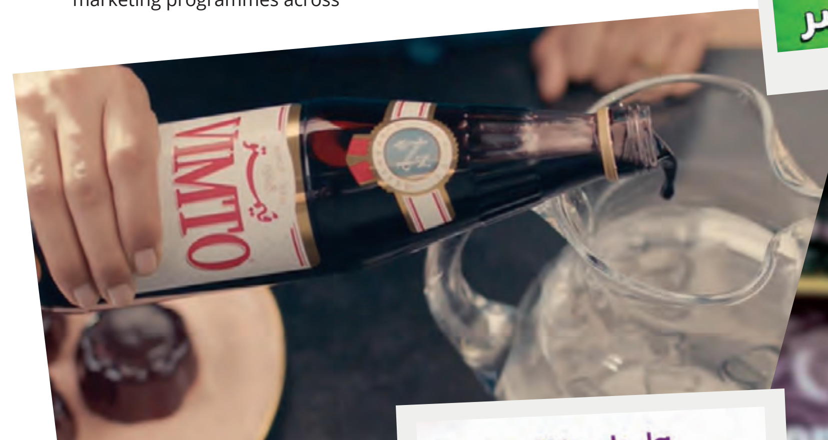
Across all our key markets and geographies, we have continued to roll out our new Vimto branding, with Senegal, Cameroon and Mali all being delivered in Africa, as well as Sweden and Cyprus within Europe.

In Africa, sales growth remained strong at 15% year-on-year, as we increased our distribution network into Angola, Chad and the Central African Republic, and launched new flavour extensions into a number of existing markets.

Our investment in strong marketing programmes across key territories delivered further success, with seasonal activations around Valentine's Day, Ramadan and Tabaski within all key markets in Africa. In Algeria, we invested in a range of shopper activations and a first-ever digital campaign across Instagram and Facebook, which supported the delivery of record sales in 2022.

Inflation in North America proved extremely challenging to mitigate throughout 2022 and we saw demand for our products soften during the period. We continue to work in close collaboration with our partners in-market to ensure we maintain our key distribution points.

In Europe, positive sales growth of 23% was extremely encouraging in the context of the challenging market conditions. In Europe we are maintaining our strong focus on driving new distribution wins, improving product availability, and ensuring excellent in-market execution.



"Double digit growth and market share gains were achieved across all our key geographies"

Scan here to view our website

OUR STRATEGIC FRAMEWORK

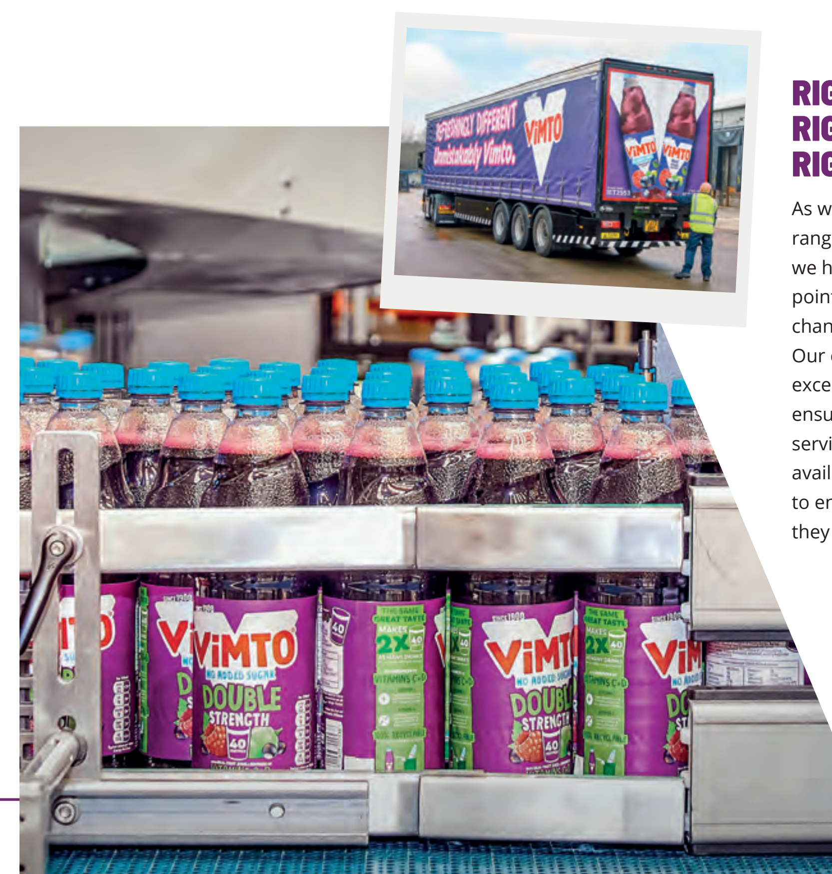
Our core purpose as a business is to
'Make Life Taste Better'
which our people live and breathe every day.

We want this purpose to inspire all the partners we work with and the consumers across the globe who enjoy our brands on a daily basis.

MORE FROM THE CORE

CORE PRODUCTS, CORE CUSTOMERS, CORE MARKETS.

Our core range of iconic brands continue to be loved by our consumers and customers around the world and we will continue to invest to support and drive their growth. 2022 has again shown how important our core products are across our core markets as demonstrated by the strong growth delivered via our excellent marketing campaigns and in market execution.



RIGHT PRODUCTS, RIGHT PLACE, RIGHT TIME.

As we continue to expand our range of products and portfolios, we have focused on driving new points of distribution within new channels and new geographies. Our enhanced operational excellence programme has ensured we deliver great customer service and drive product availability enabling our consumers to enjoy our products wherever they are.

WHEREVER, WHENEVER

THIRST FOR NEW

INNOVATION AND ACQUISITION

Driving growth through innovation will continue to be at the heart of our long-term growth strategy. This pillar has delivered growth in the business over many years and will continue to be a key area in which we will prioritise our efforts.

Using market and consumer insights to understand the long-term trends and consumer needs, will be crucial to ensuring we evolve our business and deliver long term, sustainable growth.

MAKING LIFE TASTE BETTER FOR EVERYONE

I was very proud that during 2022 we published our ESG Strategy and shared a clear set of commitments that outlined the Nichols vision for a '*Happier Future*'.

Core to our vision is a long-held belief that Everyone Matters, with a focus on the wellbeing of our people and those in the communities we serve, particularly supporting the people in those communities who need it most.

Fundamental to creating our Happier Future is to develop Products that we are Proud of, helping our consumers to make healthier hydration choices, to having sustainable packaging solutions and ensuring that we source our ingredients and materials responsibly.

All businesses have an important responsibility to tackle the global climate crisis and at Nichols, we are serious about Owning Our Climate impact and are taking the right actions to reduce our own direct emissions and working closely with our partners across our UK operations in the first instance, to reduce our impact throughout our supply chain.

HAPPIER FUTURE

LOOKING AHEAD

We have successfully delivered consistently strong performances across the breadth of the Group, through our diversified business model, clear strategy, strong brand equity and embedded ESG commitments, as well as the strength of our key partnerships and talent of our highly engaged people. Our outstanding portfolio of iconic brands has continued to grow across all markets in 2022, which remains at the heart of our success. We have a strong balance sheet and international reach.

Our performance this year is testament to the strength of our business. Whilst 2023 will undoubtedly bring challenges, as inflationary pressures are expected to persist and consumer confidence remains under pressure, the soft drinks category has proven to be highly resilient over many years and I expect that this resilience will continue to support our business growth.

I am confident that the momentum we have built will enable us to continue to deliver our long-term strategic objectives, achieve profitable growth and generate considerable returns for all our stakeholders.

Andrew Milne
Chief Executive Officer
28 February 2023

OUR HAPPIER FUTURE PROGRESS REPORT 2022

In 2022 we made clear progress in embedding our Happier Future Strategy into "how we do things at Nichols".

For example, we have introduced High in Saturated Fat, Salt and Sugar (HFSS) compliant products across our UK packaged portfolio, collected Scope 3 emissions data across our UK supply chains, embedded clear social and environmental requirements into our contracts with key partners, and worked on formalising key policies for packaging and responsible sourcing. We have also continued our focus on giving back to our local communities – evidenced by both the ongoing partnerships with Waves for Change, Salford City Football Club and Warrington Youth Zone, and through new opportunities with Manchester Thunder and launching our own Camp Vimto Programme.

Our progress has been delivered under challenging external circumstances. In 2022, like many businesses worldwide, we have been impacted by the war in Ukraine and, in the UK, the significant inflationary environment and supply chain challenges. This dynamic external context has required us to remain both agile and pragmatic, whilst retaining our focus on our Happier Future commitments.

> *"On behalf of the Board, we would like to thank everyone who has contributed to the successful delivery of the 2022 Happier Future achievements."*

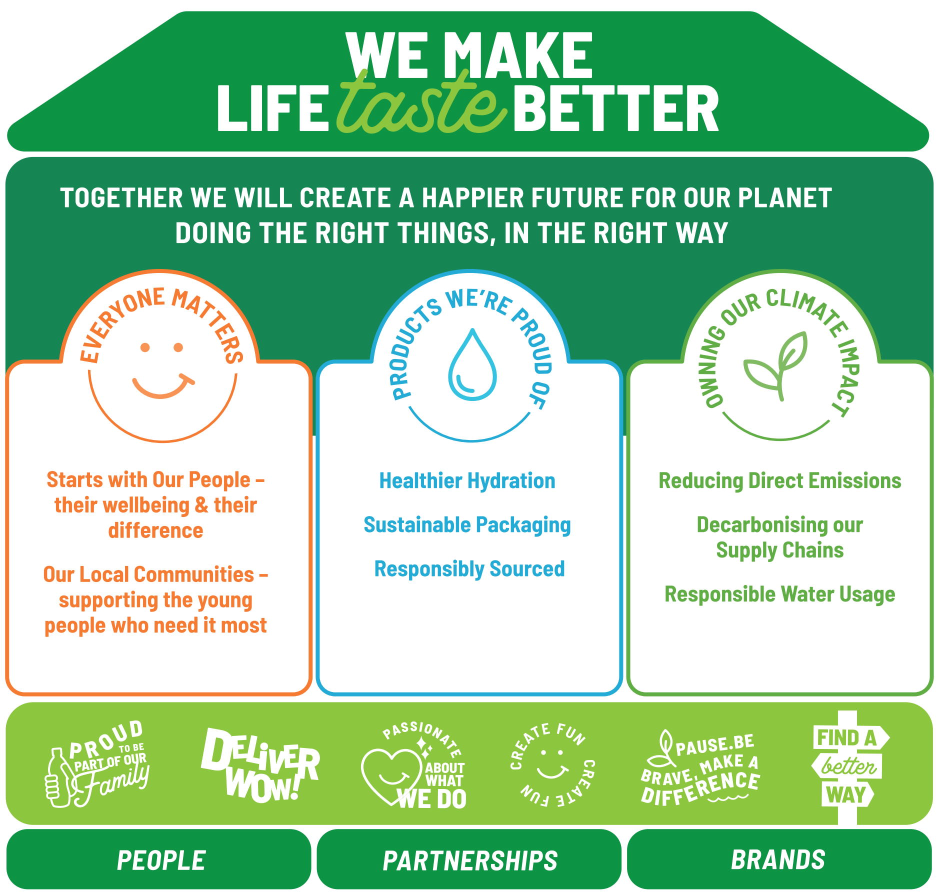
Continuing our hard work, our 2023 focus includes embedding our community partnerships, implementing the Deposit Return Scheme (DRS) in Scotland, reducing our direct (Scope 1 & 2) emissions through initiatives such as electrifying our van fleets, which was impacted by global supply chain issues in 2022, and developing our Scope 3 roadmap for our UK operations.

WE MAKE LIFE *taste* BETTER

OUR HAPPIER FUTURE STRATEGY

From the heritage of our brands to the values our employees demonstrate every day, social purpose has been at the heart of how Nichols works across the world for more than a century. In fact, we have made it our business to help people young and old, from Manchester to the Middle East, to enjoy the habit of regular healthy hydration. Our Happier Future framework sets out our approach to doing business in the right way, for our consumers, customers, partners, employees, and the world around us.

Over a hundred years of experience has taught us that it is through continuous evolution that we ensure the sustainability of our business and, with this in mind, we have organised our strategy for a Happier Future into three pillars. These are interconnected but provide us with tangible goals around which we can align our resources, employees and stakeholders, and measure our progress against each year.



OUR COMMITMENTS 2025 OUR COMMITMENTS

EVERYONE MATTERS 01

We pledge to improve the future for over 100 young people in our local communities, raising aspirations through skills development and career development opportunities.

PRODUCTS WE'RE PROUD OF 02

We will innovate to allow our consumers to make healthier choices.

03

All of our UK Packaged products will contain 51% sustainably sourced rPET by 2022. We are striving to reach 100% by 2025.

OWNING OUR CLIMATE IMPACT 04

We will reduce our impact on climate change by reducing absolute Scope 1 & Scope 2 Green House Gas emissions* by 25% by 2025 and define our net zero roadmap.

* 2018 baseline

BRINGING OUR HAPPIER FUTURE STRATEGY TO LIFE EVERY DAY

We have worked hard to ensure that our Happier Future strategy is embedded throughout the organisation, with every employee understanding what it means for them and their role.

We have clear governance, leadership and activation of our strategy, with every team within the organisation having an important role to play to ensure we are delivering on our commitments and that Environmental and Social Governance (ESG) is a part of how we do business everyday.

Our Happier Future Steerco, chaired by our People & Sustainability Director, sets our overarching direction with approval from the Board and alignment with the Senior Leadership Team. The Steerco monitors and reviews our progress and ensures that new insights are considered and incorporated into our Happier Future workstreams and projects as appropriate.

A clear set of workstreams ensures all plans and commitments across the 3 pillars are managed through project teams, who regularly report progress and escalate issues and risks through our project management office. Our project teams are multi-disciplinary and include relevant technical experts and team members who can input customer, consumer and supply partners requirements and expectations.

Outside of the formal Happier Future Programme, all employees are responsible for enacting Happier Future's purpose – **doing the right things, in the right way** in their everyday work, decisions, and interactions.

We have taken deliberate steps to ensure that the strategy is embedded within our company culture at every level. Steps taken to embed the strategy throughout the organisation include:

- **We launched the strategy at the company-wide quarterly team brief meeting,** with physical and digital communication to advertise its launch to all employees. We continue to provide updates on progress at every quarterly team brief meeting
- **We introduced a 'green chair' into each meeting room,** as a reminder that ESG must 'have a seat' at the table and be considered in every decision taken
- **We also introduced a new 'Happier Future star award',** awarding employees who have really made a difference
- **All employees are expected to have a specific personal Happier Future objective each year**

EVERYONE MATTERS

Doing things in the right way means ensuring everyone is looked after, from our people to those in our local communities. Our approach is led by our strong values, with a focus on putting our people first and giving back to those who need it most.

Our primary consumers are young people, and we want to support them with more than just refreshment. Therefore, we are committed to improving the lives of young people who need it most.

OUR COMMITMENT 2025

WE PLEDGE TO IMPROVE THE FUTURE FOR OVER 100 YOUNG PEOPLE IN OUR LOCAL COMMUNITIES, RAISING ASPIRATIONS THROUGH SKILLS DEVELOPMENT AND CAREER DEVELOPMENT OPPORTUNITIES

PUTTING OUR PEOPLE FIRST

PROGRESS IN 2022

Our people are the foundation of our business and it's thanks to their continued commitment and motivation to 'make life taste better' that we have had another successful year.

We have continued to put our people first in terms of their wellbeing and development. This year, we have been working on our Inclusion and Diversity (including Wellbeing) approach. The feedback we received from the Employee Engagement Survey this year has reinforced that Nichols remains a great place to work and provided us with rich insight into how we can do even better in these areas.

Highlights this year include:

- Successfully trialling a new agile working policy, supported by an **Agile Working Toolkit**. The trial received positive feedback in our Employee Engagement Survey with 98% of respondents saying agile working supports them positively with their wellbeing
- Launching our **'Leading @ Vimto' programme**, to train and provide managers with the skills to lead and support their teams effectively
- Inclusion remained a key focus area and this year we delivered **training on Inclusion and Diversity (I&D) for leaders and managers** and established a **Female Leaders Network**, bringing together women from across the organisation to explore ways to overcome common challenges and share opportunities. We also continued with our **#ThisisMe series**, where employees share their personal stories and connect on an individual level with other people across the business
- Further developing the **Wellbeing hub**, to ensure a well-rounded offering of services and support to our people, including delivering seminars and further training on financial wellbeing, mental health and the Employee Assistance Programme (available for all staff)
- Running a **full Employee Engagement Survey** this year, covering a wide range of topics including day-to day life at Vimto, Leadership, Communication, Development, Wellbeing and I&D. Three priority group themes have been identified, with actions already underway on areas which will make a real difference to our people and the business

Our Results:

98% AGREE THAT THEY SHARE MANY OF THE VALUES OF VIMTO

97% AGREE THAT THEY ARE CLEAR ABOUT WHAT THEY ARE EXPECTED TO ACHIEVE IN THEIR JOB

97% AGREE THAT THEIR MANAGER TREATS THEM WITH RESPECT

84% FEEL THE EXPERIENCES THEY HAVE GAINED AT VIMTO SUPPORT THEIR PERSONAL/CAREER ASPIRATIONS

THE BEST THING ABOUT WORKING FOR VIMTO WAS **'THE PEOPLE, TEAMWORK & A FAMILY-LIKE CULTURE'**

WHILST **84%** EMPLOYEES BELIEVE THEIR PERSONAL SAFETY, HEALTH AND WELLBEING IS ALWAYS A HIGH PRIORITY FOR VIMTO, THEY ALSO TOLD US THAT THEY WOULD LIKE MORE SUPPORT IN HELPING THEM MANAGE THEIR OWN MENTAL HEALTH

FOCUS FOR THE FUTURE

We will continue to put our people first, including:

- Developing our Inclusion & Diversity strategy
- In 2023, our Female Leaders Network will look to engage more women across the business and we will encourage the development of our LGBTQ+ resource group
- Providing exciting development opportunities for our people through our strategic projects and key initiatives
- Further developing our agile working practices in 2023 to reflect the evolving external context and the needs of our people and our business
- In 2023, continuing to support our people's wellbeing and provide opportunities for them to develop their understanding and the skills to manage their own mental health, physical and financial wellbeing
- Continuing to implement our Employee Engagement Survey plan to drive improvements and enhance our three Group Priority Themes - Wellbeing, Systems, and continuing to develop our people-focussed Culture

GIVING BACK TO OUR LOCAL COMMUNITIES

PROGRESS IN 2022

We believe that every young person matters, yet in today's society, access to opportunities is not equal.

The primary consumers of our products are young people, and we are committed to supporting them with more than just refreshment. This year we continued to deepen our existing partnerships with youth programmes, as well as launching new partnerships and initiatives that extend our support and commitment for local young people.

Highlights this year include:

- Running our first pilot for **Camp Vimto** - our new programme for young people designed to enable them to gain life skills, build confidence and get real-life experience of working at Nichols (read more in the case study on page 38
- Celebrating another year of our **'Day to Make a Difference'** scheme, where every employee can take a day off from work and volunteer in their local community

- Continuing our partnership with **Waves for Change (WFC)** in Africa – a scheme that combines the positive health benefits of surfing with activities proven to help young people build positive relationships and develop resilience around their mental wellbeing. WFC helps build sustainable communities; for example, young people coming out of the surfing programme then go on to be trained as mentors and coaches themselves. The programme then supports the coaches with their next steps in employment or education
- **Launching a new partnership with Manchester Thunder**, to establish the first ever ParaNetball club, by a Super League netball team. The programme is designed to 'focus on the ABILITY within DisABILITY, and ensure NetbALL really is for ALL'
- Supporting both **The Wave's 'Summer of Waves' programme**, that helps vulnerable young people try surfing, and Project Seagrass, which plants seagrass seed to help restore marine ecosystems and protect against climate change with our Feel Good brand
- Continuing our partnership with **Salford City Football Club**, providing support to their development teams
- Raising £10k through our **annual Charity Golf Event** to support the continued running of the fabulous Warrington Youth Zone facility

FOCUS FOR THE FUTURE

We are really proud of the Community Partnerships we have in place, and will continue to enhance these through the following activities in 2023:

- Further developing our existing partnerships, with clear opportunities for employee involvement
- Welcoming our second cohort of young people to Camp Vimto

CASE STUDY CAMP VIMTO

Last year we pledged to improve the futures of over 100 young people in our local communities by 2025. To help achieve our goal, we launched Camp Vimto this year – a programme created, led and delivered by our employees and expert partners Whysup and Bright Leaders.

Its aim was to raise the aspirations of young people aged 16-18 years old, local to our Head Office, through skills and career development opportunities. Our specially designed programme consisted of five sessions, with in-person check-ins along the way to maintain engagement. The sessions were:

1. **Engagement** - With support from our partners at Warrington Youth Zone, we recruited young people from the local community to join the programme.
2. **Induction** - We ran an introductory session with participants, giving them and their parents and guardians the opportunity to ask questions and learn more about the programme.
3. **Residential** - We ran a 2-day residential in North Wales, where participants were able to connect with and learn from one another, and were taken out of their comfort zones in order to develop 'real' life skills.
4. **Farm to Fizz** - We organised and hosted an event at our Head Office, where the participants got to learn more about every area of our business, from sourcing and supply chain to product development, marketing and sales. Participants even got to design their own product!
5. **Graduation** - To celebrate their successful completion of the programme, a graduation event was held for all participants, parents and guardians.

The success of Camp Vimto's first year has been tremendous. The testimonials from our graduates demonstrate the impact the programme has had on their confidence, knowledge of how our business works, and understanding of potential career paths. The feedback from our partners highlights the authenticity and effectiveness of the programme.

> *"I'm thankful for Camp Vimto because it's given me a new confidence in myself. It's also been great to see how adults in the work environment sometimes need help too, because it reassures me it's okay not to be okay even when we're older."*

Camp participant testimonial

> *"Camp Vimto proved to be a transformational journey for ALL involved. The young people gained so much and really grew in confidence over such a short period of time. The variety of activities offered throughout the duration of the programme brought challenge, diversity and fun, something which all young people need. Camp Vimto was a huge success and it showcased the culture and values that lie at the heart of Nichols."*

Chris Reddy, Director & Founder, Bright Leaders

> *"We were delighted to be part of this project and collaborate with like-minded organisations that are passionate about making a difference. This project demonstrated just that! Through lots of planning and consideration we built a well-rounded, impactful programme. In our 5 years of doing this job, this has been one of our most rewarding projects."*

Mark Murrey, Co-Founder & Director, Whysup

> *"Camp Vimto was an incredible experience for all of the young people who took part, all of them got fully involved and embraced the opportunities and challenges. I genuinely believe that all of them have developed skills, confidence and knowledge which will support them throughout the transition to adulthood. Thank you for everything each of you did to make Camp Vimto a reality."*

Dave McNicholl, Chief Executive, Warrington Youth Zone

What's next?

We feel very proud to have had such a transformative impact on participants' lives through our programme. This is not the end of our journey together, and we look forward to continuing to work with our participants beyond this summer, exploring schemes such as mentoring and work placements.

Next summer, we plan to run the programme again with a second cohort, bringing us closer to our 2025 goal of improving the futures of 100 young people.

2022 GENDER PAY GAP REPORT

Nichols plc is pleased to present our 2022 Gender Pay Report, which also offers an opportunity to share what we have been focusing on with regard to gender diversity in the business.

AN INCLUSIVE WORKPLACE WHERE EVERYONE FEELS THEY CAN TRULY BE THEMSELVES, FEEL VALUED, INCLUDED AND HAVE EQUAL ACCESS TO OPPORTUNITIES IS FIRMLY ROOTED IN OUR CULTURE, VALUES AND HERITAGE.

It is also paramount for our employees to feel they are able to perform to their best which of course is integral to the ongoing success of our business. In our 2022 Employee Engagement Survey our employees told us that our people and culture are one of the best things about working at Nichols, that the culture is open and inclusive.

96% OF OUR EMPLOYEES BELIEVE THAT INDIVIDUAL DIFFERENCES SUCH AS RACE, GENDER, DISABILITY AND SEXUAL ORIENTATION ARE RESPECTED AND VALUED AT NICHOLS

86% HAVE LEADERS THEY CAN RELATE TO AT WORK

89% BELIEVE THAT DIFFERENCE IS VALUED AT NICHOLS

34% of our senior leaders and managers are female. This is reflective of the overall employee gender split in the business. But we want and need this to improve as having broad employee diversity is fundamental to the business having the right discussions and making robust decisions. We are working proactively to increase female representation in these roles, with a focus on accelerating the development of our female talent, through stretch opportunities in new roles, secondments or projects and investing in leadership development programmes which provide structured learning, peer support and build external networks. Establishment of our Female Leaders Network has already proven invaluable in providing peer support and developing leadership capability and confidence across the business.

Whilst we continue to focus on developing our inclusive culture, we know we have work to do to increase female representation in our business.

OUR GENDER SPLIT

This year's gender split remains broadly consistent with 2021 levels with a slight increase in females employed. We are pleased that we achieved close to an even proportion of new employees hired during this reporting period with 46% of new hires being female and 54% being male. This was particularly pleasing as many of the roles were in traditionally male dominated professions. Our gender split remains reflective of our large employee group within the operations function of our Out of Home (OoH) business. Males make up the vast proportion of employees undertaking our driver or technician roles and the high proportion of males is reflective of the broader talent pool in the market despite a highly competitive market post the pandemic.

OUR PAY QUARTILES

The proportion of males and females in each pay quartile continues to reflect the workforce and remains broadly consistent with 2021 although we did see an increase in the number of females in the bottom quartile, which we can attribute to the increase in turnover in two specific areas and our success in recruiting females into these roles. Whilst good progress has been made in developing our female talent, particularly in our leadership pipeline, we need to realise a more balanced gender split across our workforce to see a substantive change.

Every employee has the potential to earn a bonus at Nichols plc. For new employees, eligibility in their first year will be based on their start date in the calendar year and this is the reason our reported percentages are not 100%.

In 2022, we saw a higher number of new employees joining the business later in the calendar year versus 2021, which was reflective of an active market in the UK more generally due to wage inflation and lower unemployment.

OUR GENDER PAY & BONUS GAP

We have seen some substantial swings this year in the median variances of both our hourly pay and bonus resulting in negative gaps. Our median gender pay gap for our hourly pay is marginally favourable to females at -1% compared to the UK average of +14.9%[1]. The median on bonus is -94% favourable to females. The substantial swing from 2021 (we reported no gap) is reflective of the business performance in 2021 and the proportion of females eligible for higher bonus levels compared to males.

In the mean variances for hourly pay and bonus, we saw a swing towards males, particularly for bonuses. In 2021 bonuses were impacted by the performance of the business due to the pandemic, and in 2022 the business reported a good financial performance which was reflected positively in employee bonuses, including in Executive and Senior Leadership rewards where we have greater male representation.

Due to the nature of gender pay reporting in the UK, which measures the average pay and bonus of men and women across different levels and roles in the company, the reporting of our median and mean gender pay gaps continue to be skewed by the underlying structure of our workforce and are also impacted by the dynamic external environment the business has been operating in over the past couple of years.

[1]ONS Annual Survey of Hours and Earnings (ASHE) for 2022

OUR RESULTS

We present our gender pay gap results for the year ending 5 April 2022 in line with our legal obligation and commitment to produce gender pay gap information.

1. **Employee % split by gender:** 33 Female / 67 Male
2. **Proportion of males & females in each pay quartile** see table right
3. **Proportion of males & females receiving a bonus within the reporting period** 87% of males / 83% of females
4. **Mean & Median pay gap***
   Hourly pay – median -1.0% (2021: 10%) / mean 19% (2021: 7%)
   Bonuses – median -94% (2021: equal) / mean 31% (2021: 15%)

*variance in male pay to female pay

2022

		Male	Female
Quartile	Bottom	60%	40%
	2	74%	26%
	3	65%	35%
	Top	69%	31%

2021

		Male	Female
Quartile	Bottom	70%	30%
	2	78%	22%
	3	64%	36%
	Top	71%	29%

PRODUCTS WE'RE PROUD OF

We're passionate about making products consumers love – it's at the heart of what we do.

This means developing products that allow consumers to make healthier choices, strengthening our approach to responsible sourcing, and continuing to challenge ourselves to find sustainable solutions for our packaging.

OUR COMMITMENT 2025 OUR COMMITMENT

01

WE WILL INNOVATE TO ALLOW OUR CONSUMERS TO MAKE HEALTHIER CHOICES

02

ALL OF OUR UK PACKAGED PRODUCTS WILL CONTAIN 51% SUSTAINABLY SOURCED rPET BY 2022. WE ARE STRIVING TO REACH 100% BY 2025

HEALTHIER HYDRATION

PROGRESS IN 2022

We know that we have an important role to play in helping our consumers make healthier choices. Whether by reducing sugar content or adding nutrients, we continue to develop our portfolio through innovation and continuous renovation.

That is why we wanted to ensure that we were 100% HFSS compliant across our owned portfolio.

Highlights this year include:

- Ensuring our **whole UK Packaged portfolio is now 100% HFSS compliant**
- Also ensuring that **97% of sales of our Out of Home (OoH) owned portfolio are now HFSS compliant**[1]
- Celebrating that **all of our new product launches in 2022 were Low or No Added Sugar**. This included Double Concentrate Vimto, Cherry, Raspberry & Blackcurrant Vimto in fizzy and still varieties and zero-sugar cordial in the Middle East (read more in the case study on page 46)

FOCUS FOR THE FUTURE

Providing consumers with healthier choices is how we do business at Nichols, our focus areas include:

- Continuing with our established approach to Innovation & Renovation, strengthening the depth of our consumer insight in 2023, in order to meet evolving needs
- Continuing to work closely with our international partners to explore sugar reduction, where appropriate to the consumer needs in local markets

[1] Excluding Slurp, our frozen milkshake, which we are now reviewing.

SUSTAINABLE PACKAGING

PROGRESS IN 2022

Unsustainable and unnecessary packaging is a pressing concern for our consumers, who don't want to see the products they buy going on to impact the natural world. We are committed to working with our partners and the wider industry to promote sustainable options and encourage responsible consumer behaviour.

That is why we are working to remove plastic shrink wrapping from Bag-in-Box (BiB) formats and develop a fully recyclable BiB solution for OoH. We are also working with our suppliers to ensure that all remaining UK Packaged shrink wrap uses 50% post-consumer recycled waste.

Our plan for all of our UK Packaged products to contain 51% sustainably sourced rPET in 2022 unfortunately wasn't fully achieved, however 40.5% of the UK Packaged portfolio contains 51% sustainably sourced rPET. As a result of the significant inflationary environment and cost pressures on our business, and the impact of passing these costs onto our consumers during the cost-of-living crisis, we took a strategic decision not to expand further our UK Packaged portfolio containing 51% sustainably sourced rPET in 2022. Despite this setback, we continue to strive to reach 100% rPET by 2025.

Highlights this year include:

- Running trials to enable the **removal of shrink wrap from our BiB formats**
- **Redesigning our owned V Range BiB products** to include clear OPRL recycling logos, making it clear to our customers where our boxes can be recycled
- We have also **conducted trials on inner 'Liquipure' bags** - a sustainable packaging solution for our BiB products
- **All of our UK Packaged shrink wrap contains at least 30% post-consumer recycled waste**, with 50% post-consumer recycled waste being reached with some of our suppliers. Material availability and packaging stability has prevented further progress this year
- Launching a **new Vimto squash bottle made from 51% recycled PET (rPET)**; the new bottle allows us to pack more efficiently, reducing the number of transport loads (and our carbon footprint as a result)
- **Introducing our new sustainable packaging policy;** which clearly defines which materials we consider to be acceptable for use in our packaging going forward

FOCUS FOR THE FUTURE

We will continue to trial and implement new, innovative ways to reduce packaging in our products, and use more sustainable packaging across our portfolio. Next year this will include:

- Continuing to trial & evaluate the impact of removing shrink wrap from our BiB formats
- Introducing a fully recyclable inner BiB substrate 'Liquipure' packaging across our post-mix portfolio
- Ensuring a robust implementation of the DRS in Scotland, supporting us to move forward on our roadmap to 100% rPET in our UK packaged products
- Implementing our new sustainable packaging policy with all our UK partners

RESPONSIBLY SOURCED

PROGRESS IN 2022

The unique flavour of our products begins with quality ingredients sourced from trusted and responsible suppliers.

We source ingredients and materials primarily from long-standing partnerships, providing us with a clear understanding of product quality, labour protections and environmental practices.

This year, we have focused on developing the policies and practices to ensure sustainability is embedded within the entire production process of our products.

Highlights this year include:

- **Supplementing our existing supplier assurance processes**, including assessing current and potential suppliers' ethical policies and business processes
- **Developing and agreeing a responsible sourcing policy and supplier code of conduct**
- **Embedding sustainable practices into the product innovation process**

FOCUS FOR THE FUTURE

Next year, we will continue to review and update the procedures and processes which support our ethical business practices, in line with our commitment for this pillar:

- We will embed our responsible sourcing policy as our way of working and it will form part of our expectations in all new strategic partners' contracts
- We will be partnering with Sedex to review our policies and practices and ensure they meet industry social and environmental standards

CASE STUDY

EXTENDING HEALTHIER HYDRATION BEYOND THE UK

At Nichols, we are passionate about innovating and renovating our products to meet emerging consumer needs for healthier hydration. In our International business, we continue to work closely with our partners to explore ways to accelerate uptake of lower sugar and no-added sugar products in countries outside of the UK.

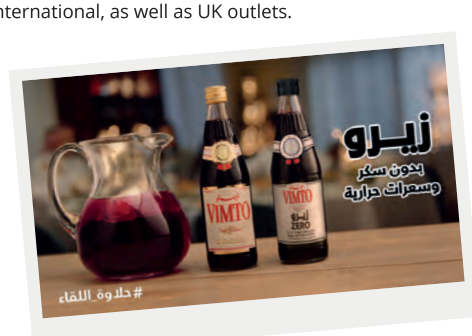
The uptake of Low or No Added Sugar products can be lower in some international markets than in the UK. Market research has shown a growing trend in health and wellness across the Middle East and a need for more products suitable for people looking to consume less sugar in their diets.

Responding to this, last year our longstanding partner, Aujan Coca-Cola Beverages Company, launched Vimto Zero Cordial. This sugar-free product was launched as a limited-edition product for the Ramadan season. The launch was very successful, and the product exceeded all its set key performance indicators.

Vimto Zero Cordial proved to be popular amongst consumers, selling out rapidly and receiving good feedback on the health benefits, as well as the taste. In a survey following the product launch, 81% of respondents stated that they intend to try Vimto Zero Cordial[1].

What's next?

This case study evidences appetite within the market for Low or No Added Sugar products. There is a real opportunity to extend our healthier hydration strategy beyond the UK ensuring all our consumers can benefit from Nichols healthy and great-tasting products. Due to the success of Vimto Zero Cordial in 2022, it will be made available again in 2023. We will look to expand the markets and outlets of this product to enable even more of our consumers to make healthier choices in International, as well as UK outlets.



[1]Source: IPSOS, Cordial Brand Health Study, Ramadan 2022

OWNING OUR CLIMATE IMPACT

The climate crisis is the greatest issue facing society today and as a responsible company, we have an important role to play.

By taking science-based actions to reduce our total carbon emissions, and by understanding and reviewing our operational footprint and supply chain, we can ensure we are conducting our business in the most sustainable way. Nichols recognise that the climate crisis is a principal risk to our business, with a number of potential short, medium and long-term impacts. The Board takes overall accountability for owning our climate impact and managing the risks and opportunities that this presents.

The process for identifying and assessing climate-related risks is aligned to the Group's risk management policy which is set out on pages 62 to 67.

OUR COMMITMENT 2025 OUR COMMITMENT

WE WILL REDUCE OUR IMPACT ON CLIMATE CHANGE BY REDUCING ABSOLUTE SCOPE 1 & SCOPE 2 GREENHOUSE GAS EMISSIONS* BY 25% BY 2025 AND DEFINE OUR NET ZERO ROADMAP

*2018 BASELINE

REDUCING OUR DIRECT EMISSIONS

PROGRESS IN 2022

Nichols has a strong track record in reducing carbon emissions across our Scope 1 and 2 emissions, and we have an ambitious target to reduce our Scope 1 & 2 emissions by 80% by 2030, in order to reach net zero by or before 2050.

Last year, gas and electricity represented a third of the energy we consumed at Nichols and 24% of our total carbon impact. In 2022 we have seen increased sales, manufacturing and new equipment installation activity across our Out of Home (OoH) business, due to further recovery within the hospitality sector. This has resulted in an increase in our carbon emissions of 246 tCO2e for the reporting year in comparison to 2021.

We are decarbonising our fleet to reduce our transport emissions, which make up a large proportion of our Scope 2 emissions. This year we planned to replace 10 vehicles with their electric equivalents. Due to supply chain issues that impacted delivery dates and availability of suitable e-vehicles, we could not achieve this goal.

Highlights this year include:

- **Installing solar panels at our head office,** Laurel House in February this year

SINCE REPORTING BEGAN IN MAY, THE SOLAR PANELS HAVE GENERATED NEARLY 26MWH OF ENERGY. THIS HAS SAVED OVER 35T OF CO2 EMISSIONS, EQUIVALENT IN WEIGHT TO 1 MILLION VIMTO CANS!

- **All of our Nichols UK sites are now operating on 100% renewable energy**, including gas supplies, supplied from a combination of hydro, wind and solar power. This has saved us 239tCO2e, 16.51% of our total carbon footprint for this year

FOCUS FOR THE FUTURE

In 2023, we will continue our roadmap for carbon reduction across our Scope 1 and 2 emissions. This includes:

- Doubling next year's order to 20 electric vans to keep us on track with our decarbonisation ambitions (given the context of 2022)
- Embedding our new green car policy, which seeks to encourage our employees to choose electric vehicle options

DECARBONISING OUR SUPPLY CHAINS

PROGRESS IN 2022

Reducing our Scope 1 and 2 emissions is important, but we know the majority of our emissions in the UK are created by the various supply chains that help us create quality products and deliver them to our customers (known as Scope 3 emissions).

Reducing our Scope 3 emissions is vital if we are to really reduce our carbon footprint and reach our decarbonisation targets.

Highlights this year include:

- **Mapping our supply chain** comprehensively in the UK
- **Working collaboratively with our key suppliers** to help them track and measure their carbon emissions
- Through this process, we are now able to **collect the UK supplier and partner Scope 1, 2 and (where possible) 3 emissions data**. You can read more about our work decarbonising our supply chain in our case study on page 55.

For more details on our emissions and progress see page 52 for our Streamlined Energy and Carbon Report (SECR).

FOCUS FOR THE FUTURE

To continuously track and reduce our Scope 3 emissions, our focus for next year will include:

- Developing and launching our UK Scope 3 emissions reduction strategy by the end of 2023, working with our key partners and suppliers to set targets and develop a roadmap for continuous reduction in our Scope 3 emissions
- Following the above, we will be looking to incorporate our Scope 3 carbon data from our suppliers with our Scope 1 and 2 emissions data, to track our direct and indirect carbon footprint. We can then set science-based emissions reduction targets, which we hope to submit for validation by SBTi in 2023

RESPONSIBLE WATER USAGE

PROGRESS IN 2022

We recognise that with both the need to reduce emissions from water transport and the risk of increased water scarcity in some of our markets, it is more important than ever to ensure sustainable water use.

That is why a focus for us will be to develop a clear water strategy that encompasses all of our impact in the UK.

Highlights this year include:

- In 2022 we have developed **systems and processes that track our water consumption** in our OoH manufacturing site at Ross on Wye
- We now track our water consumption and compare it to the volume of goods produced in our Ross on Wye manufacturing site. **We can use this data as a baseline to inform our future water consumption reduction targets**

FOCUS FOR THE FUTURE

We plan to identify opportunities to reduce our impact from our water use. This includes:

- In 2023, measuring our water consumption across our other Nichols-owned and key UK copacker sites and identify opportunities to improve our water use at Ross on Wye
- Based on the above assessment, developing our water strategy to make appropriate improvements across all Nichols-owned and key supplier sites

SECR REPORT

In accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have prepared a Streamlined Energy & Carbon Report (SECR) for the 2022 financial year. This measurement and reporting of environmental performance will drive direct benefits for the business such as lower energy costs, improved understanding of exposure to the risks of climate change and by allowing the business to demonstrate sustainable leadership within the soft drinks industry.

Therefore, the following report has been prepared in conjunction with Carbon Architecture, who we have been working with since 2016 to provide independent analysis of our carbon footprint across our UK Group operations. We have selected tCO2e/ kL as our SECR ratio, as we feel this is most aligned to the activities of the Group.

Nichols' total energy consumption for this financial year was 6,371 MWh, resulting in gross carbon emissions of 1,447 tCO2e. These figures correspond to a 34% increase in total energy consumption and a 20% increase in gross emissions when compared to the 2021 financial year. 2022 represented a more normal operating year for our OoH business following the Covid pandemic and as a result our volumes increased, impacting our vehicles delivering and servicing our customers, along with new installations across the UK.

In an ongoing trend, our production has rebounded from the COVID impacted year of 2020, by further increasing production volumes from 5.037 million litres (ML) in 2020 to 8.689 ML in 2021 and then 9.965ML in 2022. Despite this increase in production volume, there has been an increase in normalised gross emissions, by 5% from 2021 to 2022, from 138 tCO2e/ML to 145 tCO2e/ML drinks produced.

In 2022, we procured 100% green electricity, through tariffs backed by Renewable Energy Guarantees of Origin certificates, for our Ross-on-Wye factory, Laurel House head office and all electricity consumed at our depots. Additionally, as of 1st July 2022, 100% of the natural gas consumed is purchased via a green tariff, which involves the retirement of Renewable Gas Guarantees of Origin certificates which covers 10% of consumption, and the purchase of Carbon Credits to cover the remaining 90%. The result of these green tariffs is a reduction of net emissions of 238 tCO2e, or 16% of the gross emissions. Therefore, the 6,371 MWh energy consumed resulted in net carbon emissions of 1,208 tCO2e, corresponding to an 5% increase in normalised net emissions when compared to 2021, increasing from 115 tCO2e/ML to 121 tCO2e/ML.

Nichols has continued its focus on energy and carbon-saving measures in the last year. At our Ross-on-Wye factory, we have continued to make improvements to lighting systems via replacements of LED lighting, as well as reaping the benefits of the Laurel House head office solar panels, which generated 26.5 MWh of electricity in 2022. Furthermore, staff engagement has continued in 2022, with topics including increasing the understanding of our carbon footprint at work and encouraging simple steps to reduce our footprint, including switching off lights and equipment when not in use. Finally, we sought to progress our plans to replace our transport fleet with electric vehicles, with the initial target of replacing 10 fossil fuel powered vans in 2022, 20 by 2023 and 30 by 2024. Given the significant challenges within the global automotive market and the subsequent delay in receiving delivery of the first electric vans, we have bolstered the 2023 delivery plan to 20 vehicles.

Parameter	Units	Current reporting year 01/01/2022 - 31/12/2022	Comparison calendar year 01/01/2021 - 31/12/2021
Natural gas consumed	kWh	760,663	451,700
Grid electricity consumed	kWh	873,461	957,010
Solar PV electricity generated	kWh	26,508	0
Transport fuels consumed	kWh	4,710,994	3,336,348
Total energy consumption used to calculate emissions	kWh	6,371,626	4,745,058
Emissions from combustion of gas (scope 1)	tCO2e	139	83
Emissions from transportation in vehicles owned or controlled by reporting company (scope 1)	tCO2e	1,135	789
Fugitive emissions from refrigeration plant (scope 1)	tCO2e	4	126
Emissions from purchased electricity (scope 2)	tCO2e	169	203
Emissions from business travel in vehicles owned or operated by 3rd parties (scope 3)	tCO2e	0	0
Total gross carbon emissions	tCO2e	1,447	1,201
Carbon reduction through green electricity tariff (REGOs)	tCO2e	(169)	(196)
Carbon reduction through green natural gas tariff (RGGOs)	tCO2e	(8)	(3)
Carbon reduction through green natural gas tariff (Carbon Credits)	tCO2e	(62)	0
Total net carbon emissions	tCO2e	1,208	1,002
Intensity ratio: Total gross emissions / 1,000,000 Litre product	tCO2e/ML	145	138
Intensity ratio: Total net emissions / 1,000,000 Litre product	tCO2e/ML	121	115

Methodology

- This report has been prepared following the GHG Reporting Protocol – Corporate Standard and using the guidance set out in Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance – HM Government (March 2019)
- Energy consumption data has been sourced from utility supplier invoices, or where this is not available calculated from site-based records and travel expense data
- Conversion from energy to emissions was completed by application of the relevant emissions factor from UK Government GHG Conversion Factors for Company Reporting for the appropriate year

Energy Efficient Actions:

- A continued programme to install high-efficiency LED lighting, including proximity sensors where appropriate, has continued within our Ross-on-Wye factory. This has continued to result in the optimisation of our electricity use for lighting throughout the factory
- Solar panels and an air source heat pump have been installed at our Laurel House head office, reducing the consumption of natural gas for providing hot water for the office staff, which we have seen the benefit of throughout 2022
- Given the significant challenges within the global automotive market and the subsequent delay in receiving delivery of the first electric vans, we have bolstered the 2023 delivery plan to 20 vehicles
- Finally, Nichols has continued a programme of staff engagement which involves suggesting practical ways in which they can reduce their carbon footprint at work, including through the climate action switch off awareness campaign

CASE STUDY

MAPPING OUR SCOPE 3 IMPACT

At Nichols we are committed to a low-carbon future. We know that our influence extends beyond our immediate operations and given our partnership model, the majority of our carbon emissions are produced by our suppliers and manufacturers who make our products. These are called our Scope 3, or indirect, carbon emissions.

Successfully managing and reducing Scope 3 emissions is often more complex than reducing Scope 1 and 2 (direct emissions), requiring engaging with our entire supply chain - collaborating with suppliers to track and measure their own emissions and then supporting them as they make reductions.

This challenge couldn't be tackled on our own. We have partnered with specialist consultants Green Element to support us in carrying out an in-depth assessment of the carbon footprint of our UK-based supply chain. Together, we engaged our suppliers, many of with whom we have long-standing, collaborative relationships, to put in place systems and processes to measure and track their emissions.

Suppliers then shared this data with us, enabling us to build a comprehensive picture of our UK emissions across our supply chain.

This collaborative effort has enabled us to identify 'carbon hotspots' in our UK supply chain – areas where we are producing a significant proportion of our carbon emissions. Hotspots include our product packaging, the sourcing and transportation of our ingredients and the energy our suppliers' use when producing our products. These identified 'hotspots' inform where we will focus our efforts to reduce our carbon in the future, working collaboratively with our supply chain partners to identify alternative practices and processes that reduce their direct (and our indirect) carbon emissions significantly.

What's next?

In 2023, we will continue to develop our Scope 3 emissions reduction strategy with the expert guidance of Green Element. This work will enable us to set robust, science based targets and ensure we are reducing our direct and indirect emissions in line with global goals and targets. In this way, we can own our climate impact and work to conduct our business in the most sustainable way.

"With the help of Nichols, we very quickly navigated the different business streams and relevant contacts for who would help us to collect the necessary data. We have engaged with >30 individual suppliers and many internal contacts, the vast majority of which were very helpful and were able to provide detailed information. This was aided by efficient project management from Nichols' side. Our analysis is only as good as the raw data we receive, so this was very important for us."

Green Element testimonial

CHIEF FINANCIAL OFFICER'S REPORT

DAVID - RATTIGAN -

CHIEF FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS

- **Group revenue increased by 14.3% to £164.9m (2021: £144.3m)**
  - Still products +8.2% to £78.3m (2021: £72.4m)
  - Carbonated products +20.4% to £86.6m (2021: £71.9m)
- **UK revenues increased by 13.7% to £127.0m (2021: £111.6m)**
  - UK Packaged route to market sales +2.9%
  - UK Out of Home (OoH) recovery continues post pandemic, with revenues +42.8%
- **International revenues +16.1% to £38.0m (2021: £32.7m)**
  - Middle East revenue +20.4% (+11.3% excluding 2021 marketing investment)
  - Significant progress in Africa continued with revenue +15.0%
  - ROW markets revenue +12.7%, supported by strong OoH recovery in Europe
- **Maintained Adjusted PBT Margin at 15.1%, despite significant inflationary pressures (2021: 15.1%)**
- **Continued strong cash performance with FCF[1] of £14.6m (2021: £17.5m)**
  - £18.9m excluding historic HMRC incentive scheme tax settlement during the year
  - Cash conversion[2] at 72% (2021: 103%)
- **Exceptional charge of £11.1m**
  - £8.7m attributable to non-cash impairment of OoH intangible and fixed assets
- **Proposed final dividend of 15.3p, up 15.0% year-on-year and reflecting 2x cover[3], in-line with the Group's dividend policy**
  - If approved at the Group's AGM, the full year dividend of 27.7p would represent a 19.9% increase year-on-year

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Movement
Group Revenue	**£164.9m**	£144.3m	+14.3%
Adjusted Profit Before Tax (PBT)[4]	**£25.0m**	£21.8m	+14.5%
Profit/(loss) Before Tax (PBT)	**£13.8m**	£(17.7)m	+178.4%
Adjusted PBT Margin[4]	**15.1%**	15.1%	-
PBT Margin	**8.4%**	(12.2%)	+20.6ppts
Statutory EBITDA[5]	**£26.9m**	£23.7m	+13.3%
Adjusted earnings per share (basic)[4]	**55.38p**	46.15p	+20.0%
Earnings/(loss) per share (basic)	**31.86p**	(60.04p)	+153.1%
Free Cash Flow[1] (FCF)	**£14.6m**	£17.5m	(16.7%)
Adjusted Return on Capital Employed[6]	**27.2%**	26.6%	+0.6ppts
Statutory Return on Capital Employed[7]	**14.2%**	(15.8%)	+30.0ppts
Proposed Final Dividend	**15.3p**	13.3p	+15.0%
Full Year Dividend	**27.7p**	23.1p	+19.9%

1 Free Cash Flow is the net increase in cash and cash equivalents before acquisition funding and dividends
2 Cash Conversion is the Free Cash Flow/Adjusted Profit After Tax
3 Dividend cover is adjusted basic earnings per share divided by the dividend per share
4 Excluding Exceptional items
5 EBITDA is the statutory profit before tax, interest, depreciation, and amortisation
6 Adjusted return on capital employed is the adjusted operating profit divided by the average period-end capital employed. This is not considered to be a KPI for the Group, however, due to the number of adjustments in recent years, this has been included within our Financial Highlights
7 Statutory return on capital employed is the operating profit divided by the average period-end capital employed

REVENUE

Group revenues were £164.9m, an increase of £20.6m or 14.3% compared to 2021. The period was dominated by significant and accelerating inflationary pressures and, in H2 in particular, by the widely publicised cost of living pressures impacting consumers.

The Group's clear and long held value over volume strategy provided clear direction as we sought to mitigate these pressures through both cost efficiency and revenue management. Of the £20.6m revenue growth, £8.8m came from a combination of appropriate price recovery (+£8.0m), implemented in partnership with our customers, and the impact of the removal of the marketing investment (+£0.8m) in the Middle East in 2021 (reported as part of the Group's revenue line). The balance of revenue growth was generated by net improved volumes (both quantity and sales mix) across the Group's three routes to market. Throughout FY22, this balanced approach helped the Vimto brand to continue to achieve growth in the UK and internationally, whilst also protecting the Group's net margins.

GROSS PROFIT

Gross profit at £71.0m was £5.8m higher than 2021 (£65.2m) and 2.1 percentage points lower at 43.1% (2021: 45.2%). Excluding the impact of the input costs aligned to the price recovery implemented in partnership with our customers gross profit % was consistent with 2021.

Significant volume growth was seen in both the Group's OoH and International routes to market and improved gross profit by approximately £5.7m. Reduced volumes in the UK Packaged route to market, where quantity declines were marginally offset by positive changes to the sales mix, resulted in a negative gross profit impact of £0.9m. The removal of the marketing investment (reported as part of the Group's revenue line) in the Middle East in 2021 supported year-on-year gross profit comparisons by £0.8m. Underlying cost of goods inflation approached 14% across the year, with mitigating actions successfully implemented to reduce this to closer to 10%. Mitigating actions included the successful transfer of the Group's UK dilutes contract manufacturing volume to faster and more efficient lines in H1 following completion of its UK operational supply chain review.

The impact of movements in foreign exchange rates on gross profit was favourable at +£0.2m.

DISTRIBUTION EXPENSES

Distribution expenses within the Group are those associated with the UK Packaged route to market and, for OoH, the distribution costs incurred from factory to depot. "Final leg" distribution costs within OoH are reported within administrative expenses.

Distribution expenses totalled £10.7m (2021: £9.1m), an increase of 17.0%, due to a combination of net higher trading volumes across the UK and ongoing and significant inflationary pressure. The Group entered a new five-year distribution arrangement in H2 2021 that became operational during 2022, resulting in both significant additional capacity as well as opportunities for improved efficiency in the coming years.

ADMINISTRATION EXPENSES

Administration expenses excluding exceptional items totalled £35.7m (2021: £34.1m), an increase of £1.6m or 4.7% year-on-year, largely related to increases in net payroll and staff related costs in response to cost of living increases.

EXCEPTIONAL ITEMS

The Group has incurred £11.1m of exceptional costs during the year (2021: £39.5m), £8.7m of which is non-cash.

Review of UK Packaged supply chain

In Q4 2020, the Group commenced a review of its UK operational supply chains. The project has progressed steadily with significant changes implemented, including the Group entering several new five-year contract manufacturing and distribution arrangements that both built significant additional capacity, in-line with the Group's growth plans, and improved efficiency. These projects, which completed during 2022, resulted in £1.5m of exceptional costs in the period (2021: £0.6m, 2020: £0.3m).

Out of Home Strategic Review

In Q1 2021 the Group commenced a strategic review into its OoH route to market, to consider customer and product mix as well as review ways to enhance net margin and profitability going forward. The Group incurred £0.5m of costs in the period to prepare its recommendations for implementation. Additional costs will be incurred through 2023 as these recommendations are implemented. These additional implementation costs are one-off in nature and will be treated as exceptional.

Impairment of intangible and fixed assets

The impact of Covid-19 resulted in a difficult period of trade for OoH from 2020 through 2021, with many outlets being closed for a prolonged period of time. Whilst trade within the hospitality industry has reopened post the pandemic, the impact of the war in the Ukraine, and its impact on inflation and cost of living pressures have meant that whilst trade within the hospitality industry initially returned to pre-Covid levels, growth is significantly slower than previously forecast in the short term and saw a significant slowdown in Q4 as inflationary pressures impacted consumers. Certain sectors of the hospitality industry, for example Cinema, Holiday and Theme Parks where our frozen business operates, have seen significant volume decline all year versus pre-pandemic revenues.

In line with market expectations, we anticipate that growth projections for OoH beyond 2022 will be lower than previously estimated, given the economic outlook and change in consumer patterns.

Whilst cost pressure is expected to be fully recovered within OoH, the gross margin progression anticipated previously is not now likely to be achieved, despite there being significant opportunities to enhance net margin through better alignment of our customer and product mix with our cost base.

The Group's cost of capital has increased, largely due to macro-economic factors affecting all businesses, from 8.2% to 13.1%. This has resulted in a higher threshold required to support the carrying values of assets.

As a result, management have recognised a further non-cash impairment charge of £8.7m, in the current year, impairing all the remaining intangible assets (£4.8m) within our OoH route to market and a proportion of its fixed assets (£3.9m). In 2021, as previously announced, the Group impaired the Goodwill generated from previous OoH acquisitions (2021: £36.2m).

Historic incentive scheme

The Group has now settled with HMRC the £4.3m tax and interest charges relating to a historic incentive scheme and will now commence recovery of debts from current and previous management who had indemnified the Company.

> *The Group's clear and long held value over volume strategy provided clear direction as we sought to mitigate significant and accelerating inflationary pressures through both cost efficiency and revenue management.*

EXCEPTIONAL ITEMS (CONTINUED)

Historic incentive scheme (continued)

The Group incurred legal costs in the period of £0.1m in relation to the case.

Group Systems Review

The Group has commenced a project to implement a new enterprise resource planning (ERP) system, which is expected to be operational through 2024. Initial review costs of £0.3m were incurred in the period.

Due to the one-off nature of these charges, the Board is treating these items as exceptional costs and their impact has been removed in all adjusted measures throughout this report.

FINANCE COSTS

Net finance income of £0.4m (2021: £0.1m loss) was significantly up on the prior year, as the Group ensured the best return for its deposits following the Bank of England interest rate rises.

ADJUSTED PROFIT BEFORE TAX/ PROFIT BEFORE TAX AND TAX RATE

Adjusted profit before tax increased by 14.5% to £25.0m (2021: £21.8m). The tax charge on adjusted profit before tax for the period of £4.8m (2021: £4.8m) represents an effective tax rate of 19.0% (2021: 21.9%). Reported profit before tax was £13.8m (2021: £17.7m loss).

ADJUSTED EARNINGS PER SHARE/ EARNINGS PER SHARE

On an adjusted basis, diluted earnings per share (EPS) was 55.32 pence (2021: 46.09p). Total adjusted EPS increased to 55.38 pence (2021: 46.15p) with basic EPS at 31.86 pence (2021: -60.04p).

CASH AND CASH EQUIVALENTS AND BALANCE SHEET

The Group's focus on cash conversion continued and the Group achieved a cash conversion of 72% (31 December 2021: 103%).

Free cash flow (FCF) in the period was £14.6m (31 December 2021: £17.5m), after paying a gross £4.3m tax settlement in relation to historic incentive schemes during the year as described above. Excluding this settlement, the Group's FCF would have improved year-on-year to £18.9m.

The Group's FCF was fully utilised this year, undertaking a £5.5m treasury share Buyback to facilitate future servicing of the Group's SAYE Option Scheme and/or Long-Term Incentive Plan, alongside £9.4m for dividend payments made during the period.

Cash and cash equivalents at the end of the period remained strong at £56.3m (31 December 2021: £56.7m).

Working capital is now normalised post the pandemic and is reflective of the higher raw material and packaging costs experienced in the period. Capital expenditure of £1.2m was broadly consistent year-on-year (2021: £1.2m).

The Group's current Adjusted Return on Capital Employed progressed marginally at 27.2% (31 December 2021: 26.6%). Statutory Return on Capital employed is 14.2% (31 December 2021: 15.8% loss).

PENSIONS

The Group operates two employee benefit plans: a defined benefit plan that provides benefits based on final salary, which is now closed to new members, and a defined contribution group personal plan. At 31 December 2022, the Group recognised a surplus on its UK defined benefit scheme of £4.1m (2021: surplus £5.3m).

During the year the Trustees were able, with the support of the Company, to further de-risk the assets held within the scheme. This is in addition to the de-risking work carried out during 2021. Assets versus liabilities is now at 122% versus 83% at the time of the last valuation (April 2020). The Company is now working with the Trustees to develop its future funding strategy ahead of the next valuation in April 2023.

David Rattigan.

David Rattigan
Chief Financial Officer
28 February 2023

RISK MANAGEMENT

PRINCIPAL RISKS AND UNCERTAINTIES

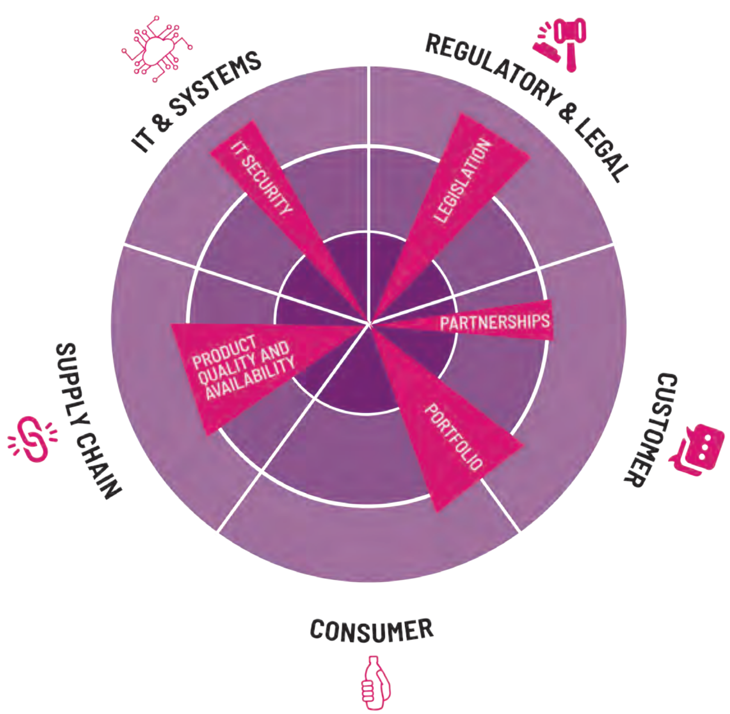
The primary aim of the Group's risk management process is to assist the business in meeting its strategic and operational objectives.

The Board identifies the principal risks while operational risks are identified via a bottom up approach and managed via functional risk registers. Both current risks and emerging risks are regularly reviewed using both this top down and bottom up approach. The Board has created a Risk Management Team (RMT) which regularly meets to discuss, monitor and oversee the risks and controls within the Group.

Updates and progress from the RMT are presented back to the Audit Committee regularly which monitors the effectiveness of the process.

The Board continues to review its overall risk framework within the context of an ever shifting and dynamic post-Covid-19 environment, which has seen rapidly rising inflation and increased cost of living pressures. During the year we have maintained our focus on the delivery of the risk mitigation plans whilst supporting the ongoing progression of the control environment.

The following represents the principal risks identified by the Board. As previously stated, there are other risks affecting the business, but with a lower risk score and impact. The Senior Leadership Team regularly reviews the output from the RMT and the Board has confidence that the current risk management process highlights any relevant changes in both current and emerging risks that may be strategically important.



Risk management key

- Short term
- Medium term
- Long term

Risk score movement key

Increased ↑ Decreased ↓ No change →

LOSS OF SYSTEM AVAILABILITY ↑

Impact

In common with many other businesses, we are highly dependent on the availability of IT systems. The supply chain function specifically is heavily reliant on technology. Accordingly, disruption to IT systems could limit availability of products and consequently impact sales.

Mitigation

Nichols operates several preventative systems and controls to reduce the risk.

In addition, we have a disaster recovery plan, including the use of third-party professional providers to host our systems and data.

The offsite data centre hosts our business critical applications in a dual mirrored set-up, which would restore systems within 2 hours in the event of a major outage.

Development

Whilst significant work has been undertaken over the previous years in order to mitigate the risk of system availability, the Group continues to update the current systems and controls whilst seeking out further improvements as appropriate.

In the year, the Group has commenced a project to implement a new enterprise resource planning (ERP) system, which is expected to be operational through 2024. The Group has engaged a third party transformation specialist to partner throughout all stages of the implementation who will work alongside a dedicated cross functional team from within the business.

THREAT OF CYBER-ATTACK →

Impact

The threat of cyber-attack is an ever present and indeed, ever growing risk in today's global business environment. Disruption to IT systems could limit availability of products and consequently reduce sales.

Mitigation

Nichols operates several preventative systems and controls, including regular penetration testing, to reduce the risk.

Significant upgrades were made in the prior year including, but not limited to, encryption developments, multifactor authentication and a default deployment strategy of security measures.

In addition, we have a disaster recovery plan including the use of third-party professional providers to host our systems and data whilst providing 24/7 monitoring and reporting of security events.

Development

Building on the recent system updates, during the year the Group has focussed on enhancing staff awareness of cyber risk via focussed training, in addition to further strengthening of controls where possible such as blocking user access and log on outside of the UK for example.

HEALTH & SAFETY INCIDENT

Impact

The Group operates with multiple office locations, a large field-based team and one manufacturing site. A health and safety incident, for example in a warehouse or on the road, could result in serious injury or death or investigation by the relevant authority.

Mitigation

The Group is supported by an effective Health & Safety Management system, comprising policies and procedures to support all functions. The review and delivery of the health and safety management system is supported by a cross functional committee, chaired by our Group H&S Manager. One of the key roles for the committee is to ensure the embedding and effectiveness of our policies and procedures across the Group.

Development

Significant progress has been made during the year with the introduction of a new incident management SharePoint including Group policies and legal register.

Training within the business across all Health and Safety matters continues to be a key focus for the Group.

SINGLE SOURCE OF SUPPLY OF VIMTO CONCENTRATE

Impact

The unique Vimto flavour is created across our supply base using the Vimto compound. Unavailability of the Vimto compound could impede our ability to produce and therefore significantly impact the Group's revenue. As a result, it is vital that we have surety of supply of the compound.

Mitigation

Working in partnership with our suppliers, we have established alternate production capability at more than one location to ensure continuity of supply.

Development

During the year the Group successfully entered into several new five-year contract manufacturing and distribution arrangements. Work continues with our strategic suppliers to further strengthen our business continuity plans.

PRODUCT QUALITY ISSUES

Impact

Inconsistent quality or contamination of any products across the Group's portfolio reduce demand within the market. This could have significant impact on the Group's financial performance and cause reputational damage.

Mitigation

The business demands strict quality controls from all manufacturers and suppliers of our materials and finished goods. We seek independent validation of these controls via Global Food Safety Initiative (GFSI) approved bodies such as the British Retail Consortium (BRC).

We adopt a comprehensive risk-based monitoring approach to all suppliers and manufacturers across all routes to market, specifically designed to mitigate quality risks.

Development

The Group's Incident Management Process has continued to be reviewed and refined throughout the year.

FAILURE TO SUCCESSFULLY EVOLVE OUR BRAND AND PRODUCT PORTFOLIO IN LINE WITH CHANGING CONSUMER NEEDS

Impact

Consumer needs, preferences and behaviours in relation to soft drinks purchase and consumption are constantly evolving. Failure to anticipate and respond to these changes and adapt our portfolio through renovation and innovation, may result in a loss of volume or impede our ability to deliver growth.

Mitigation

We continually track and monitor market and category trends and consumer attitudes and behaviours to ensure our continued relevance to consumers. This insight is the foundation for our Portfolio, Brand and Innovation Strategies.

We have a rolling 3-year pipeline of Innovation and Renovation across both new and existing brands.

Development

The Group has continued to innovate, extending our owned and licensed brands into new flavours and consumption occasions in the UK and Internationally.

The Innovation Steering Committee has continued to govern and oversee these key strategic projects.

ADVERSE PUBLICITY IN RELATION TO THE SOFT DRINKS INDUSTRY, THE GROUP OR OUR BRANDS, LEADING TO REPUTATIONAL DAMAGE OR ADVERSE CONSUMER OR TRADE PERCEPTIONS

Impact

Negative publicity affecting the brand could reduce consumer demand for the Group's products.

Mitigation

The business adheres to core values of originality, authenticity and ethics which result in a strong brand.

Development

The Group continues to regularly monitor and track media coverage relating to the Group and its Brands.

The Group has completed a media monitoring trial during the year in addition to exploring the use of social media monitoring.

LOSS OF A MAJOR CUSTOMER ACCOUNT OR KEY PARTNER

Impact

Loss of a major customer or key partner could limit availability of our products and consequently impact sales.

Mitigation

We are dedicated to maintaining long-term relationships with all our customers and key partners. However, the Group's diverse income streams across markets and regions mean we are not overly reliant on any one customer or partner.

We do not have any one customer that attributes more than 10% of total revenues and we are working to ensure that our key supplier partnerships are not limited to either one supplier or one site where possible.

Development

We have been reviewing our key partnerships to evolve contingency plans and business continuity planning.

INTRODUCTION OF NEW GOVERNMENT LEGISLATION

Impact

The introduction of new Government legislation within either the UK or overseas, could reduce demand for the Group's products and significantly impact the Group's revenue. In addition, new legislation could have an impact upon the cost of production and limit availability of our products.

Mitigation

The Group monitors its markets and any potential changes in legislation. Where such changes are identified, the Group considers several scenarios to manage the potential outcome, working with our key partners as necessary.

The introduction of the Deposit Return Scheme (DRS) is an example of Government legislation which will likely pose risk to the Group.

Development

The cross functional working group established to manage the Group's implementation of the Scottish DRS scheme has undertook significant work during the year in preparation of the 2023 go live. This includes liaising with appropriate governing bodies and external experts whilst meeting on a regular basis to ensure the business is well positioned to mitigate any impacts from a commercial, operational, financial and systems perspective.

This team will also monitor guidance regarding and prepare for the implementation of an English scheme.

FAILURE TO PROTECT THE GROUP'S INTELLECTUAL PROPERTY RIGHTS

Impact

A failure to protect the Group's intellectual property rights across the globe could negatively impact the perception of the brand and therefore revenues as a result.

Mitigation

The Group's legal team employ a specialist legal firm to monitor and litigate in response to all trademark infringements to protect its Intellectual property and Brands.

Development

Monitoring of all trademark activity continues with the support of a third party provider.

INCREASING FOCUS ON CLIMATE CHANGE, ENVIRONMENTAL AND SOCIAL ISSUES RESULTING IN NEW GOVERNMENT LEGISLATION

Impact

There is increasing focus on environmental and social issues in Government. This may result in new legislation (eg. plastic tax & High in Fat, Sugar, Salt (HFSS) foods legislation) being issued which may in turn affect both customer and consumer preferences and the Group's revenues.

Mitigation

The business has developed a Environmental, Social and Governance (ESG) strategy which is focused on creating a Happier Future for our planet by doing the right things in the right way.

The remit of this strategy includes but is not limited to, Carbon consumption, sustainable packaging and health and well-being.

Development

In the year the Group made clear progress in embedding our Happier Future Strategy within the business. This included but isn't limited to; introducing HFSS-compliant products across our UK packaged portfolio, collecting Scope 3 emissions data across our UK supply chains and embedding clear social and environmental requirements into our contracts with key partners.

David Rattigan.

David Rattigan
Chief Financial Officer
28 February 2023

SECTION 172 STATEMENT

PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following factors:

- the likely consequences of any decision in the long-term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the company

The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. It sets the Group's strategy and objectives taking into account the interests of all its stakeholders.

A good understanding of the Company's stakeholders enables the Board to factor the potential impact of strategic decisions on each stakeholder group into Boardroom discussions. Consequently, Board resolutions are determined with reference to the Company's key stakeholders: its employees, its customers, its suppliers, the community in which it operates, the environment and its shareholders.

The following section of this Annual Report serves as an overview of how the Directors, with the support of the wider business, engage with our stakeholders and consider these range of factors in the course of their s172 duties.

PRINCIPAL BOARD DECISIONS AND CONSIDERATIONS DURING 2022

The Board considers the key matters detailed on page 70 to be the Principal Decisions and considerations it has made during the year to 31 December 2022.

The Board considers 'Principal Decisions' to be those decisions which entail significant long-term implications and consequences for the Company and its stakeholders - to distinguish these from the normal, ordinary course decision-making processes that the Board engages in.

CASE STUDY OUT OF HOME STRATEGIC REVIEW

BACKGROUND:

The OoH drinks market was significantly impacted by the Covid-19 pandemic with the prolonged closure of many outlets. Whilst the hospitality trade began to return to pre-Covid-19 levels, albeit at a slower pace than previously forecast, on further assessment of the underlying financial performance of the route to market it was noted that margin progression after overheads could only be achieved with transformational change in terms of how the Group services the trade and its wider customer base.

As a result a strategic review of the Group's OoH route to market was undertaken during 2022 in order to develop a clear strategy that the Board believe will deliver a near term return to net profitability whilst also providing clear direction in terms of how the OoH route to market should be optimally managed and developed going forward.

CASE STUDY OUT OF HOME STRATEGIC REVIEW (CONTINUED)

ACTION:

With the assistance of external consultants, the strategic review was undertaken to fully understand the drivers of performance and explore the potential strategic options available to improve profitability.

Potential options included rationalisation of the business, greater outsourcing and further consolidation or acquisition.

OUTCOME:

The strategic review provided clarity on the financial performance of OoH whilst also identifying that OoH operates with discrete operations, customers, products and suppliers.

It is clear post the pandemic that the strategic challenges within our OoH business are quite distinct from those that exist within our Packaged business. The likely long term returns from our OoH business are lower and a different approach to management of the business is required to deliver shareholder value in the long term.

The strategic review identified several immediate actions that will be implemented through FY23.

These actions include:

- operating OoH as a distinct division within the Company
- exit of underperforming contracts and product categories, including coffee and national frozen accounts
- exit of the in-house central frozen region, which is considered sub scale and unprofitable and for dispense is already serviced by a distributor
- a review of processes to simplify the business ensuring a rationalisation of operating costs and central overheads
- improved financial reporting, including divisional and regional reporting focusing on net profit and return on capital employed

CONSIDERATION OF STAKEHOLDERS:

The Strategic review undertaken and the actions arising are an affirmative step by the Board into addressing the challenging conditions within the route to market.

The change to the Group's operating results in its external Annual Report and Accounts will give visibility to the Group's shareholders around the ongoing future challenges and progress made within this route to market.

The changes proposed whilst reducing numbers of employees within the OoH route to market considerably increase for employee's local accountability and understanding of the financial performance within their regions. Redundancy and retention packages offered to employees affected by the changes are considerably greater than statutory and various support packages are in place for individuals affected by the change.

FUTURE ACTIONS:

The plan to deliver this strategic project is expected to be implemented during 2023 with benefits largely realised during FY24. OoH financial performance will be segmentally reported from FY23.

PRINCIPAL BOARD DECISIONS AND CONSIDERATIONS DURING 2022

BOARD DECISION: In 2022, the Group commenced a review of its OoH route to market.

CONSIDERATIONS: The purpose of the strategic review was to develop a clear strategy that would deliver a near term return to net profitability whilst also providing clear direction in terms of how the OoH route to market should be optimally managed and developed going forward.

Details on the review and outcome is within the case study on pages 68 to 69.

BOARD DECISION: During the year the Board considered HMRC's ruling into historic contracts with some of its senior management relating to incentive schemes which were designed to motivate, retain and engage those key employees.

HMRC were of the view that the arrangements should have been taxed as employment income, which the Group and its advisors had previously disputed.

In the prior year a tribunal was convened to consider the dispute of the Group's scheme as well as similar schemes operated by other companies.

At the start of 2022, the tribunal found that the arrangements should have been taxed as employment income.

The Board sought its own legal opinion regarding both the likelihood of success under further appeal and debt recovery before settling with HMRC and the debt recovery process.

CONSIDERATIONS: Following the ruling from HMRC the Company has settled its tax liability and will commence recovery of debts from current and previous management during 2023.

BOARD DECISION: The Board carried out a review of the soft drinks market in terms of long-term growth prospects and consumer trends highlighting potential acquisition opportunities.

In conjunction with the OoH strategic review the Board agreed capital allocation would focus on the Group's Packaged route to market.

The Board reviewed management's M&A business case development processes, including financial metrics required to ensure robust integration planning and future shareholder value.

CONSIDERATIONS: The Board considered the long-term consumer trends, potential acquisition targets, appropriate cost of capital including risk premiums, reasonable valuation metrics and integration synergy planning.

BOARD DECISION: The Board considered and approved a grant under the Company's Save-As-You-Earn Share Option Scheme (SAYE Option Scheme).

CONSIDERATIONS: The Board considered the terms of the proposed SAYE Option Scheme grant, noting that it would be open to all eligible employees.

The Board agreed the price at which the options would be subscribed for, being set at a 20% discount to the average mid-market share price for the previous three days prior to the grant of the options. When the SAYE Option Scheme matures, the exercise of the options would be satisfied by using shares held in Treasury, having been bought as part of the share buyback process that took place in 2022.

HOW THE GROUP ENGAGED WITH ITS KEY STAKEHOLDERS DURING 2022

EMPLOYEES

Why we engage

The Group's long-term success is predicated on the commitment of our employees to our purpose and its demonstration of our values on a daily basis. To maintain our competitive advantage and meet the growing demands of the environment in which we operate, we need a workforce which is adaptive and whose skill base constantly evolves.

We also value workers with long-term practical experiences. We engage with our workforce to ensure that we are fostering an environment that they are happy to work in and that best supports their well-being.

How we engaged during 2022

We have continued to use employee engagement surveys to understand what areas we can improve upon. Engagement by employees in these surveys is high with an average of 85% of employees responding.

The Group scores highly with regards to organisational integrity; engaging managers; leadership; realising employees potential; and employees understanding the culture of the Group.

Areas the Group needs to improve upon are wellbeing and employee voice. We worked to fully understand what improvements we need to make and ran local focus groups to get more specifics on the feedback and to understand where there are variations across functions/level/location. Actions plans were then drafted and implemented during the last quarter of 2022.

CUSTOMERS

Why we engage

Communications and relationships with our direct customers is a fundamental ingredient to our success.

How we engaged during 2022

The Nichols plc commercial teams have continuous communications with our direct customers, through face-to-face and virtual meetings, to understand their needs, share our plans, seek feedback, and nurture collaborative working practices. We engage with our end consumers through our on-going promotional and advertising activity.

SUPPLIERS

Why we engage

Given Nichols' Packaged outsourced manufacturing model and OoH in house manufacturing footprint, having long-term strategic partnerships with our suppliers and co-packers is essential. Our suppliers are fundamental to the quality of our products and to ensuring that as a business, we meet the high standards of conduct that we set ourselves.

How we engaged during 2022

The Nichols plc supply chain team and senior management have regular review meetings with our supplier base.

HOW THE GROUP ENGAGED WITH ITS KEY STAKEHOLDERS DURING 2022 (CONTINUED)

THE COMMUNITY

Why we engage

The Group cares about its community and understands the importance of giving back to help and inspire others to achieve, developing positive relationships and maintaining a strong reputation within the community.

How we engaged during 2022

The Group pledged to improve the future for over 100 young people in our local communities, raising aspirations through skills development and career development opportunities.

In addition to existing partnerships, during 2022 the Group entered into a partnership with Manchester Thunder, a ParaNetball team whose goal is to change the lives of deaf and disabled young people through the provision of a welcoming, accessible and inclusive ParaNetball programme.

The Group's commitment to providing opportunities for young people extends to our international business with our on-going support for the Waves For Change Initiative.

During 2022 employees participated in "Camp Vimto" our brand-new programme that helps children from disadvantaged backgrounds learn life skills via workshops & interactive/outdoor activities to learn 'real' life skills such as resilience, good choices and how to look after their health. The programme also provides them with the opportunity to learn about FMCG careers and provides opportunities in mentoring, mock interview and placements within the UK business.

THE ENVIRONMENT

Why we engage

Nichols plc is aware of its environmental responsibilities and whilst all its current consumer packaging is already recyclable, the Group is working with suppliers and customers to reduce plastic waste as part of its "Happier Future" strategy.

How we engaged during 2022

The Group has committed to reduce its impact on climate change by reducing absolute Scope 1 & Scope 2 Green House Gas emissions by 25% by 2025 and define its net zero roadmap.

100% renewable energy is now used at the Group's Ross-on-Wye factory and Laurel House head office in the UK.

Further details can be found on the Company's website, www.nicholsplc.co.uk/happier-future/

SHAREHOLDERS

Why we engage

Continued access to capital is of vital importance to the long-term success of our business. Through our engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we go about executing on them. We create value for our shareholders by generating strong and sustainable results that translate into both dividends and a platform for future shareholder value growth. We are seeking to promote an investor base that is interested in a long-term holding in the Group.

How we engaged during 2022

The Executive Directors meet our institutional shareholders on a number of occasions throughout the year and aim to have an open dialogue to receive feedback.

Investor roadshow meetings are undertaken at least twice a year following the preliminary and interim results announcements.

During 2022, the Board committed to publish the presentations on interim and full-year results that the executive management give to institutional investors on the Company's website so that our retail shareholders are able to view these as well. The presentation for the 2022 Interim Results has already been published.

In addition the Executive Directors now utilise the online meeting platform, Investor Meet, to enable retail shareholders to participate in live investor presentations as well. This took place for the first time through 2022 and will continue into the future.

Any shareholder feedback we receive via our meetings or otherwise is discussed at Board meetings. Shareholders also have the opportunity to field any questions that they may not want to be asked directly of the Board to the Non-Executive Directors.

The Strategic Report has been approved by the Board on

28 February 2023

02

GOVERNANCE

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OUR BOARD

NON-EXECUTIVE CHAIRMAN

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

John has three grown up children and three grandchildren. John's two sons both work in the Company. John enjoys spending time with his family and using his spare time sailing, playing golf and walking his dog on the beach in Wales.

CHIEF EXECUTIVE OFFICER

Andrew Milne joined Nichols as the Commercial Director for Vimto Soft Drinks in July 2013. He was appointed to the plc Board on 1st January 2016.

Andrew also has extensive experience in the soft drinks industry having previously worked as Sales Director for the Northern region at Coca Cola Enterprises and prior to that, as Trading Director at GlaxoSmithKline.

Andrew is married to Debbie and they have two children. Andrew is a keen Manchester United fan and spends what spare time he has either watching or playing sport.

CHIEF FINANCIAL OFFICER

David Rattigan joined the Group as CFO at the end of February 2020 from McBride plc where he had worked for the previous 6 years. David has previously held senior financial and general management positions at Cheshire Constabulary, Premier Foods plc and United Biscuits Limited having started his career with ICI plc.

David is married to Debbie and has four sons. He enjoys football, sailing and generally being in the great outdoors as much as possible in his spare time.

NON-EXECUTIVE DIRECTOR

James Nichols is the great grandson of the founder of the Company and inventor of Vimto, John Noel Nichols; and son of the Non-Executive Chairman, John Nichols. James has a commercial background and has worked in the business since 2005, undertaking a wide variety of sales and marketing roles.

James is married to Anna, with two young children who take up much of their free time. James and his family enjoy travelling and spending time on, in or around the sea.

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Helen Keays Helen was appointed to the Board of Nichols as an Independent Non-Executive Director in September 2017 and is a member of the Remuneration Committee (which she chairs) as well as the Audit and Nomination Committees. After a career in Consumer Marketing at organisations such as GE Capital, Sears and Vodafone, Helen has developed significant experience working as a Non-Executive Director. She was previously Senior Independent Director at Dominos Pizza Group plc, Chair of the Remuneration Committee at Communisis plc and has also previously held NED roles at Majestic Wines plc and Chrysalis plc.

Helen is married with two teenage children who keep her busy watching their sports matches. In her spare time she likes to play tennis. Helen is also a Life Trustee of the Shakespeare Birthplace Trust.

CORPORATE GOVERNANCE STATEMENT

JOHN - NICHOLS -

NON-EXECUTIVE CHAIRMAN

I have pleasure in introducing Nichols' Corporate Governance Statement in what is my final report as Non-Executive Chairman of Nichols.

Having experienced unprecedented trading conditions in recent years due to the effects of the Covid-19 pandemic, 2022 was another challenging and unpredictable year with rising inflation, increased cost of living pressures on consumers and global logistical challenges.

However, our commitment to supporting high standards of corporate governance and our strong governance framework have enabled the Board to act quickly and support the management team in making decisions and taking appropriate actions.

CORPORATE GOVERNANCE REPORT

In this section of the Annual Report, we set out our governance framework and describe the work that we have done during the year to ensure good corporate governance throughout Nichols plc and its subsidiaries ("the Group").

THE QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE CODE

During 2022, we continued to follow the Quoted Companies Alliance Corporate Governance Code ("the QCA Code"). As an AIM listed company the Board considers that this is the most appropriate Code for the Company and we have complied with each of the ten principles of the QCA Code.

We recognise the need to continue to develop our governance practices and disclosures in order to ensure that they support the strategic progress of the Group and the effective application of the principles going forward. Our governance structure provides a framework of clearly established roles, policies and procedures designed to support our compliance with the QCA Code, the AIM Rules and other legal, regulatory and compliance requirements which apply to the Group. Details of how we comply with the QCA Code are set out in the table opposite.

Further detail on our approach to corporate governance can also be found at www.nicholsplc.co.uk/Home/Aim26.

PRINCIPLES OF THE QCA CODE	HOW THE COMPANY HAS COMPLIED
PRINCIPLE 1 Establish a strategy and business model which promote long-term value for shareholders.	The Board has collective responsibility for setting the strategic aims and objectives of the Group. Our strategy is articulated on pages 26 to 28 and on our website. In the course of implementing our strategy, the Board takes into account the expectations of the Company's stakeholders and wider social and environmental responsibilities.
PRINCIPLE 2 Seek to understand and meet shareholder needs and expectations.	The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results, enabling the Executive Directors to have an open dialogue and receive feedback. Further details can be found in our s172 Statement on pages 68 to 73.
PRINCIPLE 3 Take into account wider stakeholder and social responsibilities, and their implications for long-term success.	We consider that our stakeholders are: our shareholders; our employees; our customers; our suppliers; our community; and the environment. The Board recognises the importance of maintaining regular dialogue with our stakeholders to ensure, and receive and consider, their views. Information on how the Company engages with its key stakeholders is provided on pages 71 to 73.
PRINCIPLE 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The Board has ultimate responsibility for the systems of internal control and risk management. The Audit Committee reviews the Group's internal controls and risk management processes on the Board's behalf. The Company's Risk Management Team (RMT) comprises members of the Senor Leadership Team (SLT), the Risk Controller and both a legal and H&S representative. The RMT has met regularly throughout 2022. The RMT reports to the SLT who will provide an update to the Audit Committee three times a year. The Group's significant risks and related mitigation/ control are disclosed in the Strategic Review on pages 62 to 67.
PRINCIPLE 5 Maintain the Board as a well-functioning, balanced team led by the Chairman.	Details of how the Company has complied with this principle is set out further in this report.

PRINCIPLES OF THE QCA CODE	HOW THE COMPANY HAS COMPLIED
PRINCIPLE 6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	Details of how the Company has complied with this principle are set out further in this report.
PRINCIPLE 7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Details of how the Company has complied with this principle are set out further in this report.
PRINCIPLE 8 Promote a corporate culture that is based on ethical values and behaviours.	Details of how the Company has complied with this principle are set out further in this report.
PRINCIPLE 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	Details of how the Company has complied with this principle are set out further in this report.
PRINCIPLE 10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Communications with shareholders are explained in Principle 2 above. In addition to the interim and full year investor roadshows, regular meetings are held with analysts, retail investor groups and prospective investors. The plc website contains information about the business activities, access to all RNS announcements and copies of the Annual Report and Accounts. The plc website also includes historical announcements, as well as the Annual Report and Accounts for more than the minimum five years. The work of the Audit, Remuneration and Nomination Committees is described on pages 86 to 99.

PRINCIPLE 5

Principle 5 of the Code requires the maintenance of the Board as a well-functioning, balanced team led by the Chair.

The Board is led by our Non-Executive Chairman, John Nichols and includes two independent Non-Executive Directors, John Gittins and Helen Keays, both of whom have significant experience of plc directorships.

Liz McMeikan has been appointed on 11 January 2023 as Chair designate and is deemed to be an independent Non-Executive Director on appointment. However, when they are appointed as Chair of the Company at the 2023 AGM, they will no longer be deemed independent.

In addition, James Nichols is a Non-Executive Director. James also holds the position of Commercial Controller at Vimto Out of Home and has worked within the business for 18 years. James was appointed as a representative of the Nichols Family pursuant to a Relationship Agreement dated 22 July 2020 between the Company and the Nichols Family. The purpose of the Relationship Agreement is to formalise Board representation for the Nichols Family whilst ensuring that the Company is capable of carrying on, at all times, its business independently. Further details of the terms of the Relationship Agreement are provided on page 101.

The Board also comprises of two Executive Directors, Andrew Milne and David Rattigan.

The Board has delegated specific responsibilities to its three Board Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee and Remuneration Committee are chaired by the two independent Non-Executive Directors. John Nichols chairs the Nomination Committee. Details of the operation of the Board Committees are set out in their respective reports.

There were six Board meetings during the year. Details of Board and Committee meeting attendance of Directors during the year is set out below.

In addition, the Board held a Strategy Session in October 2022, to review its medium-term strategic plans, at which all Directors were present.

DIRECTORS	BOARD	AUDIT	REMUNERATION	NOMINATION
P J Nichols	6/6	3/3	4/4	4/4
J A Gittins	6/6	3/3	4/4	4/4
H M Keays	6/6	3/3	4/4	4/4
J E Nichols	6/6	n/a	n/a	n/a
A P Milne	6/6	n/a	n/a	n/a
D T Rattigan	6/6	n/a	n/a	n/a

Chair's role

Currently, at the time of publication of this Annual Report and Accounts, our Non-Executive Chairman is John Nichols who is the grandson of our founder, John Noel Nichols. The Board has announced the appointment of Liz McMeikan as Chair designate who will take over from Mr Nichols at the 2023 AGM.

As Chair, Mr Nichols' primary responsibility is to effectively guide, develop and lead the Board and ensure that the Group's corporate governance framework is appropriate, is communicated and is adopted across the business activities. The Chairman is also responsible for ensuring the Board agenda concentrates on the key operational and financial issues affecting the delivery of Nichols plc's strategy.

Whilst Mr Nichols' shareholding and long association with the business means that he is not regarded as an independent Chairman, he is not involved in the day to day operations of Nichols plc. Those responsibilities are managed by the Group's CEO.

PRINCIPLE 5 (CONTINUED)

Independent Non-Executive Directors (INEDs)

Mr John Gittins and Ms Helen Keays are considered by the Company as INEDs. The INED role is to provide oversight and scrutiny of the performance of the Executive Directors. John and Helen chair the Audit and Remuneration Committees respectively.

Our INEDs are expected to devote such time as is necessary for the proper performance of their duties and normally expect to spend a minimum of 12 days per annum on Company business, after the induction phase, normally including attendance at six board meetings, the AGM, committee meetings plus other events as required, including meetings with our employees and attendance at strategy meetings. However, the INEDs and the Company recognise that due to the nature of their role, it is impossible to be specific about the required time commitment, and additional time commitment required when the Company is undergoing a period of increased activity. In accordance with their appointment letter, our INEDs agree to commit sufficient time to perform their duties.

Executive Directors

The Company has two Executive Directors: Andrew Milne and David Rattigan. The Executive Directors are charged with the delivery of the business model within the strategy set by the Board.

INEDs communicate with Executive Directors and senior management between formal Board meetings. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman, so that their contribution can be included as part of the wider Board discussion. All Directors attended every meeting which they were eligible to attend.

PRINCIPLE 6

Principle 6 of the Code requires that the Directors ensure that between them they have the necessary up to-date experience, skills and capabilities.

The current Nichols plc Board has significant sector, financial and plc experience and the Executive Directors have broad experience in the soft drinks industry and in manufacturing.

David Rattigan who was appointed as Group Chief Financial Officer in 2020, was also appointed as Company Secretary on that date. Prism Cosec Limited is engaged to provide certain company secretarial services to the Company to support David in this role. This includes the attendance at, and minuting of, Board meetings to ensure that David is able to fully participate in these meetings as a Director and Group Chief Financial Officer.

With the support of our NOMAD and our advisors, the Board training and development needs are met. The Company's in-house legal counsel presents to the Board regularly on legal and regulatory matters and a written report on governance developments is presented at each Board meeting by Prism Cosec, the Company's corporate governance advisor.

Biographies on all Directors giving details of their experience and roles on the Board are shown on pages 76 to 77.

PRINCIPLE 7

Principle 7 of the Code requires that the Board and Committees evaluate their own performance based on clear and relevant objectives and seek continuous improvement.

A formal Board and Committee performance evaluation was undertaken in November 2021, in the form of a questionnaire which was completed by each member of the Board. The questionnaire focussed on purpose and culture, ESG, Board and Committee composition, stakeholder engagement Board effectiveness, Board processes including professional development, strategy and leadership, and Board and Group performance. The evaluation raised some actions to be considered by the Board and these were addressed during 2022.

Accordingly, there wasn't a formal performance evaluation of the Board and Committees during 2022. Instead, time was focussed on addressing the issues raised from the 2021 performance review. Progress was found to have been made on the actions suggested in the 2021 review, as summarised in the table opposite.

TOPIC AREA	PROGRESS MADE AGAINST AGREED ACTIONS
Board Succession: Commence search for Chair successor.	Liz McMeikan has been appointed as Chair designate to success John Nichols at the 2023 AGM. Succession planning for the Board is an ongoing topic of discussion and more information is provided on the Company's approach to succession planning in the Nomination Committee Report on page 98. The Executive Directors and other members of the SLT attend talent calibration meetings to ensure that the business has clear development and succession plans in place.
Board Diversity: Align according to Board succession planning.	Following the appointment of Liz McMeikan, gender diversity on the Board has increased to 29%. A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. When making new appointments, the Company will engage a market leading recruiter to provide a shortlist of suitable candidates with the required experience and ability as well as considering gender and ethnic diversity. Any potential candidate for appointment as a Non-Executive Director will be required to disclose their other commitments before being appointed as a Director.
Board Effectiveness: Board meetings to be held at other Group locations.	With effect from 2023, the Board calendar will include at least two sets of meetings per annum being held at a Group site that is not the head office.
Processes: Ensure Board minutes are issued in the online board portal after each meeting.	Draft minutes are issued to the online board portal after each meeting for each Director to review prior to the minutes being confirmed and approved at the following meeting.
Professional Development:	Details of training sessions and webinars offered by third parties are circulated by email to the Board. The Group's advisers provide updates as necessary to the Board for them to comply with the AIM rules and other legal, regulatory and compliance requirements which apply to the Group.
Strategy:	The Board and SLT hold an annual strategy day. Outside of this day, there are regular updates on strategy at each Board meeting and the SLT hold regular strategy sessions throughout the year as a whole.
Stakeholders: How to increase Board visibility to the Group's stakeholders.	The AGM is held in person each year. The Board is reviewing the use of Investor Meet to enable it to reach more retail investors. The Board will meet more employees as Group site visits increase.
Board & Group Performance:	The next Board and Committee performance evaluation will take place in 2023, once the new Chair has settled into their role. The Remuneration Committee evaluates Executive Director performance, alongside remuneration and reward. The Audit Committee engages with the Company's external auditors biannually and holds discussions on the financial systems, procedures and efficacy of management.

PRINCIPLE 8

Principle 8 of the Code requires that the Company promotes a corporate culture that is based on ethical values and behaviours.

Nichols plc is very proud of its warm and inclusive culture. It is our people and how they go about their business that has been fundamental to the sustained success of the Group for many years. Our culture is reflected in our values and the overarching theme of our values is 'doing the right thing'.

Our Values:

- People: We value and respect our employees. Their enthusiasm, ideas and hard work are fundamental to the success of our Company and we recognise that the education and development of our people is important. We believe that developing our talent at Nichols is essential to our success and we identify the development needs of all our employees through our appraisal programme. We support the professional development of our employees.
- Sustainable Business: We value our commitment to having a sustainable business. Our sustainable business strategy takes into account our wider corporate, environmental and social responsibilities. Further details are included in pages 32 to 55 of the Strategic Report.
- Customers and Suppliers: We believe in building long-term partnerships with our customers and suppliers.
- Community: We actively encourage our employees to give something back to the wider community.

The Company has adopted a Slavery and Human Trafficking Transparency Statement (the "Statement") and has an anti-bribery policy. These set out the ethical behaviour expected of our employees, with our Human Slavery Statement also including details of actions that we have taken to ensure that human slavery does not exist within Nichols or within our supply chain.

We have a zero-tolerance approach for giving or receiving of bribes or corrupt payments in any form. In addition, to ensure that any of our employees can raise any matters of genuine concern without fear of any action being taken against them, we also operate a whistleblowing policy. Further detail of the anti-bribery and whistleblowing policies, which are monitored by the Audit Committee, is provided in the Committee's Report on page 86 of this Annual Report. In addition, these policies and the Human Slavery Statement are available on the Company's website at www.nicholsplc.co.uk.

PRINCIPLE 9

Principle 9 of the Code requires that the Company maintains governance structures and processes that are fit for purpose and support good decision making by the Board.

Nichols plc has robust internal controls, delegated authorities and authorisation processes. The controls are subject to review, both internally by individual teams within the Company and externally by the Company's external audit provider, BDO LLP. In addition, the Company has appointed EY, as its co-sourcing partner to assist management in the development of a 3-year internal audit strategy. Further detail of the Group's internal audit process is provided on page 88.

The Board does not consider that the appointment of a Senior Independent Director is required at this time, although this will matter be kept under review. Shareholders have access to our INEDs, John Gittins, Chairman of the Audit Committee and Helen Keays, Chairman of the Remuneration Committee.

This culture of challenge and continuous improvement is encouraged to ensure that controls evolve with the business.

The Nichols plc website at www.nicholsplc.co.uk describes the roles and terms of reference for the Committees.

John Nichols
Non-Executive Chairman
28 February 2023

AUDIT COMMITTEE REPORT

JOHN - GITTINS -

INDEPENDENT NON-EXECUTIVE DIRECTOR

On behalf of the Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2022, which includes actions taken by the Committee during the year.

MEMBERSHIP OF THE AUDIT COMMITTEE

The Committee comprises three Non-Executive Directors. I continue to act as Committee Chair, with my colleagues John Nichols and Helen Keays. Helen and I are considered independent Directors. John Nichols is not considered independent as a result of his significant shareholding and previous executive role.

The Board is satisfied that I, as Chair of the Committee, have recent and relevant financial experience. I am a chartered accountant and currently chair the audit committee of Appreciate Group plc and previously of Electricity North West Limited.

The Audit Committee met three times during 2022 and all Committee members were present at every meeting.

DUTIES

The main duties of the Committee are set out in its Terms of Reference which are available on the Company's website (www.nicholsplc.co.uk/investors/ aim-rule-26/) and include the following:

- To monitor the integrity of the accounts of the Group, including its annual and half-yearly reports and accounts, announcements of preliminary results and any other formal announcement relating to its financial performance;
- To review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;
- To consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Company's external auditor;
- To oversee the relationship with the external auditor including recommendations on their remuneration, approving their terms of engagement, assessing annually their independence and objectivity and assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process; and
- To develop and implement a policy on the supply of non-audit services by the external auditor including prior approval of non-audit services by the committee and taking into account any relevant ethical guidance on the matter and thorough consideration of all appropriate matters.

The Committee reviews its Terms of Reference annually and they currently meet best practice standards.

AREAS OF FOCUS DURING THE YEAR

During the year, the Audit Committee discharged its responsibilities by:

- approving the external auditor's plan for the audit of the Group's annual accounts, including key audit matters, key risks, confirmation of auditor independence and terms of engagement, including audit fees.
- reviewing the Group's draft accounts and interim results statements and reviewing the external auditor's detailed reports thereon, including consideration of key audit matters and risks. In each case, the Committee reviewed accounting papers prepared by management. In addition, notwithstanding the Group's strong balance sheet, the Committee reviewed the going concern assessment prepared by management, given the impact of the ongoing cost of living crisis.
- meeting the external auditor, without management, to discuss matters relating to its remit and any issues arising from its work.
- reviewing the performance of the external auditor. This assessment covered key areas including (i) the audit partner and team (ii) the audit approach and execution (iii) the Committee and Company interactions with the external auditor and (iv) the added value and insights that the external auditors bring. The Committee's findings were subsequently discussed with the external auditor.
- approving the plan of targeted internal reviews conducted by the finance team and the internal audit plan proposed by EY, monitoring the results of these reviews and the timely follow up of any control recommendations. These activities are further explained in the internal audit section below.
- reviewing the Group's risk management process, key risk register, risk dashboard and risk mitigations.
- approving a refreshed Delegation of Authority matrix.

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

As part of the monitoring of the integrity of the financial statements, significant matters and accounting judgments identified by the finance team and the external auditor are reviewed by the Committee and reported to the Board. The significant matters considered by the Committee in respect of the year ended 31 December 2022 are set out below:

Strategic Review

During the year the Committee have reviewed papers prepared by management for all accounting matters relating to the Out of Home Strategic review and its potential impacts during the current year, 2023 and beyond. These matters include but are not limited to, exceptional items, impairment review and segmental reporting as follows.

Impairment Review

The Committee reviewed accounting papers prepared by management in connection with annual impairment reviews.

Out of Home, the Group's only cash-generating unit (CGU) with indefinite life Intangible assets, has been significantly impacted by COVID-19 from 2020 through 2021 and whilst trade within the hospitality industry has now opened post the pandemic, the impact of the war in the Ukraine, and its impact on inflation and cost of living pressures had added further challenges to the CGU with growth now significantly lower than previously expected. Based on this trading performance and the CGU's future prospects, management assessed the need for an impairment of £8.7m, representing the entire intangibles assets (£4.8m) and a proportion of the fixed assets (£3.9m) with which the Committee concurred.

Details of the impairment reviews performed are outlined in note 14 to the financial statements.

Segmental Reporting

In light of the strategic review into Out of Home, the Committee have reviewed management's continued assessment and disclosure of the Group's operating segments under IFRS 8. The Committee concur with management's view that the Group's operating segments for these financial statements continues to be both Stills and Carbonates, as these are the operating results that are reviewed regularly by the Board (as chief operating decision maker) in order to make decisions about resources to be allocated to the segment and assess its performance.

Following the Out of Home strategic review and management's decision to manage Out of Home separately, commencing H1 2023, from the Group's Packaged business, the Board will change the operating segments it reviews the results for and makes decisions on as chief operating decision maker. These segments will now be Packaged, Out of Home and Corporate rather than Stills and Carbonates.

The Committee were satisfied with the proposed change to Segmental reporting.

Exceptional Items

The Committee reviewed the accounting treatment of the items listed in note 4 and concurred with management's view that they are exceptional in size and nature in relation to the Group.

Net Liability for Historic Incentive Schemes

The Group has now settled with HMRC the tax and interest charges regarding the historic incentive scheme and will now commence recovery of debts from current and previous management who had indemnified the Company. The Committee have regularly reviewed management's progress to date and their continued approach to concluding this matter.

Going Concern Status

Reviews of the Group's going concern status were carried out by management at both the half and full-year period ends. Detailed papers setting out the relevant considerations were tabled by management and discussed with the Committee, together with the Group's external auditors.

The Committee noted that severe but plausible risk scenarios had been identified; a robust risk assessment had been carried out; and the Group's going concern statements remained appropriate when stress tested. Taking into account the Company's balance sheet position, the Committee concurred with management's view that the Group has adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this Annual Report).

EXTERNAL AUDIT

The Committee monitors the relationship with the external auditor, BDO, to ensure that auditor independence and objectivity are maintained. The external auditor is not engaged to perform any non-audit services, in line with the Group's policy.

Having reviewed and assessed the auditor's independence and performance, the Committee recommended to the Board that a resolution to reappoint BDO as the Group's external auditor be proposed at the forthcoming AGM. BDO have been the Company's external auditor for nine years (including the current financial year). The Committee has adopted a policy of tendering external audit services at least every ten years and accordingly, it is the Committee's intention, during 2023, to conduct an external audit tender process.

INTERNAL AUDIT

The Group has continued its successful co-sourced relationship with EY in order to undertake a number of internal audit reviews within the Group. A 2022 internal audit plan was developed between management and EY and approved by the Committee at the beginning of the year. This plan took into consideration the Company's principal risks, as well as sector specific risks. Areas of focus in the year included IT controls, procurement and contract management, as well as follow up of actions implemented from the previous year. EY attended all three Committee meetings during the year and completed the agreed internal audit plan.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound internal control systems to safeguard the investment of shareholders and the Group's assets. The systems are reviewed by the Board and, when asked, the Audit Committee, and are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year the Company has taken action to further develop its internal control and risk management environment. In addition to the development of internal audit as explained above, management committees with remits over risk management, treasury management and capital expenditure, which were established in 2020, now regularly report to the Committee.

WHISTLEBLOWING

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Committee is satisfied that the policy is operating effectively.

ANTI-BRIBERY

The Group has in place an anti-bribery and anticorruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is satisfied that the policy is operating effectively.

John Gittins
Chair of the Audit Committee
28 February 2023

REMUNERATION COMMITTEE REPORT

HELEN
- KEAYS -
INDEPENDENT NON-EXECUTIVE DIRECTOR

On behalf of the Remuneration Committee, I am pleased to present the Remuneration report for the year ended 31 December 2022.

MEMBERS OF THE REMUNERATION COMMITTEE

The Committee comprises the three Non-Executive Directors: I continue to act as Committee Chair, with my colleagues John Nichols and John Gittins. John Gittins and I are considered independent Directors. John Nichols is not considered independent as a result of his significant shareholding and previous executive role. Whilst John is not considered independent, he is a valued member of the Committee and brings over 51 years of company experience. PwC, our independent external consultants, also attend on a regular basis.

DUTIES

The Committee operates under the Group's agreed Terms of Reference and is responsible for reviewing all senior executive appointments and determining the Group's policy in respect of the terms of employment, including remuneration packages of Executive Directors. The Remuneration Committee met four times during the year and plans to meet at least three times a year going forward.

2022 REMUNERATION OUTCOMES

This is the second year in which we operated our Hybrid Incentive Plan. In the context of positive financial and exceptional personal performance during the year, the Committee determined that it was appropriate for awards to pay out at 69% of maximum overall. This incorporates maximum achievement against the Group Strategic Objectives which included completion of the Out of Home strategic review and the Operational Change Programme. Financial performance paid out 55% against the Adjusted Profit Before Tax objective which was in line with city consensus of financial performance. Full details of the performance assessment against both the financial and key business objectives can be found on pages 94 to 95..

The Committee is comfortable that the outcome is in line with underlying corporate performance and shareholder experience over the year, with the Nichols share price movement broadly in line with the wider AIM market (Nichols -28%, AIM -31%). Total dividend of 27.7p for the year is up 19.9% on the prior year which is in line with the Group adjusted earnings per share performance of 19.2% and market consensus as signposted at the beginning of FY22. The outturn is also in line with the experience of the wider workforce with maximum bonus being awarded.

Taken as a whole, the Committee is satisfied that the overall pay outcomes for the year ended 31 December 2022 are appropriate and, accordingly, we have not applied any discretion to this year's outcome. The Committee will continue to set stretching targets for the Hybrid Incentive Plan in the context of business plan and consensus forecasts.

In line with the Policy approved at the 2022 AGM, 60% of the award will be deferred into shares and the remainder will be paid in cash. This deferred element of the award, which is intended to align Executive Directors' remuneration with shareholder value in the longer term, vests 3 years after the start of the performance period (i.e. 2 years after the pay-out of the cash element).

OUTSTANDING AWARDS

In relation to the LTIP awards granted to Andrew Milne in 2019, the Committee reviewed the performance conditions after the year end and determined that performance for these awards was below the threshold levels. The awards have, therefore, lapsed.

In relation to the 2020 Matching Award deferred into shares, the share price used for calculating the number of shares was 1,408p at the time of award. As at 31 December 2022 the share price was 1,072p.

In relation to the 2021 Hybrid Incentive Plan award deferred into shares, the share price used for calculating the number of shares was based on a year-end 2021 price of 1,441p. As at 31 December 2022 the share price was 1,072p.

REMUNERATION POLICY

The objective of the Group's Remuneration Policy is to attract, motivate and retain high quality individuals who will contribute fully to the success of the Group. To achieve this, the Group provides competitive salaries and benefits to all employees.

Executive Directors

The Committee has the following principles it follows when establishing Executive Director remuneration at Nichols:

- Motivating
- Simple
- Aligned to group strategy
- Flexible
- Transparent
- Fair

To ensure alignment with these principles, the Group operates a hybrid incentive plan which combines the previous individual bonus and long-term incentive plans into a single plan. This hybrid incentive plan assesses both short and long-term performance in a combination of cash and deferred shares.

The table on pages 92 to 93 summarises the key elements of the revised remuneration policy for Executive Directors.

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Group for the provision of Non- Executive Directors' services, which may be terminated by either party giving three months' written notice. The Non-Executive Directors' fees are determined by the Board.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

ELEMENT AND LINK TO STRATEGY	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE CONDITIONS AND ASSESSMENT
BASE SALARY Supports the recruitment and retention of Executive Directors, reflecting their role, skills, and experience.	Base salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. In setting appropriate salary levels, the Committee considers data for similar positions in comparable organisations. The data is independently commissioned, and the Committee aims to position Executive Directors competitively within this reference group.	Increases to base salary are determined annually by the Committee considering: • Individual performance. • The scope of the role. • Pay levels in comparable organisations and • Pay increases for other employees.	Not applicable - although individual performance is considered when determining base salary increases.
PENSION Supports recruitment and retention of Executive Directors.	Generally, the Company contributes to a defined contribution pension scheme for the Executive Directors. The contribution can instead be paid in cash (which is excluded from incentive calculations) if the Executive Director is likely to be affected by the limits for tax-approved pension saving.	Up to 9% of base salary. This is in line with wider workforce. After 10 years' service the wider workforce is entitled to 10% of base salary.	Not applicable
BENEFITS Supports recruitment and retention of Executive Directors.	Executive Directors are entitled to the following benefits: • Life assurance; • Directors and Officers Liability Insurance • Private medical insurance and • Company car/car allowance and fuel The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, considering typical market practice and practice throughout the company.	The value of such benefits is not capped but is based on cost which may change from year to year.	Not applicable

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

ELEMENT AND LINK TO STRATEGY	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE CONDITIONS AND ASSESSMENT
ALL-EMPLOYEE SHARE PLAN – SAVE AS YOU EARN (SAYE) To encourage equity ownership across all employees and create a culture of ownership.	The Company offers a SAYE scheme for all employees. The operation of these plans will be at the discretion of the Committee, and Executive Directors will be eligible to participate on the same basis as other employees.	Maximum permitted based on HMRC limits from time to time.	Not applicable
HYBRID INCENTIVE PLAN Supports the recruitment and retention of Executive Directors. Supports a high performance culture Rewards performance in the context of achieving key goals, and encourages sustainable performance that supports the achievement of strategic goals.	A combination of financial and non-financial measures and targets are set annually. Outcome levels will be determined based on performance against this scorecard. For Executive Directors, 60% of awards will be deferred into shares. The deferred proportion of awards will pay out 3 years from the start of the performance period. The Committee retains discretion to adjust the pay-out level of deferred incentives based on performance in the deferral period. The deferred element of the award will attract dividend equivalents for the period between assessment and pay-out.	The maximum incentive which may be earned in any year under the Hybrid Incentive Plan is 250% (2022: 200%) of base salary.	For 2023 awards, performance conditions will be weighted 70% towards financial performance and 30% towards Strategic Goals. The financial element of the performance conditions will act as an underpin on pay outs from the remainder of the award.

ANNUAL REPORT ON REMUNERATION IN 2022

The following table summarises the total gross remuneration of the Directors who served during the year to 31 December 2022.

	Fixed remuneration			Performance related – Hybrid Incentive Plan			
	Salary and fees £'000	Benefits in kind[2] £'000	Pension[3] £'000	Cash £'000	Deferred shares[4] £'000	**Total 2022 £'000**	Total 2021 £'000
Executive Directors							
A P Milne	332	20	30	183	275	**840**	1,021
D T Rattigan	222	17	18	123	185	**565**	668
						1,405	1,689
Non-Executive Directors							
P J Nichols	101	1	-	-	-	**102**	102
J Nichols[1]	22	-	-	-	-	**22**	20
H M Keays	45	-	-	-	-	**45**	40
J A Gittins	45	-	-	-	-	**45**	40
						214	202
						1,619	1,891

1 The fee disclosed above relating to J Nichols is that for his Non-Executive Director duties as a Representative Director pursuant to the Relationship Agreement that exists between Nichols PLC and the Nichols family. Separately, J Nichols is also a Commercial Controller within the Vimto Out of Home business.

2 Benefits consist of the provision of a company car (or cash equivalent), fuel and private healthcare.

3 Pension may be paid as a cash sum in lieu of.

4 Vesting of awards will be 2 years from the date of grant.

HYBRID INCENTIVE PLAN

For the 2022 financial year, the maximum bonus opportunity for the Executive Directors was 200% of base salary. 70% of the award was based upon financial performance and 30% was based on performance against Group Strategic Objectives. Of the award achieved, 60% has been deferred into shares to be paid out 3 years from the start of the performance period. The remaining 40% awarded is to be paid in cash.

Financial elements outcome (70% of award)

		Performance Targets						Actual Performance	
	FY21 Adjusted PBT	Threshold £m	Payout	Target £m	Payout	Maximum £m	Payout	£m	Payout
Group Adjusted Profit Before Tax[1]	21.8	23.9	25%	25.2	60%	26.5	100%	25.0	55%

1 Excluding exceptional items

The Group achieved a strong financial performance in the year with Adjusted Profit Before Tax ("Adjusted PBT") of £25.0m, up £3.2m (+14.3%) on the prior year result of £21.8m.

Performance targets were set at the beginning of FY22 financial year. Based upon financial planning at that time, Executive Directors would be able to earn 60% of maximum bonus with Adjusted PBT of £25.2m (+£3.4m versus prior year). This target represented the Group compiled market consensus for full year performance in existence at that time. An achievement of Adjusted PBT £26.5m represented a stretch target for the Group and would result in a maximum pay out of 100%.

Based on actual performance, both the Chief Executive Officer and Chief Financial Officer achieved 55% of the maximum bonus, acknowledging the Group performance in the period, broadly in line with target.

Personal element outcomes (30% of award)

Both Executive Directors were set three personal objectives to be measured as a whole, weighted at a maximum of 30% as follows:

1. ***Happier Future objectives relating to year 2 of our 3 year programme***

   Shaping the Group's ESG agenda and year 2 delivery, focusing on scope 1 and scope 2 2025 commitments in the areas of climate action, packaging, healthier options and community support

2. ***Operational change objectives relating to year 2 of Strategic Change***

   Review of UK Packaged supply chain focussing on delivering Strategic Supply partnerships, enabling significant capacity expansion and efficiency improvements, optimising our outbound supply chain and advancing the Group's internal Sales and Operational Planning process

3. ***Out of Home Strategic Review***

   Undertaking a strategic review of the Out of Home route to market

Based on the exceptional performance of both Executive Directors during the year, the Committee have determined that the maximum potential 30% award in respect of their personal objectives was achieved.

OUTSTANDING SHARE AWARDS

The table below sets out details of all outstanding share awards in respect of current Executive Directors:

Award	Grant date	Vesting date	Recipient	Exercise price	Number of shares outstanding	Number of shares lapsed
2020 SAYE	15 April 2020	15 April 2023	Andrew Milne	£7.93	1,513	-
	15 April 2020	15 April 2023	David Rattigan	£7.93	2,269	-
2020 shareholding policy guideline - matching award	18 December 2020	18 December 2023	Andrew Milne	£0	9,668	-
	18 December 2020	18 December 2023	David Rattigan	£0	7,734	-
2021 SAYE	15 April 2021	15 April 2024	Andrew Milne	£10.15	1,064	-
2021 Hybrid Incentive Scheme	23 March 2022	23 March 2024	Andrew Milne	£0	26,987	-
	23 March 2022	23 March 2024	David Rattigan	£0	17,770	-

IMPLEMENTATION OF REMUNERATION POLICY IN 2023

In 2023, the Hybrid Incentive Plan will be assessed against financial performance (Adjusted Profit Before Tax) and Group Strategic Objectives. Threshold performance under the profit target will act as an underpin on the remainder of the award. The bonus outcome will range from zero at a threshold performance, up to 100% for a stretch performance.

The maximum bonus opportunity for the Executive Directors will be 250%[1] of base salary with 70% of the award being based upon financial performance and 30% was based on performance against Group Strategic Objectives. On achievement of the award 60% will be deferred into shares to be paid out 3 years from the start of the performance period with the remaining 40% being paid in cash.

The performance targets are not disclosed prospectively as they are considered to be commercially sensitive. Details of performance against the targets and the resulting awards earned will be disclosed retrospectively at the end of the performance period.

1 The Committee reviewed the Hybrid Incentive Plan during the year as it has been in operation for two years. After careful consideration it was agreed that the Plan remains the right incentive structure with which to incentivise and retain Executive Directors. However, in order to further increase incentivisation and align more closely with market levels of remuneration, the Committee approved an increase in the maximum opportunity from 200% to 250% of salary, with a commensurate increase in the level of stretch in the targets.

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

There were 4 Remuneration Committee meetings held during the year. The following table sets out individual attendance by members:

NON-EXECUTIVE DIRECTORS	MEETINGS ATTENDED
H M Keays	4
P J Nichols	4
J A Gittins	4

CONCLUSION

On behalf of the Committee, I hope this report gives you a clear view of how we have implemented the policy in 2022 and our plans for 2023.

Helen Keays
Chair of the Remuneration Committee
28 February 2023

NOMINATION COMMITTEE REPORT

JOHN - NICHOLS -

NON-EXECUTIVE CHAIRMAN

On behalf of the Committee, I am pleased to present our Nomination Committee Report.

MEMBERSHIP OF THE NOMINATION COMMITTEE

The Committee comprises three Non-Executive Directors: I act as Committee Chair, with my colleagues John Gittins and Helen Keays. John and Helen are considered independent Directors. I am not considered independent as a result of my significant shareholding and previous executive role.

The Nomination Committee met three times in 2022 and all Committee members were present at every meeting.

ROLE OF THE NOMINATION COMMITTEE

The main duties of the Committee are set out in its Terms of Reference which are available on the Company's website (www.nicholsplc.co.uk/investors/aim-rule-26/) and include the following:

- Keep under review the Board's structure, size and composition, including diversity and the balance of independent and non-independent Non-Executive Directors, and make recommendations to the Board with regard to any changes required.
- Ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession.
- Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- Be responsible for identifying and nominating for the approval of the Board, candidates to Board vacancies as and when they arise.
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge experience and diversity on the Board.
- Review annually the time required from Non-Executive Directors.
- Make recommendations to the Board on the re-election by Shareholders of Directors under the annual re-election provisions of the QCA Code or the retirement by rotation provisions in the Company's articles of association.

The Committee reviews its Terms of Reference annually and these were last reviewed in December 2022.

ACTIVITIES DURING THE YEAR

During the year, the Nomination Committee discharged its responsibilities by considering succession planning as a whole for the Board and senior management.

APPOINTMENT OF NON-EXECUTIVE CHAIR

The Committee was made aware in April 2022 that I wished to stand down as Chair of the Company and the market was advised accordingly and a search commenced for a new Chair.

Helen Keays and John Gittins led this process and were assisted by the Company's People & Sustainability Director. The brief was to find a candidate who had relevant consumer experience and had strong experience of being a senior board director and the required skills necessary to support the ongoing delivery of the Group's strategy. The Group engaged an external recruitment consultant to assist the Committee in its search.

Helen and John met with a number of candidates and shortlisted two to meet with the Board as a whole and after due consideration and discussion Elizabeth (Liz) McMeikan was approved as the Chair designate.

Liz initially joined the Group as a Non-Executive Director on 1 February 2023 and will be appointed Non-Executive Chair on 26 April 2023 at the conclusion of the 2023 AGM where I will stand down as Non-Executive Chair but remain on the Board as the Nichols' family second board seat.

Liz has a wealth of consumer-focused public and private company experience, having spent the majority of her executive career at Colgate Palmolive and Tesco and, more recently, from a number of Non-Executive board roles where she is either the Senior Independent Non-Executive Director or Chair of a committee, and I am very confident will be of great value to the Group.

John Nichols
Non-Executive Chairman
28 February 2023

DIRECTORS' REPORT

Nichols plc ("the Company") is a public limited company, registered in England, and is listed on AIM of the London Stock Exchange. The Directors present their report for the year ended 31 December 2022, in accordance with section 415 of the Companies Act 2006. The Corporate Governance Statement set out on pages 78 to 85 forms part of this report.

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Report of the Directors have been omitted as they are included in the Strategic Report on pages 12 to 73. These matters relate to a full review of the performance of the Company and its subsidiaries (together "the Group") for the year, current trading and future outlook.

The statement by the Directors in performance of their statutory duties in accordance with section 172(1) Companies Act 2006 is provided on pages 68 to 73.

PRINCIPAL ACTIVITIES

Nichols plc is an international soft drinks business with sales in over 73 countries, selling products in both the Still and Carbonate categories.

FINANCIAL RESULTS AND DIVIDENDS

The Group's Profit Before Taxation from continuing operations for the year ended 31 December 2022 amounted to £25.0m (2021: loss: £17.7m). The Directors will recommend a dividend of 15.3p at the 2023 Annual General Meeting to be held on 26 April 2023 the ("2023 AGM").

ARTICLES OF ASSOCIATION

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders. A copy of the Articles of Association can be found on the Company's website, nicholsplc.co.uk.

DIRECTORS AND THEIR INTERESTS

The Directors who have held office during the year ended 31 December 2022 and to the date of this report are as follows:

EXECUTIVE DIRECTORS

Andrew Milne
David Rattigan

NON-EXECUTIVE DIRECTORS

John Nichols, Chairman
John Gittins
Helen Keays
James Nichols

The roles and biographies of the Directors in office as at the date of this report are set out on pages 76 to 77. Details of their interests in ordinary shares of the Company as at 31 December 2022 are shown in the table opposite.

Details of Directors' remuneration, including pension arrangements, service agreements and Long-Term Incentive Plan Awards are provided in the Annual Report on Remuneration within the Remuneration Committee Report on pages 90 to 97.

Summary of Directors' Interests in the Company

Director	Shares held as at 1 January 2022	2022 movement	Shares held as at 31 December 2022
P J Nichols	2,000,000	-	2,000,000
A P Milne	12,446	3,152	15,598
D T Rattigan	1,659	3,806	5,465
J A Gittins	1,280	-	1,280
H M Keays	-	-	-
J E Nichols	835,476	-	835,478

RELATIONSHIP AGREEMENT

On 22 July 2020, the Company entered into a Relationship Agreement with the Nichols Family. The Nichols Family consists of certain members of the immediate and extended family of the Company's founder John Noel Nichols. Members of the Nichols Family hold in aggregate an interest of approximately 35.8% in the Company's issued share capital as at the year end.

The purpose of the Relationship Agreement is to formalise Board representation for the Nichols Family whilst also ensuring that the Company is capable of carrying on, at all times, its business independently. In accordance with the terms of the Relationship Agreement, so long as the Nichols Family retain (i) an aggregate interest of equal to or greater than 20 per cent in the issued ordinary share capital of the Company, they shall be entitled (but not required) to appoint one Non-Executive Director; and (ii) an aggregate interest of equal to or greater than 30 per cent in the issued ordinary share capital of the Company, they shall be entitled (but not required) to appoint one further Non-Executive Director to the Board.

In accordance with the terms of the Relationship Agreement, John Nichols, the Chairman of the Company and James Nichols, Non-Executive Director are the Family Representative Directors.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Risk Management section on pages 62 to 67 and financial risks are set out in note 2 to the accounts.

EMPLOYEES

Detail of how the Board has engaged with its employees is included in the Strategic Report on page 71.

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.

Management continuously consult with employees and keep them informed on matters of current interest and concern to the business. Further information regarding employment at Nichols is provided on page 71 of the Strategic Report.

CUSTOMERS AND SUPPLIERS

Detail of how the Board has engaged with its customers and suppliers is included in the Strategic Report on page 71.

POLITICAL DONATIONS

The Company does not make any political donations and does not incur any political expenditure.

SHARE CAPITAL

Details of the Company's share capital, including changes during the year, are set out in note 28 to the Accounts. As at 31 December 2022, the Company's share capital consisted of 36,968,772 Ordinary Shares of ten pence each, of which 493,150 are held in treasury and accordingly have no voting rights.

Ordinary Shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. Every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote on a show of hands, and on a poll shall have one vote for every share of which he or she is the holder or authorised representative. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of the Ordinary Shares.

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

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Subject to authorisation by shareholder resolution, the Group may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 27 April 2022, the Group was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 3,696,877 of its Ordinary Shares.

During 2022, the Company completed its share buyback programme, the purpose of which is to meet future obligations under the Company's SAYE Option Scheme and/or Long Term Incentive Plan. In the period the Company repurchased 385,486 Ordinary Shares under this authority, which is due to expire at the AGM to be held on 26 April 2023. These Ordinary Shares are held in Treasury and accordingly do not have any voting rights or rights to receive dividends.

In exercising its authority in respect of the purchase and cancellation of the Group'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 lead to deterioration in future expected earnings per share growth.

SHARE OPTIONS

The Company operates a Save-As-You-Earn Share Option scheme. In conjunction with this, the Company will use some of the shares held in Treasury to satisfy future exercises of options under the scheme. The Company has, in the past, also made donations to an Employee Share Ownership Trust ("the ESOT") to enable shares to be bought in the market to satisfy the demand from option holders.

As at 31 December 2022, the ESOT held 4,101 Nichols plc Ordinary 10 pence shares (2021: 4,889).

RESEARCH AND DEVELOPMENT

The Group undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the year on research and development amounted to £0.2m (2021: £0.3m).

ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

Environmental sustainability is a core priority for Nichols, which we have embedded within our "Happier Future" strategy, which outlines the ways the business is working with its partners and for its communities to make life taste better for everyone.

In accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have prepared a Streamlined Energy & Carbon Report (SECR) for the financial year of 2022. More information is provided on pages 52 to 53 of the Strategic Report and on our website, nicholsplc.co.uk.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group is described in the Chief Financial Officer's Report on pages 56 to 61.

In assessing the appropriateness of adopting the going concern basis in preparing the Annual Report and financial statements, the Directors have considered the current financial position of the Group, its principal risks and uncertainties, the potential impact of further Covid-19 restrictions in addition to a continued cost of living crisis. The review performed considers severe but plausible downside scenarios that could reasonably arise within the period.

The estimated impacts of Covid-19 restrictions are primarily based around our OoH market and the potential for future lockdowns within the hospitality industry. Our modelling has sensitised trading within this market to reflect varying degrees of lockdowns with the most severe scenario assuming that some restrictions will return during the remainder of 2023 and the start of 2024.

During the year the Group experienced a period of significant inflation and a cost of living crisis against which a number of mitigation actions were introduced. These are largely evidenced in the results announced. Our modelling has sensitised the impacts of Russia's continued invasion of Ukraine, in particular their impact on global supply chains and macroeconomic inflationary factors.

In addition to the further impacts of Covid-19, alternative scenarios, including the potential impact of key principal risks from a financial and operational perspective, have been modelled with the resulting implications considered. In all cases, the business model remained robust. The Group's diversified business model and strong balance sheet provide resilience against these factors and the other principal risks that the Group is exposed to. At the 31 December 2022 the Group had cash and cash equivalents of £56.3m with no external bank borrowings.

On the basis of these reviews, the Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of the Annual Report) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the accounts.

INFORMATION TO THE INDEPENDENT AUDITORS

Each of the Directors who are Directors at the time when this Directors' Report is approved have confirmed that:

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

RESOLUTION TO RE-APPOINT INDEPENDENT AUDITORS

In accordance with Section 489 of the Companies Act 2006, a resolution will be proposed at the 2023 AGM that BDO LLP be re-appointed auditors.

DIRECTORS' INDEMNITY

The Group has agreed to indemnify its Directors against third party claims which may be brought against them and has in place a Directors' and Officers' insurance policy.

ANNUAL GENERAL MEETING

The 2023 AGM of the Company will be held at Nichols plc, Laurel House, 5 Woodlands Park, Ashton Road, Newton-le-Willows, Merseyside, WA12 OHH on 26 April 2023 at 11:00am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, is set out on pages 170 to 171. Copies of the notice will be distributed to shareholders who have elected to receive hard copies of shareholder information. The voting on all resolutions at the 2023 AGM will be via a poll and not on a show of hands in accordance with best practice.

David Rattigan
Secretary
28 February 2023

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

Registered in England and Wales No. 00238303.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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 are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of 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 accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Andrew Milne
Chief Executive Officer

28 February 2023

David Rattigan
Chief Financial Officer

28 February 2023

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NICHOLS PLC

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nichols plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Parent company statement of financial position, the Group and Parent company statement of cash flows, the Group and Parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' assessment of the going concern status of the Group and the Parent Company which included forecasts and stress-testing covering a period of 12 months from the date of sign off of the financial statements;
- Considering the appropriateness and accuracy of these forecasts and robustly challenging their inputs using our knowledge of the business and the sector and wider commentary available from competitors and peers; and
- Challenging the Directors' assumptions and judgements made with regards to stress-testing of forecasts, re-performing sensitivities on the Directors' base case and stressed case scenarios, considering the likelihood of these occurring and understanding the mitigating actions the Directors would take under these scenarios; and
- Reviewing the going concern disclosures, and assessing their consistency with the Director's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	100% (2021: 100%) of Group profit before tax (2021: Group loss before tax)		
	100% (2021: 100%) of Group revenue		
	99% (2021: 99%) of Group total assets		
Key audit matters		2022	2021
	Brand Support Arrangements	✓	✓
	Goodwill and Intangible Asset Impairment*	✗	✓
	Impairment - Brands with indefinite lives and Out of Home assets	✓	✗
	*Goodwill was fully impaired in the prior year, therefore the Key Audit Matter titled *'Goodwill and Intangible Asset Impairment'* is no longer applicable for the current year.		
Materiality	Group financial statements as a whole		
	£1.1m (2021: £1.0m) based on approximately 5% of profit before tax after adjusting for exceptional items (2021: based on 5% of loss before tax after adjusting for exceptional items)		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from two principal locations in the UK and has common financial systems, processes and controls covering all significant components.

Our Group audit scope focused on the Group's trading entities, being Vimto Out of Home Limited and the Parent Company which were considered to be the significant components. Full scope audits on these components were performed by the Group engagement team.

The remaining components are dormant and therefore were considered non-significant to the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BRAND SUPPORT ARRANGEMENTS
(accounting policy in note 2)

Key Audit Matter

Consistent with industry practice, the Group incurs significant costs or rebates to customers in the support and development of the Group's brands. These include short term promotional discounts, long term discounts and rebates.

The classification of these costs within the income statement is dependent upon the type of arrangement with the customer. As the majority of these costs and rebates are recognised as a deduction to revenue we consider there to be a significant risk concerning the appropriate application of accounting standards, particularly in respect of the Group's measurement of the fair value of variable consideration in revenue transactions as well as the Group's accounting for arrangements where cash consideration is given by the Group to the customer.

As described in note 2, the estimation of the fair value of variable consideration requires a level of estimation and judgement to be applied by management. Judgement is required in determining the period over which these costs and rebates should be recognised for these arrangements, requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data. Estimates are based on past history and the level of recent sales made to each customer.

Whilst the majority of costs and rebates incurred on these arrangements have been settled at 31 December 2022, management judgement is required in determining the level of closing accrual required at the year end for promotions and brand support campaigns that either span two financial years or where the costs or rebates have not been fully settled by the year end date.

As a result of the level of estimation and judgements applied in this area, as well as management being in a position to be able to override controls and potentially manipulate profits by changing accounting estimates and judgements, we consider there to be a risk of fraud within this area and therefore considered brand support arrangements to be a key audit matter.

How the scope of our audit addressed the key audit matter

We undertook the following audit procedures in relation to brand support arrangements:

- We tested the operating effectiveness of the relevant controls related to the approval of brand support arrangement agreements before inception and going live on the system;
- We assessed whether the accounting policy for brand support arrangements complied with UK adopted international accounting standards.
- We performed detailed testing over a sample of brand support arrangements charged to revenue and to costs in the year through verification to the underlying agreement and recalculation of the amounts recognised as a cost or rebate and the value of the liability accrued.
- We challenged the judgements and estimates made by management in determining the year end accrual through:
  - Reviewing the contractual terms within the brand support agreements
  - assessing the appropriateness of the inputs used such as sales data by verifying to supporting documentation and
  - performing a recalculation of the year end accrual for a sample of promotions.
- We performed detailed cut-off testing by selecting a sample of live and completed brand arrangements, agreeing back to supporting contractual terms and performing a recalculation to verify that brand support arrangements were recorded in the correct period;
- We tested manual journal postings to revenue throughout the year back to supporting documentation for evidence of misstatement or manipulation;
- We selected a sample of post year end credit notes and checked that, where audit evidence demonstrated that the credit note related to the audit period, that these credit notes were appropriately provided for in the financial statements; and
- We reviewed the year end liability for completeness and accuracy by reviewing arrangements in place for key customers, generating an expectation as to the year end liability and comparing to that recorded by the Group.

Key observations:

Following the completion of our work, we consider the estimates and judgements applied by management in this area to be appropriate, and brand support arrangements have been calculated appropriately and classified in accordance with accounting standards.

IMPAIRMENT - BRANDS WITH INDEFINITE LIVES AND OUT OF HOME ASSETS
(note 14, note 11 and accounting policy in note 2)

Key Audit Matter

The Group has significant tangible assets and intangible assets including brands with indefinite lives. There is a risk that the underlying results of the separately identified cash generating units (CGUs) do not support the carrying value of indefinite life intangible assets and other assets held by one CGU (being the Out of Home business).

Management performed a full impairment assessment to determine if the carrying value of the indefinite life intangible assets is supported. The assessment resulted in an impairment that was greater than the indefinite life intangible assets carrying value and therefore the impairment charge was allocated on a pro-rata basis across the assets within the CGU. An impairment charge was recognised of £4.8m in relation to intangible assets and £3.9m in relation to property, plant and equipment.

The key assumptions applied by the Directors in the impairment reviews are:

- Cash flow forecasts in the context of the going concern review, including assumptions on future growth, gross margin and overhead allocation; and
- Discount rates.

We considered this to be a key audit matter as the value of the indefinite life intangible assets and tangible assets is supported by forecasts of future cash flows of the business. The Out of Home business operates within the hospitality industry which has been impacted significantly over the past 2 years by the Covid-19 pandemic and more recently, rising inflation and cost of living pressures which has led to a Strategic Review commencing into the Out of Home business.

As such there is inherent uncertainty within these forecasts arising from the changing industry and economic conditions and thus significant management judgement and assumptions are required.
forecasts arising from the changing industry and economic conditions and thus significant management judgement and assumptions are required.

How the scope of our audit addressed the key audit matter

Our audit procedures to address this risk included but were not limited to:

- We evaluated and challenged management's impairment models by:
- challenging management's assessment of the Cash Generating Units (CGUs) being assessed for impairment with reference to IAS 36 and by comparing the identified CGUs to internal management reporting demonstrating how the cash flows are monitored;
- reviewing management's workings for mechanical accuracy and compliance with the requirements of relevant accounting standards;
- assessing the discount rate used within the impairment calculation and ensuring the rate applied lay within an acceptable range determined with the assistance of our internal valuation experts;
- checking historical financial information against budget to assess accuracy of the budgeting process and preparation of cash flow forecasts;
- checking the consistency of the forecasts used in the impairment review to those prepared for going concern purposes;
- reviewing key estimates employed by the Directors within the cash flow forecasts and challenging the rationale for the assumptions utilised by using our knowledge of the business, the sector and wider commentary available from competitors and peers; and
- performing sensitivity analysis over key assumptions to understand the impact of reasonable changes in assumptions on the impairment models and conclusions.

Key observations:

We found the judgements and assumptions adopted by management in the impairment assessment of the carrying value of tangible assets, intangible assets with indefinite lives and other intangibles to be reasonable.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2022	2021	2022	2021
Materiality	£1,100,000	£1,000,000	£430,000	£620,000
Basis for determining materiality	Approximately 5% of profit before tax after adjusting for exceptional items.	5% of loss before tax after adjusting for exceptional items.	5% of profit before tax after adjusting for exceptional items.	5% of profit before tax after adjusting for exceptional items.
Rationale for the benchmark applied	Adjusted profit before tax is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements.	Adjusted loss before tax is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements.	Adjusted profit before tax is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements	Adjusted profit before tax is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements
Performance materiality	£825,000	£750,000	£322,000	£465,000
Basis for determining performance materiality	75% of materiality This was considered appropriate based on audit knowledge of the control environment, historic misstatement levels, and given the trade of the Group is contained in the Parent Company and one other component which minimises the risk of additional unadjusted misstatements across a number of components.		75% of materiality This was considered appropriate based on audit knowledge of the control environment and historic misstatement levels.	

Component materiality

Aside from the Parent Company whose materiality is detailed above, the Group has one significant component, subsidiary entity Vimto Out of Home. We set materiality for this component at 65% (2021: 62%) of Group materiality based on its size in relation to the Group and our assessment of the risk of material misstatement of the component. Component materiality was £720,000 (2021: £620,000). In the audit of the component, we further applied performance materiality levels of 75% (2021: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22,000 (2021: £20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted international accounting standards and the Companies Act 2006) and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to food safety, environmental, occupational health and safety and data protection. We discussed the matters above among the audit engagement team and relevant internal specialists including tax and IT specialists and our internal valuation experts regarding non-compliance with laws, regulations and where fraud might occur in the financial statements.

Our procedures in response to the above included:

- We reviewed the financial statement disclosures, testing to supporting documentation to assess compliance with the provisions with the relevant laws and regulations listed above. We assessed whether any accounting entries and disclosure were required as a consequence of compliance with the Companies Act.
- We obtained an understanding of the control environment in monitoring compliance with laws and regulations and enquiring of management, the Audit Committee and those responsible for legal and compliance procedures concerning actual and potential litigation and claims and non compliance with laws and regulations. We corroborated our enquiries through our review of Board minutes, and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and considered these areas to be management override of controls, manual journal adjustments to revenue and revenue recognition in relation to the cut-off of international sales
- We performed audit procedures to address each identified fraud risk. These procedures included but were not limited to:
  - Testing manual journals posted to revenue accounts back to supporting documentation;
  - Testing a sample of revenue recognised for international sales either side of the year end to supporting documentation to check recognition in the correct period
  - In response to risk of management override of controls, testing a sample of journals entries which met a defined risk criteria to supporting documentation and challenging the assumptions made by management in their significant accounting estimates in particular in relation to the estimation of brand support arrangements and impairment of tangible and intangible assets, which are key audit matters.

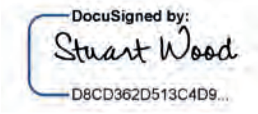
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor,
Manchester, UK
28 February 2023

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

OUR ADVISORS

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REGISTERED NUMBER
00238303.

CONSOLIDATED INCOME STATEMENT - YEAR ENDED 31 DECEMBER 2022

Continuing operations	Notes	2022 Before exceptional items £'000	2022 Exceptional items (note 4) £'000	2022 Total £'000	2021 Before exceptional items £'000	2021 Exceptional items (note 4) £'000	2021 Total £'000
Revenue	3	164,926	-	**164,926**	144,328	-	**144,328**
Cost of sales		(93,905)	-	**(93,905)**	(79,153)	-	**(79,153)**
Gross profit		71,021	-	**71,021**	65,175	-	**65,175**
Distribution expenses		(10,677)	-	**(10,677)**	(9,129)	-	**(9,129)**
Administrative expenses		(35,742)	(11,146)	**(46,888)**	(34,124)	(39,477)	**(73,601)**
Operating profit/(loss)	5	24,602	(11,146)	**13,456**	21,922	(39,477)	**(17,555)**
Finance income	6	514	-	**514**	57	-	**57**
Finance expense	6	(134)	-	**(134)**	(158)	-	**(158)**
Profit/(loss) before taxation		24,982	(11,146)	**13,836**	21,821	(39,477)	**(17,656)**
Taxation	8	(4,757)	2,556	**(2,201)**	(4,783)	271	**(4,512)**
Profit/(loss) for the year attributable to equity shareholders		20,225	(8,590)	**11,635**	17,038	(39,206)	**(22,168)**
Earnings per share attributable to the ordinary equity shareholders							
Earnings/(loss) per share (basic)	10	55.38p		**31.86p**	46.15p		**(60.04p)**
Earnings/(loss) per share (diluted)	10	55.32p		**31.82p**	46.09p		**(60.04p)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED 31 DECEMBER 2022

	2022 £'000	2021 £'000
Profit/(loss) for the year	**11,635**	**(22,168)**
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	**(2,071)**	**4,083**
Deferred taxation on pension obligations and employee benefits (see note 15)	**459**	**(962)**
Other comprehensive (expense)/income for the year	**(1,612)**	**3,121**
Total comprehensive income/(expense) attributable to equity shareholders	**10,023**	**(19,047)**

STATEMENT OF FINANCIAL POSITION - YEAR ENDED 31 DECEMBER 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Parent 2022 £'000	Parent 2021 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	**10,958**	17,099	**5,755**	6,327
Investments	13	**-**	-	**16,566**	16,566
Intangibles	14	**88**	5,546	**88**	122
Pension surplus	26	**4,125**	5,276	**4,125**	5,276
Total non-current assets		**15,171**	27,921	**26,534**	28,291
Current assets					
Inventories	16	**10,432**	9,706	**5,868**	6,070
Trade and other receivables	17	**39,561**	36,124	**45,373**	40,407
Corporation tax recoverable		**695**	743	**708**	756
Cash and cash equivalents	18	**56,296**	56,674	**48,248**	38,767
Total current assets		**106,984**	103,247	**100,197**	86,000
Total assets		**122,155**	131,168	**126,731**	114,291
Liabilities					
Current liabilities					
Trade and other payables	19	**30,711**	28,791	**75,414**	50,100
Provisions	20	**-**	4,242	**-**	4,242
Total current liabilities		**30,711**	33,033	**75,414**	54,342
Non-current liabilities					
Other payables	19	**2,038**	1,954	**1,553**	1,367
Deferred tax liabilities	15	**670**	3,155	**1,000**	1,138
Total non-current liabilities		**2,708**	5,109	**2,553**	2,505
Total liabilities		**33,419**	38,142	**77,967**	56,847
Net assets		**88,736**	93,026	**48,764**	57,444
Equity					
Share capital	28	**3,697**	3,697	**3,697**	3,697
Share premium reserve		**3,255**	3,255	**3,255**	3,255
Capital redemption reserve		**1,209**	1,209	**1,209**	1,209
Other reserves		**1,280**	676	**2,055**	1,451
Retained earnings		**79,295**	84,189	**38,548**	47,832
Total equity		**88,736**	93,026	**48,764**	57,444

The Parent Company reported a profit for the year ended 31 December 2022 of £7,245,000 (2021: £6,932,000).

The financial statements on pages 118 to 166 were approved by the Board of Directors on 28 February 2023 and were signed on its behalf by:

P J Nichols

P J Nichols
Chairman

Registered number 00238303

Group	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Profit/(loss) for the financial year			**11,635**		(22,168)
Adjustments for:					
Depreciation and amortisation		**4,521**		4,969	
Impairment losses on goodwill, intangible and fixed assets	4	**8,714**		36,244	
Loss on sale of property, plant and equipment		**186**		63	
Finance income	6	**(514)**		(57)	
Finance expense	6	**134**		158	
Taxation expense recognised in the income statement		**2,201**		4,512	
Increase in inventories		**(726)**		(3,785)	
Increase in trade and other receivables		**(4,100)**		(6,804)	
Increase in trade and other payables		**2,963**		7,429	
(Decrease)/increase in provisions	20	**(4,242)**		4,242	
Change in pension obligations and employee benefits		**(920)**		(846)	
Fair value loss/(gain) on derivative financial instruments	22	**662**		(178)	
			8,879		45,947
Cash generated from operating activities			**20,514**		23,779
Taxation paid			**(4,178)**		(3,878)
Net cash generated from operating activities			**16,336**		19,901
Cash flows from investing activities					
Finance income		**514**		57	
Proceeds from sale of property, plant and equipment		**-**		2	
Acquisition of property, plant and equipment		**(1,245)**		(1,239)	
Payment of contingent consideration	21	**(71)**		(67)	
Net cash used in investing activities			**(802)**		(1,247)
Cash flows from financing activities					
Payment of lease liabilities	24	**(995)**		(1,189)	
Purchase of own shares		**(5,534)**		(1,217)	
Dividends paid	9	**(9,383)**		(6,868)	
Net cash used in financing activities			**(15,912)**		(9,274)
Net (decrease)/increase in cash and cash equivalents			**(378)**		9,380
Cash and cash equivalents at 1 January			**56,674**		47,294
Cash and cash equivalents at 31 December	18		**56,296**		56,674

Parent	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Profit for the financial year			**7,245**		6,932
Adjustments for:					
Depreciation and amortisation		**1,368**		1,585	
Loss on sale of property, plant and equipment		**-**		46	
Finance income		**(514)**		(57)	
Finance expense		**106**		126	
Taxation expense recognised in the income statement		**1,887**		2,228	
Decrease/(increase) in inventories		**202**		(2,544)	
Increase in trade and other receivables		**(5,630)**		(4,949)	
Increase in trade and other payables		**28,953**		15,036	
(Decrease)/increase in provisions		**(4,242)**		4,242	
Change in pension obligations and employee benefits		**(920)**		(846)	
Fair value loss/(gain) on derivative financial instruments		**662**		(178)	
			21,872		14,689
Cash generated from operating activities			**29,117**		21,621
Taxation paid			**(4,178)**		(3,920)
Net cash generated from operating activities			**24,939**		17,701
Cash flows from investing activities					
Finance income		**514**		57	
Acquisition of property, plant and equipment		**(185)**		(471)	
Net cash generated from/(used in) investing activities			**329**		(414)
Cash flows from financing activities					
Payment of lease liabilities		**(870)**		(1,064)	
Purchase of own shares	24	**(5,534)**		(1,217)	
Dividends paid	9	**(9,383)**		(6,868)	
Net cash used in financing activities			**(15,787)**		(9,149)
Net increase in cash and cash equivalents			**9,481**		8,138
Cash and cash equivalents at 1 January			**38,767**		30,629
Cash and cash equivalents at 31 December	18		**48,248**		38,767

Group	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	**3,697**	**3,255**	**1,209**	**394**	**111,321**	**119,876**
Dividends	-	-	-	-	(6,868)	(6,868)
Movement in ESOT	-	-	-	10	-	10
Credit to equity for equity-settled share based payments	-	-	-	272	-	272
Purchase of own shares	-	-	-	-	(1,217)	(1,217)
Total transactions with owners	**-**	**-**	**-**	**282**	**(8,085)**	**(7,803)**
Loss for the year	-	-	-	-	(22,168)	(22,168)
Other comprehensive income	-	-	-	-	3,121	3,121
Total comprehensive expense	**-**	**-**	**-**	**-**	**(19,047)**	**(19,047)**
At 1 January 2022	**3,697**	**3,255**	**1,209**	**676**	**84,189**	**93,026**
Dividends	-	-	-	-	(9,383)	(9,383)
Movement in ESOT	-	-	-	5	-	5
Credit to equity for equity-settled share based payments	-	-	-	599	-	599
Purchase of own shares	-	-	-	-	(5,534)	(5,534)
Total transactions with owners	**-**	**-**	**-**	**604**	**(14,917)**	**(14,313)**
Profit for the year	-	-	-	-	11,635	11,635
Other comprehensive expense	-	-	-	-	(1,612)	(1,612)
Total comprehensive income	**-**	**-**	**-**	**-**	**10,023**	**10,023**
At 31 December 2022	**3,697**	**3,255**	**1,209**	**1,280**	**79,295**	**88,736**

Parent	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	**3,697**	**3,255**	**1,209**	**1,169**	**45,864**	**55,194**
Dividends	-	-	-	-	(6,868)	(6,868)
Movement in ESOT	-	-	-	10	-	10
Credit to equity for equity-settled share based payments	-	-	-	272	-	272
Purchase of own shares	-	-	-	-	(1,217)	(1,217)
Total transactions with owners	**-**	**-**	**-**	**282**	**(8,085)**	**(7,803)**
Profit for the year	-	-	-	-	6,932	6,932
Other comprehensive income	-	-	-	-	3,121	3,121
Total comprehensive income	**-**	**-**	**-**	**-**	**10,053**	**10,053**
At 1 January 2022	**3,697**	**3,255**	**1,209**	**1,451**	**47,832**	**57,444**
Dividends	-	-	-	-	(9,383)	(9,383)
Movement in ESOT	-	-	-	5	-	5
Credit to equity for equity-settled share based payments	-	-	-	599	-	599
Purchase of own shares	-	-	-	-	(5,534)	(5,534)
Total transactions with owners	**-**	**-**	**-**	**604**	**(14,917)**	**(14,313)**
Profit for the year	-	-	-	-	7,245	7,245
Other comprehensive expense	-	-	-	-	(1,612)	(1,612)
Total comprehensive income	**-**	**-**	**-**	**-**	**5,633**	**5,633**
At 31 December 2022	**3,697**	**3,255**	**1,209**	**2,055**	**38,548**	**48,764**

1. REPORTING ENTITY

Nichols plc (the "Company") is a company incorporated and domiciled in the United Kingdom, listed on the Alternative Investment Market. The address of the Company's registered office is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH. The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

2. ACCOUNTING POLICIES

Basis of preparation

The Group's Consolidated and Parent Company financial statements have been prepared in accordance with UK adopted International Accounting Standards and the requirements of the Companies Act 2006.

The accounting policies have been applied consistently by the Group, with those adopted in the previous year.

An income statement is not provided for the Parent Company as permitted by Section 408 of the Companies Act 2006.

Going concern

In assessing the appropriateness of adopting the going concern basis in preparing the Annual Report and Accounts, the Directors have considered the current financial position of the Group, its principal risks and uncertainties, the potential impact of further Covid-19 restrictions in addition to a continued cost of living crisis. The review performed considers severe but plausible downside scenarios that could reasonably arise within the period.

The estimated impacts of Covid-19 restrictions are primarily based around our OoH market and the potential for future lockdowns within the hospitality industry. Our modelling has sensitised trading within this market to reflect varying degrees of lockdowns with the most severe scenario assuming that some restrictions will return during the remainder of 2023 and the start of 2024.

During the year the Group experienced a period of significant inflation and a cost of living crisis against which a number of mitigation actions were introduced. These are largely evidenced in the results announced. Our modelling has sensitised the impacts of Russia's continued invasion of Ukraine, in particular their impact on global supply chains and macroeconomic inflationary factors.

In addition to the further impacts of Covid-19, alternative scenarios, including the potential impact of key principal risks from a financial and operational perspective, have been modelled with the resulting implications considered. In all cases, the business model remained robust. The Group's diversified business model and strong balance sheet provide resilience against these factors and the other principal risks that the Group is exposed to. At the 31 December 2022 the Group had cash and cash equivalents of £56.3m with no external bank borrowings.

On the basis of these reviews, the Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of the Annual Report and Accounts) and consider it appropriate to adopt the going concern basis in preparing the Group's Annual Report and Accounts.

Use of adjusted measures

The performance of the Group is assessed using adjusted measures that are not defined under IFRS and are therefore deemed non-GAAP measures. These measures include adjusted operating profit and adjusted profit before tax, which both remove the impact of exceptional items (note 4). The Group also reports EBITDA which measures underlying performance having removed the impact of interest, taxation, depreciation and amortisation from profit after tax. The Group also calculates an adjusted earnings per share, based on the adjusted profit after tax which again removes the impact of exceptional items.

These adjusted measures are used to allow a better understanding of the underlying trading performance of the Group after taking account of items that, due to their nature and size, do not reflect the Group's underlying performance. The measures are not comparable to similar measures used by other companies.

Use of estimates and judgements

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

The following paragraphs detail the key estimates and judgements that the Group believes have the most significant effect on the carrying amounts of assets and liabilities at the reporting date and within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

Intangible assets with indefinite lives

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

The Directors have therefore made a judgement that certain intangible assets relating to brands have indefinite lives. It is expected that these brands will be held and supported for an indefinite period of time and are expected to generate economic benefits. The Group is committed to supporting its brands and invests in significant consumer marketing promotional spend. Should management have judged the intangible assets not to be of indefinite lives, an amortisation charge would be made to the Consolidated Income Statement on an annual basis.

Impairment of goodwill and intangible assets with indefinite lives

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

Customer list intangible assets have finite lives assigned. Such assets are tested for impairment if an impairment indicator exists. As a result of the impairment review, management have recognised a further impairment charge of £8.7m in the current year, impairing all the remaining intangible assets and a proportion of fixed assets within our OoH business. In 2021, as previously announced, the Group impaired the Goodwill generated from previous OoH acquisitions (2021: £36.2m).

The carrying amount of goodwill at the reporting date was £nil (2021: £nil).

The carrying amount of brands with indefinite lives was £nil (2021: £2.6m).

Carrying value of brand support accruals

The Group incurs significant costs in the support and development of the Group's brands. The majority of costs incurred on these arrangements have been settled at 31 December 2022, however certain judgement is required in determining the level of closing accrual required at a year end for promotions and brand support campaigns that either span two financial years or where the costs have not been fully settled by the year end date.

Promotions and brand support campaigns comprise:

Long term discounts and rebates

- Fixed, a defined amount over a period of time
- % of net revenue, a percentage of net revenue, which may have associated hurdle rates

Short term promotional discounts

Promotional discounts consist of many individual rebates across numerous customers and represent the cost to the Group of short-term deal mechanics. The common deals typically include price reductions for specific SKUs during a promotional period.

To provide an amount for these brand support accruals at the end of a period requires a degree of estimation supported by historical data and experience. The accruals are calculated using the expected value approach, however, in most instances, the discounts can be estimated using known facts with a high level of accuracy.

Defined benefit obligations

Accounting for retirement benefit schemes under IAS 19 requires an assessment of future benefits payable in accordance with actuarial assumptions. The assumptions include discount rate, inflation, pension and salary increases, expected return on scheme assets, mortality and other demographic assumptions (see note 26) which represent a key source of estimation uncertainty for the Group.

Historic incentive scheme

The liability and corresponding asset disclosed within note 20 and note 17 have been calculated based on specialist tax and legal advice and represent a reasonable estimate of the final outcome, including the Group's additional tax liability, interest costs and amounts expected to be recovered.

Basis of consolidation and goodwill

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2022.

Subsidiaries are entities controlled by the Group. Control exists if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements

2. ACCOUNTING POLICIES (CONTINUED)

of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-Group balances and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group's accounting policies.

Goodwill is stated after separating out identifiable assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. In calculating goodwill, the fair value of consideration has been calculated using the cash consideration plus the Directors' best estimate of contingent consideration at the acquisition date.

Revenue recognition

Revenue from the sale of goods is based on the price specified in the contract, being the invoice price less any agreed discounts or rebates and excluding VAT and after the deduction of certain promotional and brand support costs invoiced by customers.

Revenue is recognised when control of the goods have been transferred to the buyer. Payment terms vary by customer but never exceed 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Transfer of control varies depending on the individual term of the contract of sale. For sales in the UK, transfer of control occurs when the product is delivered to the customer. However, for some international shipments, transfer of control occurs either upon loading the goods onto the relevant carrier or when the goods have arrived in the overseas port. The point of transfer for international shipments is dictated by the terms of each sale.

With regard to discounts, rebates, promotional costs and brand support costs, consideration is given as to whether a distinct good or service has been received from the goods sold to the customer. Where the payments do not result in the receipt of a distinct good or service, they are treated as a deduction from revenue. However, when they do, they are recorded as an expense and recognised in administrative expenses.

For discounts, rebates, promotional costs and brand support costs, accumulated experience is used to estimate and provide for these using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The statement of financial position includes accruals for claims yet to be received for discounts, rebates and promotional costs.

Accruals are made for each individual promotion or rebate based on the specific terms and conditions of the customer agreement. Management makes estimates on an ongoing basis, to assess customer performance and sales volume, to calculate total amounts earned to be recorded as deductions from revenue. In most instances, the discount can be estimated using known facts with a high level of accuracy.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. In line with market research and data made available by Nielsen, which documents industry performance in respect of Stills and Carbonates, management identify both Stills and Carbonates as operating segments where operating results are reviewed regularly by the Board (as chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment reporting for the Group is made to the gross profit level for the operating segments but no segment reporting is made for further expenditure or for the assets and liabilities of the Group. The assets and liabilities of the Group are reported as Group totals and no reporting of these balances is recorded at a segment level. As a result, all of the Group's assets and liabilities are unallocated items and no reconciliation of segment assets to the Group's total assets is prepared.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

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.

Exceptional items

The Group has adopted an accounting policy that seeks to highlight significant exceptional items of income and expense within Group results for the year. Exceptional items are those considered to be one off items that are of such significance, by either nature or scale, that separate disclosure is required in the financial statements in order to provide a better understanding of the Group's trading performance.

Research and Development

Research expenditure is recognised in the consolidated income statement in the year in which it is incurred.

Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38, *Intangible Assets.* If the Group cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only. Where recognition criteria are met, intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the consolidated income statement.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised using the balance sheet liability method, with no discounting, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, provided they are enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Brands

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

Customer lists

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

Customer lists are amortised between 7 - 15 years.

2. ACCOUNTING POLICIES (CONTINUED)

Reserves

Share capital represents the nominal value of equity shares.

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

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

Other reserves incorporate purchase of own shares, movements in the Group's ESOT and equity settled share-based payments in respect of Long-Term Incentive Plans.

Retained earnings represents retained earnings.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

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. All property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets which have indefinite useful lives, including the Group's acquired brands, are subject to annual impairment testing or more frequent testing if there are indicators of impairment.

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 (CGU) level.

An impairment loss is recognised if the carrying amount of an asset or its CGU 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 CGU. Impairment losses recognised in respect of CGUs 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.

Goodwill and intangible assets with indefinite lives are reviewed for impairment annually.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

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

Plant, machinery, fixtures and fittings	3-10 years
Buildings	50 years

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

Land is not depreciated.

Inventories

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

Financial assets

The Group's financial assets comprise primarily cash, bank deposits and trade receivables that arise from its business operations. Financial assets are a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Trade receivables are measured at amortised cost using the effective interest method, less any expected credit losses using the simplified approach contained within IFRS 9. Estimated irrecoverable amounts are based on historical experience and forward-looking information, together with specific amounts that are not expected to be recovered. Individual amounts are written off when management deems them to be irrecoverable. The amount of expected credit losses are updated at each reporting date.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Amounts owed by Group undertakings are stated after any provision for expected credit loss in line with the three-stage model in IFRS 9.

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.

This Group holds derivative financial instruments in relation to foreign currency forward contracts. They are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Financial liabilities

The Group's financial liabilities comprise trade and other payables and IFRS 16 lease liabilities. 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.

Contingent consideration

Contingent consideration represents the Group's best estimate of the fair value of amounts payable based on the likelihood of future events occurring.

Changes in fair value of contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. Changes in the amount of contingent consideration payable that results from events after the acquisition date, such as meeting a revenue or profit target, are not measurement period adjustments and are, therefore, recognised in profit or loss.

Leased assets

All leases are accounted for under IFRS16 by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (CONTINUED)

is accounted for as a separate lease in accordance with the above policy

- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

At 31 December 2022 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

Total lease payments of £774,557 (2021: £1,079,000) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

Post-employment benefit plans

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

Defined contribution plan

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

Defined benefit plan

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

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

Management estimates the DBO annually with the assistance of independent actuaries. This is based on the standard rates of inflation, salary growth and mortality. Discount factors are determined close to each year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Service cost on the net defined benefit liability is included in employee benefits expense. Net interest income on the net defined benefit surplus is included in finance income. Remeasurement of the DBO, comprising actuarial gains and losses and the return on scheme assets (excluding interest), are recognised in the statement of other comprehensive income in the year in which they arise.

Share-based payment transactions

The Group operates three equity-settled share-based payment schemes; a Save As You Earn (SAYE) scheme open to all employees; a Long-Term Incentive Plan (LTIP) for certain directors and senior executives and an Executive share award scheme for certain directors and senior executives. All schemes comprise the grant of options under the Group's share option schemes.

The Group recognises an expense to the income statement representing the fair value of outstanding equity-settled share-based payment awards to employees which have not vested as at 31 December 2022.

Those fair values are charged to the income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels. The Group calculates the fair market value of the options as being based on the market value of a company's shares at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

The total amount to be expensed over the vesting period is determined with reference to the fair value of options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options expected to vest. At each reporting date the Group revises its estimate of the number of options expected to vest.

It recognises the impact of revisions to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transactions costs, are managed by the ESOT, therefore there is no impact on share capital and share premium when the options are exercised.

Further disclosures in relation to the schemes above are provided in note 29.

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.

Finance income

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

Finance costs

Finance costs comprise of interest expenses on leases and defined benefit pension obligations. Interest expenses are recognised as they accrue, using the effective interest method.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate.

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.

As at 31 December 2022, the ESOT holds 4,101 shares in the Company (2021: 4,889 shares).

Investments in subsidiaries

Investments in subsidiaries are shown in the Parent Company statement of financial position at cost less any provision for impairment.

Standards and interpretations in issue not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early

The following amendments are effective for the period beginning 1 January 2023:

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The following amendments are effective for the period beginning 1 January 2024:

- Amendments to IFRS 16 - Liability in a Sale and Leaseback
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - Non-current Liabilities with Covenants

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

The Group does not expect any other standards issued, but not yet effective, to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

3. SEGMENTAL INFORMATION

a. Key operating segments

The Board analyses the Group's internal reports to enable an assessment of performance and allocation of resources. The operating segments are based on these reports.

The Board considers the business from a product perspective and reviews the Group on the operating segments identified below. There has been no change to the segments during the year. Based on the nature of the products sold by the Group, the types of customers and methods of distribution, management consider reporting operating segments at the Still and Carbonate level to be reasonable, particularly in light of market research and industry data made available by Nielsen. Gross profit is the measure used to assess the performance of each operating segment.

The Group's OoH strategic review is now complete. Given the differing strategic challenges between our Packaged and OoH routes to market, the Group will be segmented during FY23 to ensure appropriate strategic focus exists for each of its two proposed operating segments.

	Revenue		**Gross Profit**	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Still	**78,307**	72,393	**40,277**	37,980
Carbonate	**86,619**	71,935	**30,744**	27,195
	164,926	144,328	**71,021**	65,175

There are no sales between the two operating segments and all revenue is earned from external customers.

The gross profit of the operating segments is reconciled to profit before taxation as per the consolidated income statement.

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

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

	2022 £'000	2021 £'000
Capital Expenditure	**1,245**	1,239
IFRS 16 additions	**577**	108
Depreciation	**3,881**	4,309
Amortisation	**640**	660
Impairment losses on goodwill, intangible and fixed assets	**8,714**	36,244

b. Reporting by geographic area

Revenue by geographic destination

	2022 £'000	**2022 %**	2021 £'000	2021 %
Middle East	**11,752**	**7.1**	9,765	6.8
Africa	**18,870**	**11.4**	16,410	11.4
Rest of the World	**7,350**	**4.5**	6,523	4.5
Total exports	**37,792**	**23.0**	32,698	22.7
United Kingdom	**126,954**	**77.0**	111,630	77.3
	164,926	**100.0**	144,328	100.0

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

The Group's business segments operate in the Middle East, Africa, the Rest of the World and the United Kingdom. The Group's Head Office operations are located in the United Kingdom.

In presenting information on the basis of geographical areas, area revenue is based on the geographical location of customers and not on the legal entity in which the transaction occurred.

Total assets

The assets of the Group at 31 December 2022 and 31 December 2021 are located within the United Kingdom and Europe.

Capital expenditure

The capital expenditure of the Group for the years ended 31 December 2022 and 31 December 2021 was made within the United Kingdom and Europe.

IFRS 16 additions

The IFRS 16 additions of the Group for the years ended 31 December 2022 and 31 December 2021 were made within the United Kingdom and Europe.

Depreciation

The Group's depreciation charges for the years ended 31 December 2022 and 31 December 2021 are against property, plant and equipment retained within the United Kingdom and Europe.

Amortisation

The Group's amortisation charges for the years ended 31 December 2022 and 31 December 2021 are against intangible assets retained within the United Kingdom and Europe.

4. EXCEPTIONAL ITEMS

By virtue of their nature and size, there are a number of items which have been reported as exceptional items within administrative expenses. These items are as follows:

	2022 £'000	2021 £'000
Review of UK packaged supply chain	**1,464**	620
Out of Home Strategic Review	**518**	-
Impairment of goodwill, intangible and fixed assets	**8,714**	36,244
Historic incentive scheme	**134**	2,613
Group Systems Review	**316**	-
	11,146	39,477

4. EXCEPTIONAL ITEMS (CONTINUED)

2022 Exceptional Items

The Group incurred £11.1m of exceptional costs during the year (2021: £39.5m), £8.7m of which is non-cash.

Review of UK Packaged Supply Chain

In Q4 2020, the Group commenced a review of its UK operational supply chains. The project has progressed steadily with significant changes implemented, including the Group entering several new five-year contract manufacturing and distribution arrangements that both built significant additional capacity, in-line with the Group's growth plans, and improved efficiency. These projects, which completed during 2022, resulted in £1.5m of exceptional costs in the period (2021: £0.6m, 2020: £0.3m).

Out of Home Strategic Review

In Q1 2021 the Group commenced a strategic review into its OoH route to market, to consider customer and product mix as well as review ways to enhance net margin and profitability going forward. The Group incurred £0.5m of costs in the period to prepare its recommendations for implementation. Additional costs will be incurred through 2023 as these recommendations are implemented. These additional implementation costs are one-off in nature and will be treated as exceptional.

Impairment of intangible and fixed assets

The impact of Covid-19 resulted in a difficult period of trade for OoH from 2020 through 2021, with many outlets being closed for a prolonged period of time. Whilst trade within the hospitality industry has reopened post the pandemic, the impact of the war in the Ukraine, and its impact on inflation and cost of living pressures have meant that whilst trade within the hospitality industry initially returned to pre-Covid levels, growth is significantly slower than previously forecast in the short term and saw a significant slowdown in Q4 as inflationary pressures impacted consumers. Certain sectors of the hospitality industry, for example Cinema, Holiday and Theme Parks where our frozen business operates, have seen significant volume decline all year versus pre-pandemic revenues.

In line with market expectations, we anticipate that growth projections for OoH beyond 2022 will be lower than previously estimated, given the economic outlook and change in consumer patterns.

Whilst cost pressure is expected to be fully recovered within OoH, the gross margin progression anticipated previously is not now likely to be achieved, despite there being significant opportunities to enhance net margin through better alignment of our customer and product mix with our cost base.

The Group's cost of capital has increased, largely due to macro-economic factors affecting all businesses, from 8.2% to 13.1%. This has resulted in a higher threshold required to support the carrying values of assets.

As a result, management have recognised a further non-cash impairment charge of £8.7m, in the current year, impairing all the remaining intangible assets (£4.8m) within our OoH route to market and a proportion of its fixed assets (£3.9m). In 2021, as previously announced, the Group impaired the Goodwill generated from previous OoH acquisitions (2021: £36.2m).

Historic Incentive Scheme

The Group has now settled with HMRC the £4.3m tax and interest charges relating to a historic incentive scheme and will now commence recovery of debts from current and previous management who had indemnified the Company. The Group incurred legal costs in the period of £0.1m in relation to the case.

Group Systems Review

The Group has commenced a project to implement a new enterprise resource planning (ERP) system, which is expected to be operational through 2024. Initial review costs of £0.3m were incurred in the period.

Due to the one-off nature of these charges, the Board is treating these items as exceptional costs and their impact has been removed in all adjusted measures throughout this report.

2021 Exceptional Items

In the previous year, the Group incurred £39.5m of exceptional costs, £38.9m of which was non-cash.

Following the annual impairment review of the Group's Out of Home cash-generating unit (CGU), the Group incurred a non-cash impairment to Goodwill of £36.2m. Further detail is provided in note 12.

The Group continued its work on the review of its UK operational supply chains and, as a result of this work, incurred £0.6m of costs in the previous year.

As at 31 December 2021, the Group recognised a net liability of £2.6m in relation to the historic incentive scheme, being a reasonable estimate of the Group's additional tax liability, interest costs and amounts expected to be recovered.

5. OPERATING PROFIT

	2022 £'000	2021 £'000
Operating profit is stated after charging/(crediting):		
Inventory amounts charged to cost of sales	**93,905**	79,153
BDO LLP remuneration:		
Audit services of the Group's annual accounts	**162**	110
Depreciation of property, plant and equipment	**3,881**	4,309
Impairment of property, plant and equipment	**3,896**	-
Amortisation of intangible assets	**640**	660
Short-term lease rental payments	**349**	240
Charge for equity-settled share-based payments	**599**	272
(Gain)/loss on foreign exchange differences	**(588)**	437
Fair value loss/(gain) on derivative financial instruments (note 22)	**662**	(178)
Loss on sale of property, plant and equipment	**186**	63
Release of contingent consideration on acquisition	**3**	(63)
Expected credit loss provision (release)/charge (note 17)	**(365)**	294

Operating lease rental payments have been included within administrative expenses and represent short-term lease expenses.

6. FINANCE INCOME AND EXPENSE

	Notes	**2022 £'000**	2021 £'000
Finance income comprises:			
Bank interest receivable		**409**	47
Net interest income on defined benefit pension scheme surplus	26	**105**	10
Finance income		**514**	57
Finance expense comprises:			
IFRS 16 interest charge	24	**(134)**	(158)
Finance expense		**(134)**	(158)

7. DIRECTORS AND EMPLOYEES

a. Average monthly number of persons employed during the year, including Director

	2022 £'000	2021 £'000
Group	**325**	308
Parent Company	**282**	274

b. Group employment costs were as follows:

	2022 £'000	2021 £'000
Wages and salaries	**13,693**	13,290
Social security costs	**1,813**	1,388
Pension costs - defined contribution scheme	**838**	811
Pension costs - defined benefit scheme (see note 26)	**94**	69
Equity settled share based payments credit	**599**	272
	17,037	15,830

c. Parent Company employment costs were as follows:

	2022 £'000	2021 £'000
Wages and salaries	**13,693**	13,290
Social security costs	**1,813**	1,388
Pension costs - defined contribution scheme	**838**	811
Pension costs - defined benefit scheme (see note 26)	**94**	69
Equity settled share based payments charge	**599**	272
	17,037	15,830

A charge of £599,000 (2021: £272,000) was recognised during the year in relation to benefits accruing under the Group's Save As You Earn schemes, Long-Term Incentive Plan (LTIP) and Executive share award scheme.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

Group and Parent Company key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on page 101.

	2022 £'000	2021 £'000
Salary	**1,571**	1,849
Defined contribution pension costs	**48**	42
Social security costs	**175**	214
	1,794	2,105

The highest paid director has received £811,000 (2021: £992,000) excluding pension contributions.

Benefits are accruing to 2 Directors (2021: 2 Directors) under a defined contribution scheme, the highest paid Director has received contributions of £30,000 in the year (2021: £29,000).

Aggregate amounts for loss of office totalled £nil (2021: £nil).

There is a share-based payment charge of £98,000 in the year (2021: £75,000) in relation to executive matching share awards made to 2 Directors.

A Director has made a gain of £nil (2021: £57,000) on the exercise of share options during the year.

Further information regarding Directors' remuneration and the Incentive Plan is provided in the Remuneration Committee Report on pages 90 to 97.

8. TAXATION

a. Analysis of expense recognised in the consolidated income statement

	2022 £'000	2021 £'000
Current taxation:		
UK Corporation Tax on income for the year	**4,403**	3,862
Adjustments in respect of prior years	**(177)**	(58)
Total current tax charge for the year	**4,226**	3,804
Deferred tax:		
Origination and reversal of temporary differences	**(2,072)**	675
Adjustments in respect of prior years	**47**	33
Total deferred tax charge for the year	**(2,025)**	708
Total tax expense in the consolidated income statement	**2,201**	4,512

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation

	2022 £'000	2021 £'000
Profit before taxation	**13,836**	(17,656)
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 19.00% (2021: 19.00%)	**2,629**	(3,355)
Effect of:		
Non-deductible expenses	**297**	7,402
Other tax adjustments, reliefs and transfers	**65**	142
Other timing differences	**38**	(70)
Adjustments to the tax charge in respect of prior years	**(130)**	(25)
Income not taxable for tax purposes	**-**	(13)
Impact on deferred tax due to rate change	**(698)**	441
Amounts relating to other comprehensive income	**-**	(10)
Total tax expense in the consolidated income statement	**2,201**	4,512

c. The effective rate of tax on adjusted profit before tax is 19.04% (2021: 21.9%) which is higher than the standard rate of Corporation Tax in the United Kingdom (19.00%). The effective rate of tax on profit before tax is 15.9% (2021: -24.5%) which is lower than this rate.

In May 2021, an amendment to the UK Corporation Tax rate was subsequently enacted to increase the rate of tax from 19% to 25% with effect from 1 April 2023. Deferred tax balances as at 31 December 2022 have been recognised at 25% (2021: 25%).

d. In addition to the amount charged to the consolidated income statement, a credit of £459,000 (2021: £962,000 charge) has been recognised in other comprehensive income/ (expense), being the movement on deferred taxation relating to retirement benefit obligations and equity-settled share-based payments.

9. EQUITY DIVIDENDS

	2022 £'000	2021 £'000
Interim dividend 12.4p (2021: 9.8p) paid 9 September 2022	**4,523**	3,619
Final dividend for 2021 13.3p (2021: 8.8p) paid 5 May 2022	**4,860**	3,249
	9,383	6,868

The interim dividend for the prior year of £3,619,000 was paid on 10 September 2021.

The 2022 final proposed dividend of 15.3p per share has not been accrued as it had not been approved by the year end.

10. EARNINGS PER SHARE

	2022	2021
Earnings/(loss) per share (basic)	**31.86p**	(60.04p)
Earnings/(loss) per share (diluted)	**31.82p**	(60.04p)
Adjusted earnings per share (basic) - before exceptional items	**55.38p**	46.15p
Adjusted earnings per share (diluted) - before exceptional items	**55.32p**	46.09p

Basic earnings per share is calculated by dividing the Group's profit after tax for the year by the weighted average number of ordinary shares in issue during the financial year. The weighted average number of ordinary shares is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period multiplied by a time-weighting factor. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

	Earnings £'000	2022 Weighted average number of shares	Earnings per share	Loss £'000	2021 Weighted average number of shares	Loss per share
Basic earnings/(loss) per share	**11,635**	**36,522,645**	**31.86p**	(22,168)	36,919,085	(60.04p)
Dilutive effect of share options		**39,639**			-	
Diluted earnings/(loss) per share	**11,635**	**36,562,284**	**31.82p**	(22,168)	36,919,085	(60.04p)

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

	Earnings £'000	2022 Weighted average number of shares	Earnings per share	(Loss)/ Earnings £'000	2021 Weighted average number of shares	(Loss)/ Earnings per share
Basic earnings/(loss) per share	**11,635**	**36,522,645**	**31.86p**	(22,168)	36,919,085	(60.04p)
Exceptional items after taxation	**8,590**			39,206		
Adjusted earnings per share (basic) - before exceptional items	**20,225**	**36,522,645**	**55.38p**	17,038	36,919,085	46.15p
Dilutive effect of share options		**39,639**			48,656	
Adjusted earnings per share (diluted) - before exceptional items	**20,225**	**36,562,284**	**55.32p**	17,038	36,967,741	46.09p

11. PROPERTY, PLANT AND EQUIPMENT

Group

Cost	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Right-of-use assets motor vehicles (note 24) £'000	Right-of-use assets property (note 24) £'000	Total £'000
At 1 January 2021	**3,444**	**26,727**	**2,977**	**2,784**	**35,932**
Additions	-	1,239	28	80	1,347
Disposals	-	(3,191)	-	-	(3,191)
At 1 January 2022	**3,444**	**24,775**	**3,005**	**2,864**	**34,088**
Additions	-	1,245	114	463	1,822
Disposals	-	(599)	-	-	(599)
At 31 December 2022	**3,444**	**25,421**	**3,119**	**3,327**	**35,311**
Depreciation					
At 1 January 2021	**454**	**13,188**	**1,413**	**751**	**15,806**
Charge for the year	69	3,172	684	384	4,309
On disposals	-	(3,126)	-	-	(3,126)
At 1 January 2022	**523**	**13,234**	**2,097**	**1,135**	**16,989**
Charge for the year	69	2,886	546	380	3,881
On disposals	-	(413)	-	-	(413)
Impairment (see below)	-	3,896	-	-	3,896
At 31 December 2022	**592**	**19,603**	**2,643**	**1,515**	**24,353**
Net book value at 31 December 2022	**2,852**	**5,818**	**476**	**1,812**	**10,958**
Net book value at 31 December 2021	2,921	11,541	908	1,729	17,099

Group impairment losses of £3,896,000 in the year (2021: £nil) are within the Out of Home route to market. See note 14 for further details on the Group's impairment review.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

Parent

Cost	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Right-of-use assets motor vehicles (note 24) £'000	Right-of-use assets property (note 24) £'000	Total £'000
At 1 January 2021	**3,444**	**5,416**	**2,977**	**1,836**	**13,673**
Additions	-	472	28	80	580
Disposals	-	(242)	-	-	(242)
At 1 January 2022	**3,444**	**5,646**	**3,005**	**1,916**	**14,011**
Additions	-	185	114	463	762
At 31 December 2022	**3,444**	**5,831**	**3,119**	**2,379**	**14,773**
Depreciation					
At 1 January 2021	**454**	**3,921**	**1,413**	**541**	**6,329**
Charge for the year	69	519	684	279	1,551
On disposals	-	(196)	-	-	(196)
At 1 January 2022	**523**	**4,244**	**2,097**	**820**	**7,684**
Charge for the year	69	445	546	274	1,334
At 31 December 2022	**592**	**4,689**	**2,643**	**1,094**	**9,018**
Net book value at 31 December 2022	**2,852**	**1,142**	**476**	**1,285**	**5,755**
Net book value at 31 December 2021	2,921	1,402	908	1,096	6,327

12. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the Group's cash-generating units (CGUs) that are expected to benefit from the business combination according to the level at which management monitor that goodwill.

Group

Cost	£'000
At 1 January 2021	36,244
Impairment (see below)	(36,244)
At 1 January 2022 and 31 December 2022	**-**

2021 Impairment Review

An annual impairment review was performed on the goodwill (£36.2m) and intangible assets with indefinite lives (£2.6m), all of which related the Group's Out of Home Business. Following the review performed the entire goodwill (£36.2m) was impaired.

13. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent

Cost and net book amount	£'000
At 1 January 2021, 1 January 2022 and 31 December 2022	**16,566**

All non-current investments relate to Group undertakings. Listed below are the trading subsidiaries and the ownership of their ordinary share capital by the Group.

	%
Ben Shaws Dispense Drinks Limited*	100
Dayla Liquid Packing Limited*	100
Vimto (Out of Home) Limited*	100
Adrian Mecklenburgh Limited **	100
Beacon Drinks Limited **	100
Cabana Soft Drinks Limited **	100
DJ Drink Solutions Limited **	100
Festival Drinks Limited **	100
Nichols Dispense (S.W.) Limited **	100
The Noisy Drinks Co. Limited **	100
Dispense Solutions (Wales) Limited***	100
The Noisy Drink Company North West Limited ****	100

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

** Directly owned by Vimto (Out of Home) Limited.

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

**** The shareholding in The Noisy Drink Company North West Limited is directly owned by Vimto (Out of Home) Limited.

All Group undertakings are consolidated.

The above companies and the Parent Company were all incorporated and operate in the United Kingdom. Particulars of non-trading companies are filed with the annual confirmation statement.

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

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

14. INTANGIBLES

Group

Cost	Contractual agreement £'000	Customer list £'000	Brand name £'000	Computer software £'000	Total £'000
At 1 January 2022 and 31 December 2022	**180**	**5,521**	**3,889**	**170**	**9,760**
Amortisation					
At 1 January 2021	**69**	**2,155**	**1,316**	**14**	**3,554**
Charge for the year	36	590	-	34	660
At 1 January 2022	**105**	**2,745**	**1,316**	**48**	**4,214**
Charge for the year	36	570	-	34	640
Impairment (see note 4)	39	2,206	2,573	-	4,818
At 31 December 2022	**180**	**5,521**	**3,889**	**82**	**9,672**
Net book value at 31 December 2022	**-**	**-**	**-**	**88**	**88**
Net book value at 31 December 2021	75	2,776	2,573	122	5,546

Parent

Cost	Brand name £'000	Computer software £'000	Total £'000
At 1 January 2022 and 31 December 2022	**1,316**	**170**	**1,486**
Amortisation			
At 1 January 2021	1,316	14	1,330
Charge for the year	-	34	34
At 1 January 2022	**1,316**	**48**	**1,364**
Charge for the year	-	34	34
At 31 December 2022	**1,316**	**82**	**1,398**
Net book value at 31 December 2022	**-**	**88**	**88**
Net book value at 31 December 2021	-	122	122

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

14. INTANGIBLES (CONTINUED)

2022 Impairment Review

Intangible assets which have indefinite useful lives, including the Group's acquired brands, are subject to annual impairment testing or more frequent testing if there are indicators of impairment.

Annual impairment reviews were performed on the intangible assets with indefinite lives, all of which relate the Group's OoH route to market. The value in use calculation uses cash flow projections from financial budgets approved by management in addition to annual growth projections for the next five years and into perpetuity.

The impact of Covid-19 resulted in a difficult period of trade for OoH from 2020 through 2021 with many outlets being closed for a prolonged period of time. Whilst trade within the hospitality industry has now opened post the pandemic, the impact of the war in the Ukraine, and its impact on inflation and cost of living pressures have meant that, whilst trade within the hospitality industry initially returned to pre-Covid levels, growth is significantly slower than previously forecast in the short term and saw a significant slowdown in Q4 as inflationary pressures impacted consumers. Certain sectors of the hospitality industry, for example Cinema, Holiday and Theme Parks where our frozen business operates, have seen significant volume decline all year versus pre-pandemic revenues.

Growth projections beyond 2022 are now expected to be lower than previously estimated given the economic outlook and change in consumer patterns.

Whilst cost pressure is expected to be fully recovered within OoH, the gross margin progression anticipated previously is not now likely to be achieved despite there being significant opportunities to enhance net margin through better alignment of our customer and product mix with our cost base.

The pre-tax discount rate applied to cash projections is 13.1% (2021: 8.2%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2021: 2%). Based on the review it was concluded that the carrying value of the assets were not supported by the value in use calculated. As a result of this analysis, management have recognised an impairment charge of £8.7m in the current year, £4.8m in relation to the intangible assets and £3.9m relating to a proportion of the fixed assets. The impairment charge has been recognised as an exceptional item within these financial statements.

Key assumptions

The calculation of value in use is most sensitive to the following assumptions:

- Revenue growth
- Gross margin
- Overheads
- Discount rate
- Growth rate estimates used to extrapolate cash flows beyond the forecast period

Revenue growth

We exit 2022 with a smaller OoH route to market than anticipated 12 months ago which in turn is significantly smaller than that anticipated pre-pandemic.

The impact of inflation on the UK economy and its resulting cost of living pressure for our consumers have meant that, whilst trade within the hospitality industry initially returned to pre-Covid levels, growth is significantly slower than previously forecast in the short term and saw a significant slowdown in Q4 2022. Certain sectors of the hospitality industry, for example Cinema, Holiday and Theme Parks where our frozen business operates, have seen significant volume decline all year versus pre-pandemic revenues.

Whilst we do expect growth to return in the medium term, the short-term impact of events in recent years - the pandemic, cost of living pressures, consumer spending habits - is significant for the OoH route to market.

Within the year-end impairment review revenue growth of 2% has been forecast from year five into perpetuity but before that we see slower growth than anticipated previously.

A faster rate of recovery would increase the value in use calculation and therefore reduce any impairment noted. A year-on-year increase in annual revenue of 3% per year over the five- year period, starting from year one, would result in no impairment being required for OoH.

Gross margin

Whilst cost pressure is expected to be fully recovered within OoH, the gross margin progression anticipated previously is now unlikely to be achieved despite there being significant opportunities to enhance net margin through better alignment of our customer and product mix with our cost base.

A softening of inflationary pressures and improvement in material input prices would lead to an improvement in the gross margin forecast. An increase of 3.3ppts in the gross margin by the end of the five year forecast period would result in no impairment being required for OoH.

Overheads

Overhead cost estimates have been reviewed and increased to reflect both inflationary pressures and the cost estimates required to serve the customer base given the complexities of the current business environment/model.

A reduction in overheads would result in an increase in the value in use calculation and thus a reduced impairment. A reduction in overheads by 9% at the end of the five-year forecast period would result in no impairment to OoH.

Discount rate

Discount rates represent the current market assessment of the risks specific to the OoH CGU, taking into consideration the time value of money and risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A reduction in the pre-tax discount rate to 8.6% (i.e. -4.5ppts) would result in no impairment.

Growth rate estimates

The long-term growth rate used to extrapolate the period of review is based upon management's expectations of the OoH CGUs' ongoing potential and is considered consistent with the drinks hospitality industry as a whole. An increase of 5.0ppts from 2% to 7% growth into perpetuity would be required for there to be no impairment.

15. DEFERRED TAX ASSETS AND LIABILITIES

Movement in temporary differences during the year

The UK deferred tax balances are measured at 25% (2021: 25%).

Group	Net balance at 1 January 2022 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2022 £'000**
Property, plant and equipment	(832)	-	904	-	**72**
Goodwill and intangibles	(1,156)	-	1,323	-	**167**
Employee benefits	(1,200)	-	(210)	459	**(951)**
Provisions	33	-	9	-	**42**
	(3,155)	**-**	**2,026**	**459**	**(670)**

Group	Net balance at 1 January 2021 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	**Net balance at 31 December 2021 £'000**
Property, plant and equipment	(618)	-	(214)	-	(832)
Goodwill and intangibles	(930)	-	(226)	-	(1,156)
Employee benefits	38	-	(276)	(962)	(1,200)
Provisions	25	-	8	-	33
	(1,485)	-	(708)	(962)	(3,155)

Parent	Net balance at 1 January 2022 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2022 £'000**
Property, plant and equipment	(138)	-	(120)	-	**(258)**
Goodwill and intangibles	167	-	-	-	**167**
Employee benefits	(1,200)	-	(210)	459	**(951)**
Provisions	33	-	9	-	**42**
	(1,138)	**-**	**(321)**	**459**	**(1,000)**

Parent	Net balance at 1 January 2021 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	**Net balance at 31 December 2021 £'000**
Property, plant and equipment	(85)	-	(53)	-	(138)
Goodwill and intangibles	167	-	-	-	167
Employee benefits	38	-	(276)	(962)	(1,200)
Provisions	25	-	8	-	33
	145	-	(321)	(962)	(1,138)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Property, plant and equipment	**72**	-	**-**	(832)	**72**	(832)
Goodwill and intangibles	**167**	-	**-**	(1,156)	**167**	(1,156)
Employee benefits	**-**	-	**(951)**	(1,200)	**(951)**	(1,200)
Provisions	**42**	33	**-**	-	**42**	33
	281	33	**(951)**	(3,188)	**(670)**	(3,155)

Parent	**Assets**		**Liabilities**		**Net**	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Property, plant and equipment	**-**	-	**(258)**	(138)	**(258)**	(138)
Goodwill and intangibles	**167**	167	**-**	-	**167**	167
Employee benefits	**-**	-	**(951)**	(1,200)	**(951)**	(1,200)
Provisions	**42**	33	**-**	-	**42**	33
	209	200	**(1,209)**	(1,338)	**(1,000)**	(1,138)

16. INVENTORIES

	Group		**Parent**	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Finished goods	**8,997**	8,375	**5,270**	6,067
Raw materials	**1,435**	1,331	**598**	3
	10,432	9,706	**5,868**	6,070

At the year-end, the Group provision for the write-down of inventories to net realisable value amounted to £306,000 (2021: £168,000).

17. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade receivables	**35,483**	32,584	**28,705**	25,678
Less: provision for impairment of trade receivables	**(555)**	(956)	**(204)**	(204)
Trade receivables - net	**34,928**	31,628	**28,501**	25,474
Amounts owed by Group undertakings	**-**	-	**12,805**	10,087
Other receivables	**2,788**	2,294	**2,345**	2,719
Derivative financial instruments - forward contracts (note 22)	**-**	178	**-**	178
Prepayments	**1,845**	2,024	**1,722**	1,949
	39,561	36,124	**45,373**	40,407

All amounts above are short-term receivables and are generally non interest bearing. The difference between the carrying value and fair value of all receivables is not considered to be material.

All trade receivables have been reviewed under the expected credit loss impairment model and a provision of £555,000 (2021: £956,000) has been recorded accordingly.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables, excluding any reimbursement assets. The expected loss rates are based on the Group's historical credit losses experienced over the three year period to the year end. The historic loss rates are then adjusted for current and forward looking information on macro economic factors affecting the Group's customers, such as inflation, interest rates and economic growth rates.

An impairment assessment of amounts owed by Group undertakings as at 31 December 2022 was undertaken using the IFRS 9 simplified approach. The amounts owed by Group undertakings are readily repayable and therefore no impairment is judged to be required (2021: £nil).

The Group's expected credit loss provision was determined as follows:

31 December 2022	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	**Total**
Expected loss rate	0.7%	4.1%	0.7%	0.6%	36.7%	
Gross carrying amount	30,390	3,023	1,248	249	573	**35,483**
Credit loss allowance	211	123	9	2	210	**555**

31 December 2021	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	**Total**
Expected loss rate	0.8%	9.4%	3.6%	9.9%	37.5%	
Gross carrying amount	27,180	3,152	667	614	971	32,584
Credit loss allowance	212	295	24	61	364	956

Movements in the expected credit loss allowance are summarised below:

Group	At 1 January 2022 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2022 £'000**
Expected credit loss provision	956	62	(365)	(98)	**555**

Group	At 1 January 2021 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2021 £'000**
Expected credit loss provision	767	294	(65)	(40)	**956**

Parent	At 1 January 2022 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2022 £'000**
Expected credit loss provision	204	-	(20)	-	**184**

Parent	At 1 January 2021 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2021 £'000**
Expected credit loss provision	269	-	(65)	-	**204**

The release of the expected credit loss provision in the year, as shown above, represents cash received against previously provided for debts under the expected credit loss model.

18. CASH AND CASH EQUIVALENTS

Group	At 1 January 2022 £'000	Cash flow £'000	At 31 December 2022 £'000
Cash at bank and in hand	**56,674**	**(378)**	**56,296**

Parent	At 1 January 2022 £'000	Cash flow £'000	At 31 December 2022 £'000
Cash at bank and in hand	**38,767**	**9,481**	**48,248**

The Group did not have a bank overdraft during the current and previous year.

19. TRADE AND OTHER PAYABLES

	Group		Parent	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current liabilities				
Trade payables	**11,115**	9,210	**8,925**	7,326
Amounts owed to Group undertakings	**-**	-	**50,264**	25,548
Other taxes and social security	**1,635**	794	**382**	392
Other payables	**18**	75	**19**	8
Derivative financial instruments - forward contracts (note 22)	**151**	-	**151**	-
Accruals	**17,291**	17,843	**15,274**	16,053
IFRS 16 lease liabilities (note 24)	**501**	869	**399**	773
	30,711	28,791	**75,414**	50,100

	Group		Parent	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Non-current liabilities				
IFRS 16 lease liabilities (note 24)	**2,038**	1,954	**1,553**	1,367
	2,038	1,954	**1,553**	1,367

The difference between the carrying value and fair value of all payables is not considered to be material. All payables are generally not interest bearing.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

20. PROVISIONS

Group	At 1 January 2022 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	At 31 December 2022 £'000
Historic incentive scheme	4,242	-	-	(4,242)	**-**

Parent	At 1 January 2022 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	At 31 December 2022 £'000
Historic incentive scheme	4,242	-	-	(4,242)	**-**

The Group has now settled with HMRC the tax and interest charges regarding the historic incentive scheme provided for in the prior year annual report (£4.2m).

Recovery of debts from current and previous management who had indemnified the Company has commenced. Included within other receivables is a reimbursement asset in respect of these historic contracts.

21. PRIOR YEAR ACQUISITIONS

2019 Acquisitions

Adrian Mecklenburgh Limited

On 1 February 2019, the Group acquired 100% of the issued share capital of Adrian Mecklenburgh Limited.

During the previous year £75,000 was paid in relation to the first stage of contingent consideration.

During the current year £71,000 was paid representing the third and final stage of contingent consideration and thus settling this matter.

22. FINANCIAL INSTRUMENTS

Exposure to treasury management, liquidity, credit and currency risks arise in the normal course of the Group's business.

Treasury management

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

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs. The Group does this through the use of rolling cash flow forecasts, which are reviewed periodically. The acquisition of companies and the continuing investment in non-current assets will be achieved by a mix of operating cash and where required, short term borrowing facilities.

Credit risk

The Group has no significant concentrations of credit risk. The Group has implemented stringent policies that ensure that credit evaluations are performed on all potential customers before sales commence. Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary.

The possibility of a material loss arising in the event of non-performance by counterparties is considered to be unlikely. Cash at bank is held only with major UK banks with high quality external credit ratings or government support.

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollars (USD) and Euros (€).

During 2022 the Group entered into foreign currency transactions resulting in a natural hedge for a large majority of the exposure experienced over the course of the year.

To supplement this, and to further reduce foreign currency risk, the Group entered into a number of forward contracts to minimise the impact of movements in foreign currency rates on the spot market.

Foreign currency assets	**2022 £'000**	2021 £'000
US Dollar	**3,267**	2,501
Euro	**1,773**	3,371
	5,040	5,872

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

Foreign currency sensitivity

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% (2021: 5%), then this would have had the following impact:

	US Dollar £'000	**2022 Euro £'000**	**Total £'000**	US Dollar £'000	2021 Euro £'000	Total £'000
Net result for the year	(156)	(84)	**(240)**	(119)	(161)	(280)

If Sterling had weakened against the US Dollar and Euro by 5% (2020: 5%), then this would have had the following impact:

	US Dollar £'000	**2022 Euro £'000**	**Total £'000**	US Dollar £'000	2021 Euro £'000	Total £'000
Net result for the year	172	93	**265**	132	177	309

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.

Derivative financial instruments

Derivative financial (liabilities)/assets	**2022 £'000**	2021 £'000
Foreign currency forward contracts carried at fair value	**(151)**	178

In December 2022, the Group entered into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated cash inflows in 2023.

The following table details the foreign currency forward contracts outstanding at the year-end:

	Forward rate	Notional value in foreign currency ('000)	Notional value in local currency (£'000)	Carrying amount of derivative financial asset (£'000)
Sell EUR - less than 12 months	1.1514	5,800	5,037	(99)
Sell USD - less than 12 months	1.2293	5,000	4,067	(52)

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 2021.

At 31 December 2022, the Group had no debt and therefore the capital structure consists of equity only.

As the Group has no debt there is no exposure to interest rate risk.

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The IFRS 9 categories of financial assets included in the Consolidated Statement of Financial Position and the headings in which they are included are as follows:

	Group				Parent			
	Fair value through profit or loss		Amortised cost		Fair value through profit or loss		Amortised cost	
Financial assets	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Trade receivables and other receivables	**-**	178	**37,716**	32,294	**-**	178	**43,651**	36,652
Cash and cash equivalents	**-**	-	**56,296**	56,674	**-**	-	**48,248**	38,767
Total financial assets	**-**	178	**94,012**	88,968	**-**	178	**91,899**	75,419

The IFRS 9 categories of financial liability included in the Statement of Financial Position and the headings in which they are included are as follows:

	Group				Parent			
	Fair value through profit or loss		Amortised cost		Fair value through profit or loss		Amortised cost	
Financial liabilities	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Trade and other payables	**3**	67	**11,130**	9,218	**-**	-	**59,208**	32,882
IFRS 16 lease liabilities	**-**	-	**2,539**	2,823	**-**	-	**1,952**	2,140
Total financial liabilities	**3**	67	**13,669**	12,041	**-**	-	**61,160**	35,022

The following table sets out the Group contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2022	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	11,133	-	-	-	-
Total	**11,133**	-	-	-	-

At 31 December 2021	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	9,285	-	-	-	-
Total	9,285	-	-	-	-

The contractual maturities of IFRS 16 lease liabilities are disclosed in note 24.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

24. LEASES

The Group has presented right-of-use assets within property, plant and equipment, with the corresponding liabilities presented within trade and other payables split between current and non-current liabilities on the consolidated statement of financial position.

The Group has classified the principal and interest portions of lease payments within financing activities on the consolidated statement of cash flows. Lease payments for short-term leases and low-value assets are not included in the measurement of the lease liability. These are presented within administrative expenses within the consolidated income statement and are classified as cash flows from operating activities.

The following tables reconcile the Group's right-of-use assets and lease liabilities to 31 December 2022:

	Group			Parent		
Right-of-use assets	**Property £'000**	**Motor Vehicles £'000**	**Total £'000**	**Property £'000**	**Motor Vehicles £'000**	**Total £'000**
At 1 January 2021	**2,033**	**1,564**	**3,597**	**1,295**	**1,564**	**2,859**
Additions	80	28	108	80	28	108
Depreciation	(384)	(684)	(1,068)	(279)	(684)	(963)
At 1 January 2022	**1,729**	**908**	**2,637**	**1,096**	**908**	**2,004**
Additions	463	114	**577**	463	114	**577**
Depreciation	(380)	(546)	**(926)**	(274)	(546)	**(820)**
At 31 December 2022	**1,812**	**476**	**2,288**	**1,285**	**476**	**1,761**

	Group			Parent		
Lease liabilities	**Property £'000**	**Motor Vehicles £'000**	**Total £'000**	**Property £'000**	**Motor Vehicles £'000**	**Total £'000**
At 1 January 2021	**2,089**	**1,657**	**3,746**	**1,313**	**1,657**	**2,970**
Additions	80	28	108	80	28	108
Interest expense	89	69	158	57	69	126
Lease payments	(391)	(798)	(1,189)	(266)	(798)	(1,064)
At 1 January 2022	**1,867**	**956**	**2,823**	**1,184**	**956**	**2,140**
Additions	463	114	**577**	463	114	**577**
Interest expense	90	44	**134**	62	44	**106**
Lease payments	(420)	(575)	**(995)**	(296)	(575)	**(871)**
At 31 December 2022	**2,000**	**539**	**2,539**	**1,413**	**539**	**1,952**

24. LEASES (CONTINUED)

The following table sets out the Group maturities of IFRS 16 lease liabilities based on the contractual undiscounted cash flows:

Group

At 31 December 2022	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	**229**	**570**	**559**	**1,118**	**220**

Parent

At 31 December 2022	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	**198**	**477**	**426**	**720**	**220**

Group

At 31 December 2021	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	273	641	672	1,009	453

Parent

At 31 December 2021	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	242	623	548	611	321

Lease payments incurred for short-term leases not included in the measurement of lease liabilities under IFRS 16 were as follows:

	2022		2021	
	Group £'000	**Parent £'000**	Group £'000	Parent £'000
Short-term lease expense	**349**	**349**	240	240

The following table reconciles the changes in IFRS 16 liabilities from financing activities during the year to 31 December 2022:

	Group			**Parent**		
	Current loans and borrowings £'000 (note 19)	**Non-current loans and borrowings £'000 (note 19)**	**Total £'000**	**Current loans and borrowings £'000 (note 19)**	**Non-current loans and borrowings £'000 (note 19)**	**Total £'000**
At 1 January 2021	**1,022**	**2,724**	**3,746**	**930**	**2,040**	**2,970**
Cash Flows	(1,189)	-	**(1,189)**	(1,064)	-	**(1,064)**
Non-cash flows						
- interest paid	158	-	**158**	126	-	**126**
- lease additions	45	63	**108**	45	63	**108**
- transfers	833	(833)	**-**	736	(736)	**-**
At 1 January 2022	**869**	**1,954**	**2,823**	**773**	**1,367**	**2,140**
Cash Flows	(995)	-	**(995)**	(871)	-	**(871)**
Non-cash flows						
- interest paid	134	-	**134**	106	-	**106**
- lease additions	205	372	**577**	205	372	**577**
- transfers	288	(288)	**-**	185	(185)	**-**
At 31 December 2022	**501**	**2,038**	**2,539**	**398**	**1,554**	**1,952**

25. RELATED PARTY TRANSACTIONS

Parent Company

The Parent Company entered into the following transactions with subsidiaries during the year:

	Transaction value Year ended 31 December		**Balance outstanding as at 31 December**	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Sale of goods and services (including recharge of costs)	**1,403**	1,039	**(37)**	959

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

Details of key management personnel compensation have been disclosed in note 7. No other transactions were entered into with key management personnel in the year.

Two family members of the Non-Executive Chairman are employed in management roles within the business. The total remuneration paid in the year was £258,000 (2021: £262,000).

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS

The Group operates two employee benefit plans: a defined benefit plan that 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 £838,000 (2021: £811,000).

The Company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2020 and approximately updated to 31 December 2022 by an independent qualified actuary.

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

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

Interest rate risk

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

Investment risk

The plan assets at 31 December 2022 are predominantly credit, liability driven investments and bonds.

Longevity risk

The Group is required to provide benefits for life for the members of the defined benefit liability. Increases in the life expectancy of the members will increase the defined benefit liability.

Inflation risk

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

A reconciliation of the pension obligation and plan assets to the amounts presented in the statement of financial position for 2022 and 2021 is shown below.

	31 December 2022 £'000	31 December 2021 £'000
Present value of funded obligations	**(18,688)**	(27,620)
Fair value of plan assets	**22,813**	32,896
Surplus in the plan	**4,125**	5,276
Related deferred tax liability	**(1,031)**	(1,319)
Net surplus recognised	**3,094**	3,957

Defined benefit obligation

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

	31 December 2022 £'000	31 December 2021 £'000
Opening defined benefit obligation	**27,620**	30,536
Current service cost (Company only)	**25**	26
Interest cost	**502**	390
Actual contributions paid by plan participants	**3**	3
Experience adjustment	**320**	-
Actuarial gains from changes in financial assumptions	**(8,951)**	(1,910)
Actuarial losses/(gains) from changes in demographic assumptions	**159**	(331)
Benefits paid - including insurance premiums	**(990)**	(1,094)
Closing defined benefit obligation	**18,688**	27,620

Defined benefit plan assets

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

	31 December 2022 £'000	31 December 2021 £'000
Fair value of plan assets at start of accounting period	**32,896**	30,883
Interest income	**607**	400
Return on plan assets (excluding amounts included in net interest)	**(10,543)**	1,842
Contributions paid by the employer	**909**	905
Actual contributions paid by plan participants	**3**	3
Benefits paid	**(990)**	(1,094)
Expenses paid	**(69)**	(43)
Fair value of plan assets at end of accounting period	**22,813**	32,896

The actual return on plan assets was a loss of £9,936,000 (2021: gain of £2,242,000).

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies.

The fair value of the scheme assets in each category has been summarised below.

The major categories of plan assets measured at fair value are:	**31 December 2022 £'000**	31 December 2021 £'000
Equities	**-**	3,455
Credit	**13,592**	13,664
Liability driven investments	**6,749**	6,865
Absolute return bonds	**1,031**	7,267
Other, including cash	**166**	295
	21,538	31,546

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS (CONTINUED)

Defined benefit plan assets (continued)

With the agreement of Trustees, the Scheme fully disinvested from the L&G Managed Property Fund in October 2021, following a period of high interest rates, to increase liquidity and reduce investment risk to target levels.

Assets included which do not have a quoted market value:

	31 December 2022 £'000	31 December 2021 £'000
Property	**1,275**	1,350

The fair value of the property was revalued as at 31 December 2022, in-line with the standards of IFRS 13, by Jones Lang LaSalle who are independent RICS valuers.

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

	31 December 2022	31 December 2021
Future salary increases	**3.25%**	3.40%
Rate of increase in (post 1997) pensions in payment (a)	**3.60%**	3.40%
Discount rate at 31 December	**4.75%**	1.85%
Expected rate of inflation - RPI	**3.25%**	3.40%

Assumptions regarding future mortality experience are set based on the advice of actuaries and in accordance with published statistics. For members not yet retired, life expectancies have been estimated as 88 years for men (2021: 88 years) and 90 years for women (2021: 90 years). For pensioners currently aged 65, life expectancies have been estimated as 86 years for men (2021: 86 years) and 88 years for women (2021: 89 years).

a) Increases on pre-6 April 1997 pensions are fixed at 3% per annum. Post-6 April 1997 increases are in line with consumer 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 46.3% of salaries. The Company will continue to contribute at this rate pending the results of the next actuarial valuation. The plan is now closed to new entrants. This means that the average age of the membership can be expected to rise which in turn means that the future service cost (as a percentage of scheme members' pensionable salaries) can be expected to rise.

Defined benefit plan expenses

Amounts recognised in profit or loss are:

	31 December 2022 £'000	31 December 2021 £'000
Current service cost (Company)	**25**	26
Net interest (on net defined benefit asset)	**(105)**	(10)
Scheme administration expenses	**69**	43
Total amount recognised in the Consolidated Income Statement	**(11)**	59

The current cost is included in employee benefits expense and the net interest credit is included within interest receivable.

Defined benefit plan expenses (continued)

Remeasurements recognised in other comprehensive income/(expense) relating to the Group's defined benefit plan are as follows:

	31 December 2022 £'000	31 December 2021 £'000
Actuarial (losses)/gains on assets	**(10,543)**	1,842
Experience adjustment	**(320)**	-
Actuarial gains from changes in financial assumptions	**8,951**	1,910
Changes in demographic assumptions	**(159)**	331
Total (loss)/gain recognised in other comprehensive income/(expense)	**(2,071)**	4,083

Other defined benefit plan information

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

The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on the pension funds actuarial measurement framework as set out in the funding policies.

Based on historical data, the Group expects contributions of £nil to be paid in 2023.

The weighted average duration of the defined benefit obligation at 31 December 2022 is 13 years (2021: 17 years).

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the inflation assumption and life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The table below summarises the sensitivity of a reasonably possible change to one significant actuarial assumption, holding all other assumptions constant, on the obligation.

	31 December 2022 £'000	31 December 2022 %	31 December 2021 £'000	31 December 2021 %
Increase in discount rate by 0.5%	**(1,128)**	**-6.04%**	(1,985)	-7.00%
Increase in price inflation adjustment by 0.5%	**324**	**1.73%**	646	2.00%
1 year increase in life expectancy	**761**	**4.07%**	1,467	5.00%

The sensitivities may not be representative of the actual change in the present value of the scheme obligation, as it is unlikely that the change in assumptions would occur in isolation of each other, as the assumptions may be linked.

The method and assumptions used in this analysis have been reviewed and remain unchanged from the prior year.

27. AUDIT EXEMPTION STATEMENT

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

The parent undertaking, Nichols plc (registered number 00238303), guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year (being the year ended 31 December 2022 for each company unless otherwise stated). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

	Company Number
Adrian Mecklenburgh Limited	01481282
Beacon Drinks Limited	01732905
Ben Shaws Dispense Drinks Limited	00231218
Cabana Soft Drinks Limited	00938594
Dayla Liquid Packing Limited	00603111
Dispense Solutions (Wales) Limited (year ended 30 September 2022)	08671127
DJ Drink Solutions Limited (year ended 31 May 2022)	05787898
Festival Drinks Limited	01256006
Nichols Dispense (S.W.) Limited	08766560
The Noisy Drink Company North West Limited	05024347
The Noisy Drinks Co. Limited	05905631
Vimto (Out of Home) Limited	08795779

28. SHARE CAPITAL

	2022 £'000	2021 £'000
Allotted, issued and fully paid 36,968,772 (2020: 36,968,772) 10p ordinary shares	**3,697**	3,697

The share capital of Nichols plc consists 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 2022 and 31 December 2021.

At the Company's AGM held on 27 April 2022, the Group was, generally and unconditionally, authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 3,696,877 of its Ordinary shares.

During 2022, the Group repurchased 385,486 Ordinary shares under this authority, which is due to expire at the AGM to be held on 26 April 2023. The Group, therefore, has an unexpired authority to purchase up to 3,175,391 Ordinary shares with a nominal value of £317,539.

On 14 December 2021, the Group announced its plans to conduct on-market purchases under a share buyback programme. This included the intention to repurchase up to 453,486 ordinary shares of 10p each in the capital of the Group (the "Ordinary Shares"), representing up to approximately 1.2 per cent of the Group's issued share capital.

The Buyback was purposed to meet the Group's future obligations under its SAYE Option Scheme and/or Long-Term Incentive Plan. The Buyback was completed on 5 April 2022 and was funded from the Group's existing cash resources. All Ordinary Shares repurchased are now held in treasury. The weighted average price paid was 1428.18 pence and the total cost of the Buyback in the period was £5.5m.

The total number of shares held in Treasury as at 31 December 2022 is 493,150.

29. EMPLOYEE SHARE SCHEMES

The Group operates three equity-settled share-based payment schemes; a Save As You Earn (SAYE) scheme open to all employees; a Hybrid Incentive Plan for certain Directors and Senior Executives (replacing the previous year's Long-Term Incentive Plan (LTIP)) and an Executive share award scheme for certain Directors and Senior executives. All schemes comprise the grant of options under the Group's share option schemes.

LTIP

Awards made under the LTIP vest provided the participant remains under employment within the 3-year vesting period and based on the performance of the Group against Adjusted Profit Before Tax growth targets. Awards made under the LTIP have a £nil exercise price. There were no LTIPs granted during the year.

The weighted average fair value of LTIP awards at their grant date in previous years are set out below. The fair value is calculated using the Black-Scholes valuation model.

	Awards	**Share price on grant date £**	**Expected dividend yield**	**Risk free rate**	**Volatility**	**Fair value per award £**
2019 LTIP	47,245	17.67	1.92%	1.80%	17.70%	16.68

The movement of outstanding LTIP awards during the year is also set out below.

	Awards outstanding at 1 January 2022	**Granted**	**Exercised**	**Lapsed**	**Awards outstanding at 31 December 2022**
2019 LTIP	23,352	-	-	(23,352)	-

Of the total number of options outstanding at 31 December 2022, nil (2021: nil) had vested and were exercisable.

The weighted average remaining life of LTIP awards at 31 December 2022 is nil years.

The 2019 LTIP award didn't vest based on performance against the agreed targets between 1 January 2019 and 31 December 2021.

Hybrid Incentive Plan

During 2021 the Group introduced a Hybrid Incentive Plan to replace the existing LTIP. A combination of financial and non-financial measures and targets are set annually with outcomes determined by performance against this scorecard. Awards made under the Hybrid Incentive Plan vest provided the participant remains under employment within the 2-year vesting period following the award. Awards made under the Hybrid Incentive plan have a £nil exercise price.

The weighted average fair value of Hybrid Incentive Plan awards at their grant date in previous years are set out on the next page. The fair value is calculated using the Black-Scholes valuation model.

29. EMPLOYEE SHARE SCHEMES (CONTINUED)

Hybrid Incentive Plan (continued)

	Awards	Share price on grant date £	Expected dividend yield	Risk free rate	Volatility	Fair value per award £
2021 Hybrid incentive plan	58,550	13.63	1.50%	1.30%	49.10%	13.22

The movement of outstanding Hybrid Incentive Plan awards during the year is also set out below.

	Awards outstanding at 1 January 2022	Granted	Exercised	Lapsed	Awards outstanding at 31 December 2022
2021 Hybrid incentive plan	-	58,550	-	(4,173)	**54,377**

Of the total number of options outstanding at 31 December 2022, nil had vested and were exercisable.

The weighted average remaining life of LTIP awards at 31 December 2022 is 1.0 years.

SAYE

The Group's SAYE scheme is open to all employees. To participate in the scheme, the employees are required to save an amount of their gross monthly salary, for a period of 36 or 60 months. At the end of the 36 or 60-month period the employees are entitled to purchase shares using funds saved at a price of 20% below the market price at grant date. Only employees that remain in service and save the required amount of their gross monthly salary for 36 or 60 consecutive months will become entitled to purchase the shares.

The weighted average fair value of SAYE options at their grant date in previous years are set out opposite. The fair value is calculated using the Black-Scholes valuation model.

The movement of outstanding SAYE options during the year is also set out opposite.

The weighted average remaining life of SAYE awards at 31 December 2022 is 1.4 years. Volatility has been determined using statistical analysis of the Group's share price over a 3 or 5 year period preceding the grant date. The share price on the vesting date of the awards vested in the year was £12.80.

SAYE (CONTINUED)

	Options	Exercise price per option £	Share price on grant date £	Expected dividend yield	Risk free rate	Volatility	Fair value per option £
2017 5 year	7,339	14.57	19.20	1.93%	0.51%	21.50%	1.95
2018 5 year	4,035	12.25	14.28	1.87%	1.12%	23.40%	2.86
2019 3 year	27,789	12.84	16.90	1.87%	0.79%	25.50%	2.29
2019 5 year	6,304	12.84	16.90	1.87%	0.91%	25.40%	2.19
2020 3 year	103,095	7.93	11.35	1.87%	0.09%	31.30%	3.33
2020 5 year	15,014	7.93	11.35	1.87%	0.09%	31.30%	4.14
2021 3 year	29,098	10.15	13.95	2.70%	0.19%	44.60%	4.50
2021 5 year	5,967	10.15	13.95	2.70%	0.40%	37.50%	4.33
2022 3 year	33,545	10.79	13.70	1.50%	1.54%	47.66%	4.76
2022 5 year	4,197	10.79	13.70	1.50%	1.58%	41.00%	4.96

	Options outstanding at 1 January 2022	Granted	Exercised	Lapsed	Options outstanding at 31 December 2022
2017 5 year	1,334	-	-	(1,334)	**-**
2018 5 year	1,882	-	-	(489)	**1,393**
2019 3 year	12,336	-	(38)	(12,298)	**-**
2019 5 year	2,146	-	-	(700)	**1,446**
2020 3 year	88,176	-	-	(5,271)	**82,905**
2020 5 year	15,014	-	-	-	**15,014**
2021 3 year	28,939	-	-	(5,911)	**23,028**
2021 5 year	5,967	-	-	(591)	**5,376**
2022 3 year	-	33,545	-	(3,726)	**29,819**
2022 5 year	-	4,197	-	(2,529)	**1,668**

29. EMPLOYEE SHARE SCHEMES (CONTINUED)

Executive matching share awards

On 18 December 2020 the Group made awards of 17,402 share options to two Executive Directors. The awards, equal to 50% of their annual salaries at the date of award, will vest on the third anniversary based on the number of Ordinary Shares purchased and retained by the Directors over the vesting period of the award. The awards will be matched on a 1:1 basis for every Ordinary Share purchased. No other performance conditions apply.

	Awards	Share price on grant date	Expected dividend yield	Risk free rate	Volatility	Fair value per award £
2020 Executive share awards	17,402	14.08	2.70%	-0.07%	42.40%	12.98

	Awards outstanding at 1 January 2022	Granted	Exercised	Lapsed	Awards outstanding at 31 December 2022
2020 Executive share awards	17,402	-	-	-	**17,402**

The remaining life of Executive share awards at 31 December 2022 is 1.0 years.

Volatility has been determined using statistical analysis of the Group's share price over a 3-year period preceding the grant date.

The equity-settled share-based payment charge recognised in the year is as follows:

	2022 £'000	2021 £'000
SAYE	194	197
Hybrid Incentive Plan	307	-
Executive share awards	98	75
Total charge	**599**	**272**

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Revenue	**164,926**	144,328	118,657	146,985	142,037
Adjusted operating profit	**24,602**	21,922	11,654	32,439	31,638
Exceptional items	**(11,146)**	(39,477)	(5,074)	-	-
Operating profit/(loss)	**13,456**	(17,555)	6,580	32,439	31,638
Net finance income/(expense)	**380**	(101)	(40)	(17)	115
Profit/(loss) before taxation	**13,836**	(17,656)	6,540	32,242	31,753
Taxation	**(2,201)**	(4,512)	(1,686)	(5,587)	(6,238)
Profit/(loss) after taxation	**11,635**	(22,168)	4,854	26,835	25,515
Dividends paid	**(9,383)**	(6,868)	(10,338)	(14,466)	(12,803)
Retained earnings movement	**(4,894)**	(29,036)	(5,484)	12,189	12,712
Earnings/(loss) per share - (basic)	**31.86p**	(60.04p)	13.14p	72.81p	69.23p
Earnings/(loss) - (diluted)	**31.82p**	(60.04p)	13.13p	72.77p	69.19p
Earnings per share - (basic) before exceptional items	**55.38p**	46.15p	25.56p	72.81p	69.23p
Earnings per share - (diluted) before exceptional items	**55.32p**	46.09p	25.54p	72.77p	69.19p
Dividends paid per share	**25.70p**	13.3p	28.0p	39.2p	34.7p

Notice is hereby given that the thirty-first Annual General Meeting (the 'AGM') of Nichols plc (the 'Company') will be held at Nichols plc, Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, Merseyside, WA12 0HH on Wednesday 26 April 2023 at 11.00 a.m for the following purposes:

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

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2022.
2. To declare a final dividend for the year ended 31 December 2022 of 15.3 pence per ordinary share of £0.10 in the capital of the Company, to be paid on 4 May 2023 to shareholders whose names appear on the register of members at the close of business on 24 March 2023.
3. To re-elect John Nichols as a Director of the Company.
4. To re-elect Andrew Milne as a Director of the Company.
5. To re-elect David Rattigan as a Director of the Company.
6. To re-elect John Gittins, as a Director of the Company.
7. To re-elect Helen Keays, as a Director of the Company.
8. To re-elect James Nichols, as a Director of the Company.
9. To elect Elizabeth McMeikan, as a Director of the Company.
10. To reappoint BDO LLP as auditors of the Company.
11. To authorise the Directors to determine the remuneration of the auditors.
12. That, pursuant to section 551 of the Companies Act 2006 ('Act'), the Directors be and are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,232,292.40 (representing one third of the existing issued ordinary share capital of the Company), provided that, (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 26 July 2024 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

13. That, subject to the passing of resolution 12 being passed, the Directors be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

(A) to allotments for rights issues and other pre-emptive issues; and

(B) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount of £364,756.20 this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 26 July 2024 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under sections 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

NOTICE OF ANNUAL GENERAL MEETING 2023

14. That if resolution 12 is passed the Directors be authorized in addition to any authority granted under resolution 13 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £364,756.20 such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Board of the Company determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 26 July 2024 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

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

15.1 the maximum aggregate number of Shares which may be purchased is 3,647,562:

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

15.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 26 July 2024 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the Board

David Rattigan
Secretary
28 February 2023

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

Registered in England and Wales No. 00238303.

NOTICE OF ANNUAL GENERAL MEETING 2023

EXPLANATORY NOTES ON THE RESOLUTIONS

Resolutions 1 to 12 (inclusive) are ordinary resolutions; resolutions 13, 14 and 15 are special resolutions. To be passed, ordinary resolutions require more than 50% of votes cast to be in favour of the resolution whilst special resolutions require at least 75% of the votes cast to be in favour of the resolution. Votes withheld do not count towards the total votes cast for or against a resolution.

ORDINARY RESOLUTIONS

To receive the Annual Report and Accounts 2022

Resolution 1 is a standard resolution. The Companies Act 2006 requires the Directors to lay before the Company in a general meeting copies of the Company's annual accounts, the Directors' report and the auditor's report on those accounts. The Annual Report and Accounts for the year ended 31 December 2022 along with a copy of the AGM notice will be available online at www.nicholsplc.co.uk

Final dividend

In Resolution 2 the Directors are recommending the payment of a final dividend of 15.3 pence per ordinary share in respect of the year ended 31 December 2022. If approved at the AGM, the dividend will be paid on 4 May 2023 to shareholders who are on the Register of Members at the close of business on 24 March 2023.

Election and re-election of directors

In line with the practice adopted by the Company in previous years, all Directors will be standing for election. Resolutions 3 to 8 seek approval for the re-election of those Directors who were in office during the year ended 31 December 2022. Resolution 9 deals with the election of Elizabeth McMeikan who was appointed as a director of the Company on 1 February 2023. Biographical information is provided on pages 76 to 77 of the Annual Report and Accounts for the year ended 31 December 2022 for each of the current directors.

The Board has no hesitation in recommending the election of the Directors to shareholders. In making these recommendations, the Board confirms that it has given careful consideration to the Board's balance of skills, knowledge and experience and is satisfied that each of the Directors putting themselves forward for election has sufficient time to discharge their duties effectively, taking into account their other commitments.

Appointment of the auditor

The auditor of a company must be appointed or re-appointed at each general meeting at which the accounts are laid before shareholders. Resolution 10 seeks approval to appoint BDO LLP as the Company's auditor.

Remuneration of the auditor

Resolution 11 seeks consent for the Directors to determine the remuneration of the auditor.

Directors' authority to allot shares

Resolution 12 seeks consent for shareholders to grant the Directors authority to allot shares or grant rights to subscribe for or convert securities into shares, up to an aggregate nominal value of £1,232,292.40, which is approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 8 March 2023, being the latest practicable date prior to the publication of this notice. The authority will expire at the next AGM of the Company or if earlier, at close of business on 26 July 2024. The Directors have no current intention of exercising such authority and will exercise this power only when they believe that such exercise is in the best interests of the shareholders.

Dis-application of pre-emption rights

Special resolution 13 if passed would grant the Directors authority to allot securities of the Company up to a specified amount in connection with rights issues without having to obtain prior approval from the shareholders on each occasion and also to allot a certain number of securities for cash without first being required to offer such shares to existing shareholders. The proposed disapplication of pre-emption rights will mean that the number of Ordinary Shares which may be issued for cash without first being required to offer such shares to existing shareholders will not exceed 3,647,562 Ordinary Shares, being approximately 10 per cent. of the issued ordinary share capital of the Company as at 8 March 2023, excluding those shares held in treasury.

The Pre-Emption Group Statement of Principles 2022 issued on 4 November 2022 supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities (and sales of treasury shares for cash) representing no more than an additional 10% of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets that are the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, and in line with the template resolutions published by the Pre-Emption Group, resolution 14 seeks to authorise the Directors to allot new shares and other equity securities pursuant to the authority given by resolution 12, or sell treasury shares, for cash up to a further nominal amount of £364,756.20, being approximately 10% of the total issued ordinary share capital of the Company as at 8 March 2023, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in resolution 14 is used, the Company will publish details of the placing in its next Annual Report. If these resolutions are passed, the authorities will expire at the end of the 2024 AGM or at close of business on 26 July 2024, whichever is the earlier.

The Board considers the authorities in resolutions 13 and 14 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a rights issue or other pre-emptive offer without the need to comply with the strict requirements of the statutory pre-emption provisions.

Authority to purchase own shares

Resolution 15 seeks authority for the Company to make market purchases of its own ordinary shares up to a maximum number of 3,647,562 ordinary shares, representing approximately 10% of the issued ordinary share capital at 8 March 2023. The authority requested would replace a similar authority granted last year and would expire at the end of the 2024 AGM, or if earlier, at close of business on 26 July 2024. In reaching a decision to purchase ordinary shares, the Directors will take account of the Company's cash resources and capital and the general effect of such purchase on the Company's business. The authority would only be exercised by the Directors if they considered it to be in the best interests of the shareholders generally and if the purchase could be expected to result in an increase in earnings per ordinary share.

1. Entitlement to attend and vote

   The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on Monday 24 April 2023 (or, if the meeting is adjourned, close of business on the date which is two working days before the date of the adjourned meeting) shall be entitled to vote in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

2. Appointment of proxies

   A member is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy, each different proxy instruction must be received by the Company's registrars at: Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL no later than 48 hours before the time appointed for the meeting (excluding non-working days). You will need to state clearly the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of those held by the member, may result in the proxy appointment being invalid. A proxy may only be appointed in accordance with the procedures set out in notes 4 to 7 below and the notes to the form of proxy.

3. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes

4. In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. You are therefore asked to vote in one of the following ways:

   - Register your vote online through our registrar's portal – www.signalshares.com. You will need your investor code which is printed on your share certificate or may be obtained by calling the Company's registrar, Link Group ('Link') on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   - Link has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play.
   - CREST members may use the CREST electronic proxy appointment service as detailed in note 7 below.
   - Proxymity Voting - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11:00 a.m on Monday 24 April 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
   - If you prefer, you may request a hard copy form from Link using the numbers shown above and return it to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

GENERAL NOTES

All proxy appointments, whether electronic or hard copy, must be received by the Company's registrar no later than 11.00 a.m. on Monday 24 April 2023 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting).

5. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.

6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's Registrars, Link Group (CREST ID RA10) no later than 11.00 a.m. on Monday 24 April 2023) (or, if the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Group is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST members is a CREST personal member or sponsored member or has appointed a voting service provider(s) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by an particular time. In this connection, CREST members and where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

7. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion or withhold from voting.

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

10. As at 8 March 2023 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 36,968,772 ordinary shares of 10 pence each. As the Company holds 493,150 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 8 March 2023 are 36,475,622 .

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

DIRECTIONS TO THE ANNUAL GENERAL MEETING

Car:

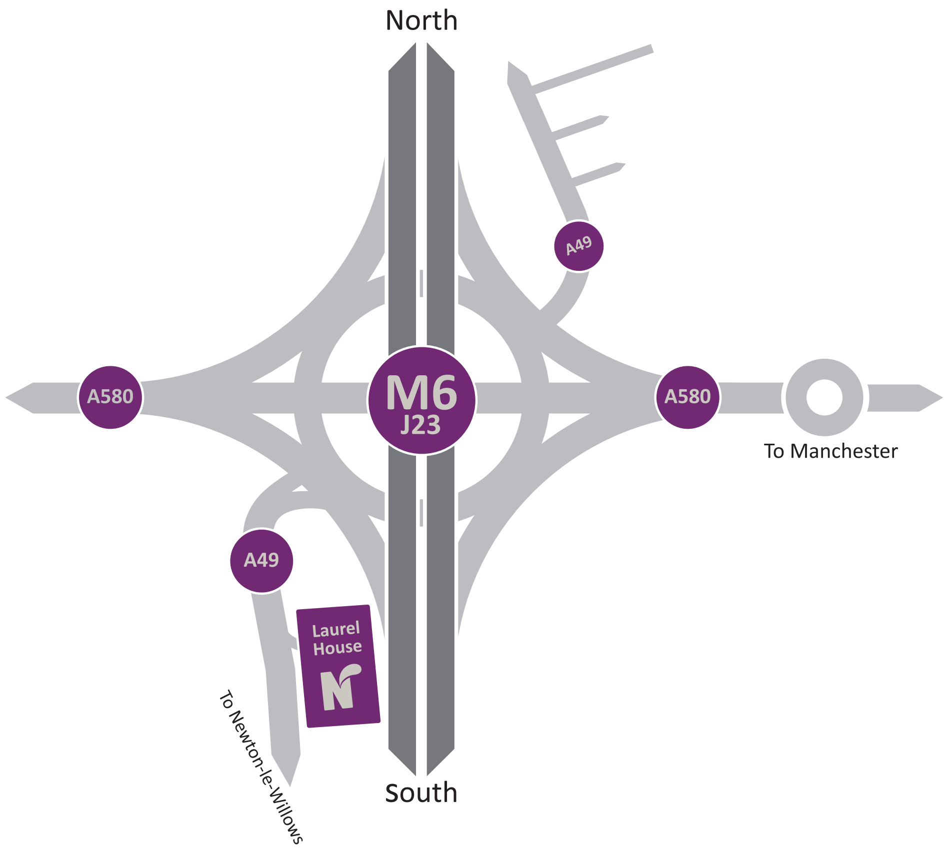
Leave the M6 at Junction 23 and take the A49 south towards Newton, Woodlands Park is on the left in approximately 0.3 miles. On entering the estate, Laurel House is accessed from the fourth exit of the roundabout.

Train:

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

Bus:

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



FINANCIAL CALENDAR

Annual General Meeting

26 April 2023

Interim Results Announced

26 July 2023

Laurel House, Woodlands Park, Ashton Road,
Newton-Le-Willows, WA12 0HH.
01925 22 22 22 www.nicholsplc.co.uk

NOTES

WE MAKE LIFE taste BETTER