



Annual Report 2023

Welcome

Nichols plc is an international soft drinks business with sales globally.

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 Levi Roots, Sunkist, Starslush, ICEE and SLUSH PUPPIE.



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Highlights

Group revenue

£170.7m +3.5%

2022: £164.9m

Profit before tax (PBT)

£24.3m +75.3%

2022: £13.8m

PBT margin

14.2% +5.8ppts

2022: 8.4%

Adjusted earnings per share (basic)¹

56.41p +1.9%

2022: 55.38p

Cash and cash equivalents

£67.0m +19.0%

2022: £56.3m

Adjusted return on capital employed⁴

26.3% (0.9ppts)

2022: 27.2%

Proposed final dividend

15.6p +2.0%

2022: 15.3p

Adjusted profit before tax (PBT)¹

£27.2m +8.7%

2022: £25.0m

Adjusted PBT margin¹

15.9% +0.8ppts

2022: 15.1%

EBITDA²

£24.7m (8.1%)

2022: £26.9m

Earnings per share (basic)

50.34p +58.0%

2022: 31.86p

Free cash flow³ (FCF)

£20.9m +43.1%

2022: £14.6m

Return on capital employed⁵

23.3% +9.1ppts

2022: 14.2%

Total dividend

28.2p +1.8%

2022: 27.7p

Financial highlights

- Revenue +3.5% at £170.7m (2022: £164.9m)
- Overall Packaged business revenue increased by +6.1%
 - International Packaged revenue increased by +16.8% with double digit growth in all geographic segments
 - UK Packaged revenue increased by +1.3%
- Out of Home (OoH) business revenue decreased by -3.4% in line with revised strategy post restructuring
 - As anticipated following exit from unprofitable accounts
- Gross margin of 42.3% (2022: 43.1%)
 - UK Packaged gross margin maintained despite inflationary pressures
 - Market mix resulted in lower percentage margin
- Adjusted operating profit +£0.6m (+2.4%)
 - Investment made across the Group to prepare for further growth, including distribution channels within the International Packaged business, additional marketing and enhanced operational capabilities
 - Savings in overheads associated with restructured OoH business
- Adjusted operating margin maintained at 14.8% (2022: 14.9%)
- Adjusted profit before tax +8.7% to £27.2m
- Exceptional items: Net charge of £2.9m (2022: £11.1m)
 - Costs associated with restructuring OoH and business change programme and systems development
- Strong FCF of £20.9m (2022: £14.6m) resulting in cash and cash equivalents of £67.0m (2022: £56.3m)
 - Assessment of forward cash and investment requirements
 - Identification of surplus cash in order to return to shareholders during 2024
- Final dividend proposed at 15.6p (2022: 15.3p). Total dividend of 28.2p (2022: 27.7p)

Strategic and operational highlights

- Strong growth across our Packaged business from continued investment in our brands, including product range extension and geographical expansion
 - Continued strong progress in international markets reflecting strong market penetration across existing and new territories in Africa and the Middle East
 - Celebrated 100th Ramadan season during 2023 with outstanding in-store displays that generated increased consumer engagement and purchases
- Successful mitigation of the strong inflationary headwinds
- OoH division realising benefits from the strategic review earlier than expected
 - Restructuring refocuses the business on profitability and reduces overall scale and complexity
- Progress against ESG strategy ('Happier Future')
 - New Responsible Sourcing Policy with Supplier Code of Conduct
 - Roadmap for Scope 3 emissions established

1. Excluding exceptional items.

2. EBITDA is the 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. Adjusted return on capital employed is the adjusted operating profit divided by the average period-end capital employed.

5. Return on capital employed is the operating profit divided by the average period-end capital employed.

Chair's Statement



“ In addition to delivering a strong performance against our targets during the year, and despite the challenges raised by an uncertain macroeconomic environment, we have made considerable progress in developing and implementing our long-term growth strategy. ”

LIZ MCMEIKAN
Non-Executive Chair

Introduction

In what is my first set of full-year results as Non-Executive Chair of Nichols, I am pleased to report to shareholders on what has been a successful year for the Group.

It is often tempting to focus on short-term achievements but I am satisfied that, in addition to delivering a strong performance against our targets during the year, and despite the challenges raised by an uncertain macroeconomic environment, we have made considerable progress in developing and implementing our long-term growth strategy. A substantial amount of work has been undertaken on a number of long-term projects and initiatives which are now beginning to deliver results and which we expect to continue to enhance our performance in the medium to long term.

During 2023, revenue increased by 3.5% to £170.7m (2022: £164.9m). Our core Packaged business performed well, with sales up 6.1%, and saw particularly strong growth from our International Packaged division where revenue increased by 16.8%. As anticipated, and in line with our strategic plans, revenue in our OoH business reduced as we withdrew from unprofitable accounts, with sales down by 3.4%. Adjusted operating profit increased to £25.2m (2022: £24.6m) and adjusted profit before taxation rose by 8.7% to £27.2m (2022: £25.0m). Operating profit increased to £22.3m (2022: £13.5m) and profit before taxation increased to £24.3m (2022: £13.8m). Cash and cash equivalents increased to £67.0m (2022: £56.3m).

Nichols operates in a fast-moving industry with a constant need to be agile and adapt to changing market dynamics. Due to the strength of our brands and operations, the diversity of our business model and a focus on long-term opportunities, the Group is well positioned to navigate shifting market conditions.

I am pleased to report that Nichols was able to respond quickly to a high level of input cost inflation early in 2023 and successfully managed other market challenges later in the year. Importantly, however, this was delivered whilst the business was increasing the levels of new product introduction, expanding distribution in export markets and implementing the strategic review of the OoH business. All these projects are important parts of our overall strategy and are intended to provide the basis for long-term progress within the Group. Further initiatives are planned for 2024 and beyond. Nichols is a company that does not stand still and it is important that we prioritise sustainable growth to allow us to deliver against our ambitions.

People

I would like to give my thanks to all my colleagues at Nichols for their continued hard work and dedication. The Nichols team is rich in experience, knowledge and expertise; the commitment shown to both the Company and to each other is impressive and a key differentiator for us. All our stakeholders benefit significantly from the strength of our people and from their ability to drive sustained high levels of performance that position us well for the future.

The Board

The Board continued to evolve during the year. In addition to my appointment as Chair in February, we were pleased to welcome David Taylor to the Board as an Executive Director in his role as Interim Chief Financial Officer, ahead of the appointment of Richard Newman as our new Chief Financial Officer with effect from 21 March 2024. Post year end, in January 2024 we also welcomed Matt Nichols to the Board as a Non-Executive Director representing the Nichols family. I look forward to working with both Richard and Matt over the coming years.

Both James Nichols and David Rattigan stood down from the Board during the year, and David Taylor will step down in March. I would like to thank each of them for their service and commitment to the Group. I particularly wish to thank my predecessor, John Nichols, for his guidance during my first months with the Company. John has an enormous amount of experience within the business and his support has made my task of assuming the role of Chair much more straightforward than it might otherwise have been.

We further strengthened our succession planning process during the year and recognise that we must ensure that the composition of the Board remains effective and appropriate for our business.

Environment, social and governance

We are proud of the Group's commitment to the Nichols Happier Future strategy. The Happier Future pillars of 'Everyone matters', 'Products we're proud of' and 'Owning our climate impact' underpin the development of our growth strategy as well as our day-to-day decision-making. During the course of the year we made significant progress towards achieving our objectives. Highlights for 2023 include extending our Inclusion & Diversity strategy within the business, continuing our Camp Vimto project with local school children and extending our Healthier Hydration programme to international markets.

Chair's Statement continued

Dividend and capital allocation

The Board is pleased to recommend an increased final dividend of 15.6p per share (2022: 15.3p) to give a proposed total dividend in respect of the year of 28.2p per share (2022: 27.7p). If approved, the final dividend will be payable to shareholders on the Register of Members at 22 March 2024. The ex-dividend date will be 21 March 2024. The Board is committed to operating a progressive and sustainable dividend policy, offering a good return to investors while meeting the needs of the business and its growth plans.

Nichols has a strong record of long-term cash generation and holds significant cash and deposit balances of £67.0m as at 31 December 2023. The Board intends to maintain the strength of its balance sheet while prioritising investment in growth opportunities, both organic and via acquisitions. The Board also recognises the importance of maintaining an efficient capital structure and, as a result, is assessing the future funding requirements of the Company's business plan and intends to identify surplus cash reserves for return to shareholders during 2024.

Outlook

The Group continues to derive considerable benefit from its diversified business model, with an established UK position complemented by the enhanced growth opportunities within our International business. Within our Packaged business, we have continued our strategy of investment in extending our product range and in the development of our international markets during the year, both of which are expected to continue to provide growth over the short and long term. The action taken to restructure our OoH division during 2023 is beginning to provide the anticipated benefits and the Company is confident that the business will contribute positively to overall Group performance during 2024.

The Group intends to accelerate the rate of investment in its longer-term development over the next twelve months in accordance with our established strategic plan. Whilst inflationary pressures now appear to be moderating in the UK, we remain aware of continued uncertainty affecting some of our markets but remain confident that necessary mitigating actions are in place.

The Group remains confident that it is well positioned to deliver its strategic plans and deliver sustainable shareholder returns, benefiting from the strength of its diversified business model, brands and financial position.



Liz McMeikan
Non-Executive Chair
5 March 2024



Investment Case



Growth strategy

- New product innovation and development – focus on growth categories
- Customer and channel development
- International expansion growing existing territories and building new markets
- Building partnerships and driving efficiencies across our supply chain
- Acquisition

Read more about our Strategy in our **Chief Executive Officer's Statement** on page **23**

Diversified business model

- UK Packaged – established multi-channel presence
- International Packaged – growing presence in the Middle East, Africa, Europe and North America
- Out of Home – UK Hospitality and Leisure

Find out more about **Our Business Model** on pages **18** to **21**



Long-term sustainable value creation

- Disciplined capital allocation
- Strong return on capital – asset-light model
- Consistent free cash flow generation
- Progressive and well-supported dividend policy

Read more about the value we created in 2023 in our **Chief Financial Officer's Statement** on pages **72** to **74**



Brands

- Unique Vimto brand and heritage
- Licensed brands

Read more about the value we created in 2023 in **Our Brands** on pages **10** to **15**



Sustainability

- A responsible business with a strong ethical position
- Happier Future Strategy
- Focus on People, Products and the Planet

Read more about our Happier Future Strategy in our **Happier Future Progress Report** on page **40**

Financial strength

- Strong and sustainable margins
- Strong balance sheet
- Consistent cash generation
- Net cash

Read about our **Our Financial Highlights** on page **3**



Our Brands

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 Squash, Still, Carbonates and Energy in a range of formats.

Out of Home

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



Facts about our brands

23

Vimto is made with 23 herbs and spices

£107m.

Vimto – highest ever brand value of £107m¹

60+

Vimto – sold in over 60 countries

100th

Celebrated our 100th Ramadan season

25m

Vimto – 25 million bottles of Vimto cordial are sold annually during Ramadan

No. 1

ICEE – No. 1 frozen beverage brand globally

1. Nielsen IQ RMS for Squash, Flavoured Carbonates, RTDs, and Flavoured Water categories for 12 months to 30.12.23 for the total coverage market.

Packaged



Vimto

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.

Every product in the Vimto range contains the secret blend from 1908 of 23 herbs and spices that gives it its unmistakable Vimto taste and unique emotional signature.

Today, we're the 8th most chosen beverage brand in the UK and are enjoyed in over 60 countries around the world.

Our Vimto range includes squash, carbonates, still drinks, flavoured water and energy 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.



Levi Roots

Levi Roots continues to be one of the UK's best loved and most successful entrepreneurs. Thirteen years ago, we were proud to support Levi in his mission to bring the vibrant flavours of the Caribbean to every hand, as we gained the licence to create a range of low sugar carbonated soft drinks – offering a mouth-watering taste of the Caribbean. These delicious, tropical fruit flavours – Caribbean Crush, Tropical Punch and Jamaican Sunset – each bring a drop of sunshine to the everyday.

SLUSH PUPPIE

With 50 years of brand heritage, this year we launched SLUSH PUPPIE Fizzie, reimagining the frozen childhood 'slushie' classic and creating a new no added sugar carbonated range – with bold flavours and colours. Playful, exciting and nostalgic, SLUSH PUPPIE flavours include the much-loved Blue Raspberrie and Strawberry. The Fizzie range helps consumers enjoy the retro taste of SLUSH PUPPIE that they know and love in an exciting new format.

Our Brands *continued*

Out of Home



Open for
more!



Post mix

The perfect post mix partners; we offer an extensive range of brands, spanning many of the biggest and most well-loved in soft drinks including Coca-Cola, Pepsi, Vimto, IRN BRU and Old Jamaica, plus our very own 'Premium Mixers by Vimto' – our range of classic mixers, juices and cordials. By offering our customers as many as eight brands on a single post mix dispense gun, more than twice the average, we offer unrivalled choice.

Frozen

We offer the biggest global slush brands, from the 'world number one' fizzy, frozen phenomenon ICEE, which you can find chilling across some of the UK's biggest cinema chains, to the UK's best-known brand SLUSH PUPPIE.

Starslush

A customer favourite, available across the UK. Designed to burst your thirst, Starslush is the perfect addition to add some magic to family days out, with a full range of fabulous flavours from Blue Raspberry to Tropical Burst and Unicorn Watermelon.

ICEE

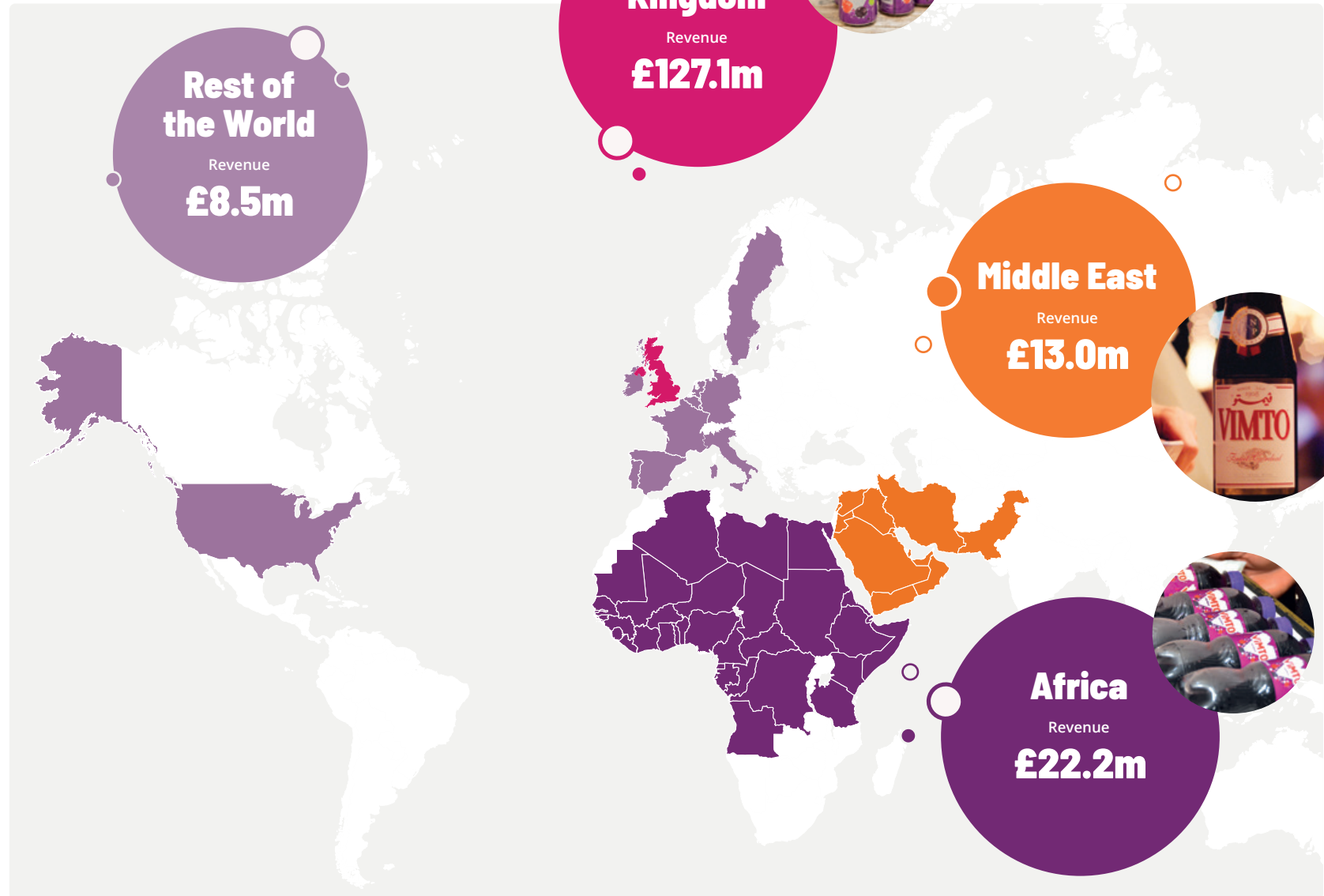
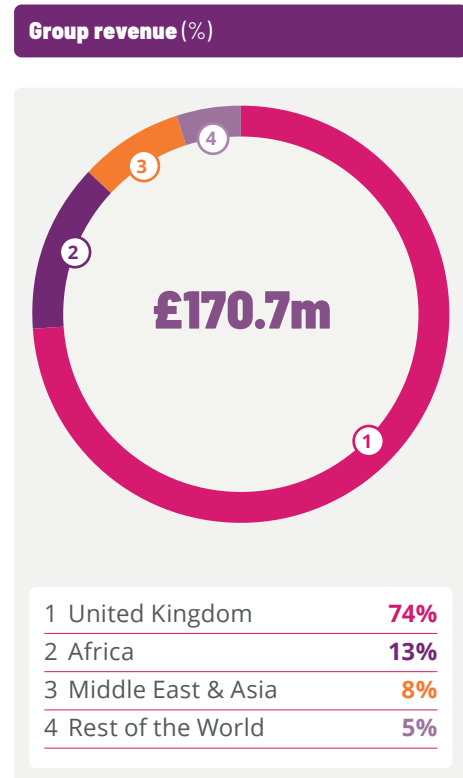
A favourite in the USA and around the globe since 1967, ICEE is the Swizzle Fizzle Freshy Freeze drink unlike any other. Fizzy, frozen and full of flavour, our zero-sugar range can be found chilling in some of the UK's biggest cinema chains.

SLUSH PUPPIE

Not only is SLUSH PUPPIE the original frozen beverage, dating back to 1970, but it is also the most well-known frozen brand. Loved by consumers in 40 countries around the world, the iconic SLUSH PUPPIE brand has widespread appeal and is available in a range of delicious and exciting frozen flavours, helping everyone – whatever their age – live a more playful life.

Our Markets

Nichols plc is an international soft drinks business with sales globally. Today, our iconic Vimto brand is sold in over 60 countries.



Our Business Model

Our diversified business model exists to

make life taste better

by doing the right things in the right way

across our three distinct routes to market



1 Winning products

We have a range of highly successful products developed using our experience and technical knowledge to meet changing consumer requirements



2 Ingredients

We source high quality ingredients, including the Vimto secret recipe, to ensure we make high quality products that taste great and satisfy rigorous product safety standards



3 Manufacture

We make our products with co-manufacturers and in our own production unit giving us a range of alternative production capabilities



4 Distribution

We use a range of partners to ensure high levels of customer service and efficiency across a number of distribution channels both at home and overseas



7 Consumers

We use our knowledge and expertise to understand customer and consumer requirements and to ensure that as many consumers as possible enjoy our products



6 Customers

We maintain long-term partnerships with retailers and hospitality providers both in the UK and across our global markets
Our customers include a wide range of UK and international retailers



5 Marketing

We constantly assess the attractiveness of our markets and products to ensure that we are addressing the right markets in the right way
We manage and develop our brands to ensure that we generate optimum returns

Chief Executive Officer's Statement



Our business has again delivered a strong performance in a challenging and uncertain marketplace. The strength of our portfolio of owned and licensed brands, the resilience of our people, the close partnerships we have with our suppliers and customers and our long-term strategic focus have been at the core of the success we have achieved.



ANDREW MILNE
Chief Executive Officer

Overview

I am pleased to report our results for the year ended 31 December 2023. The team has again delivered a very strong set of results despite a challenging and volatile market environment.

This performance has been achieved thanks to our people's commitment, versatility and resilience. I would like to thank all of them for continuing to embody the values of the Company, and ensuring the business delivers value for all our stakeholders. I would also like to thank all our partners for their support in helping us achieve our goals and targets.

During the year we remained focused on mitigating significant inflationary costs through a range of cost management strategies and revenue growth management initiatives. We implemented price increases across all our portfolio of brands but worked closely with our customers to support them during these challenging times.

I am pleased that our strong portfolio of owned and licensed brands continued to perform well in the marketplace, achieved by a combination of strong marketing programmes and initiatives.

Our long-term customer partnerships are critical to our success, and we continued to execute our joint business plans to maintain high service levels and strong in-market delivery of our promotions and innovation programmes throughout the year.

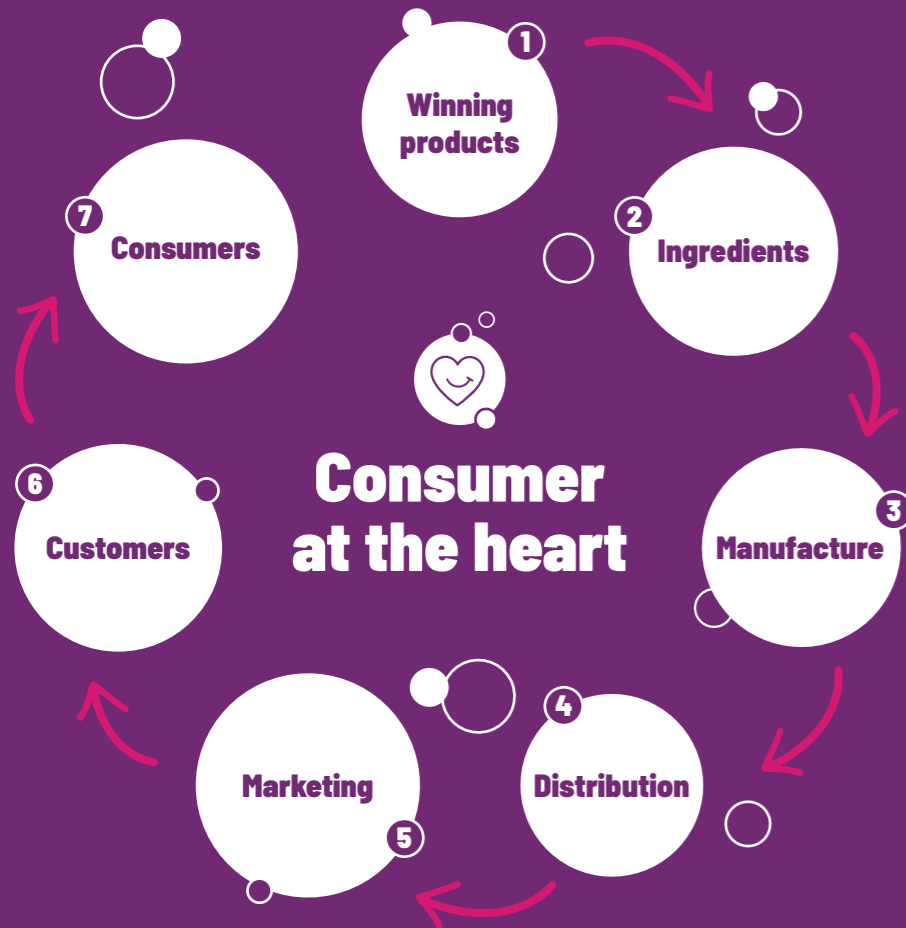
Ensuring our consumers can enjoy the taste of our brands on a daily basis is paramount to our success. We continued to invest in our marketing programmes in both the UK and across our international markets. Protecting the Group's long-term brand equity underpins our strategic goals and once again we have delivered some exceptional brand experiences in outlets for our consumers. Innovation is a crucial pillar of our long-term strategic plan and I am pleased we have delivered exciting new products both in the UK and Middle East.

We focused in 2023 on executing the outputs of the strategic review we conducted in our OoH business in 2022. The strategic review resulted in us having a more simplified business that is generating additional contribution to our overall business. I am delighted with how these plans have been executed during the year which has driven additional value.

Our Happier Future strategy continues to be a crucial element of our long-term strategy and we again made progress versus our commitments with a clear policy on responsible sourcing, including a supplier code of conduct, and a roadmap for our Scope 3 emissions with short and medium-term objectives established. Since launching our Happier Future strategy and commitments in 2022, sustainability has become embedded in our business and is at the forefront of our decision making.

Strategy

As we emerged from the Covid pandemic we refreshed our strategy to ensure we continued to deliver strong growth and returns for all shareholders. We segmented our business into Packaged (UK and International) and OoH. Our overall target is to accelerate the performance in our Packaged business. This should deliver better returns for our shareholders whilst driving bottom line value from a simplified OoH division. Our Packaged business has grown revenue by +6.1% versus 2022, in line with our strategic intent, and OoH has reported an improved profit performance.



Open for more!

We have four clear strategic pillars that will remain our focus to drive long-term growth:

| | | | |
|---|--|--|--|
| <p>MORE FROM THE CORE</p> <p>Focus on building a diversified and optimised product range across all of our core geographies.</p> | <p>THIRST FOR NEW</p> <p>Drive growth across our Packaged business through product portfolio innovation, channel growth, targeted acquisition and entering new selective international geographies.</p> | <p>FUEL FOR GROWTH</p> <p>Continually drive efficiencies within our operations to enable investment and support the long-term growth of our business.</p> | <p>HAPPIER FUTURE</p> <p>Deliver across our key pillars of People, Products and Planet by doing the right things, acting responsibly and meeting the long-term needs of the business.</p> |
|---|--|--|--|

These growth pillars will be delivered through three key enablers of:

| | | |
|--|--|---|
| <p>1 A STRONG PORTFOLIO OF BRANDS</p> | <p>2 A CULTURE THAT ALLOWS PEOPLE TO THRIVE</p> | <p>3 WORKING IN CLOSE COLLABORATION WITH ALL OF OUR KEY PARTNERS</p> |
|--|--|---|

Chief Executive Officer's Statement *continued*

Market performance

International Packaged

We delivered a very strong performance across our International markets, growing revenues by 16.8% versus 2022. Pleasingly, double-digit revenue growth was delivered across all the key international markets that we operate in, driven by disciplined market execution, new product innovation, geographical expansion and working with new partners in key markets.

The Middle East has performed well, delivering revenue growth of 10.3%. Ramadan continues to be a critical sales driver in this market and we celebrated our 100th Ramadan season during 2023. The team delivered outstanding in-store displays that generated increased consumer engagement and purchases. This was supported by a strong integrated marketing campaign that has delivered excellent results, particularly across digital and social platforms.

We launched new product innovations across the Middle East, including the new Vimto Green Lemon Berry flavour, which continued to deliver strong growth and has proved popular with younger consumers. A new Vimto carbonated Zero product has been launched across the original Vimto portfolio, reflecting the changing tastes and preferences of local consumers.

Both products are bringing incremental consumers into the brand and therefore boosting market penetration. Significant focus during the year has been placed on the new Zero-sugar cordial range to ensure the brand remains relevant and reflects the changing needs of our consumers to drive long-term growth.

In Africa we delivered revenue growth of 17.6% which builds on the 15.0% growth achieved in 2022. The business continues to grow across the continent from our strong base in West Africa.

Case Study: THIRST FOR NEW

Extending the Vimto portfolio in the Middle East

Across our Middle East markets we have launched a range of new flavours and Zero ranges to reflect the changing consumer tastes and lifestyles. This is now bringing new consumers into the brand and increasing penetration. It is also creating additional consumption occasions outside the Ramadan trading period.

The Middle East has performed well, delivering revenue growth of 10.3%.



Case Study: MORE FROM THE CORE

Vimto red can growth in Africa

During the year we have seen strong growth across our red can business within the African continent. We have invested in strong marketing campaigns across our key markets to drive brand awareness and consumer engagement, resulting in our Vimto brand achieving a record sales year.

In Africa we delivered revenue growth of 17.6%, which builds on the 15.0% growth achieved in 2022.



We reopened our market in Gambia and enjoyed strong sales growth, reigniting the consumer appreciation for the Vimto brand. Product innovation remains an important element of our growth strategy. During the year we launched our Watermelon range in our key market of Senegal via our local partner which has delivered strong consumer engagement. Across the Sudan region, we have capitalised on the strong consumer demand for pomegranate flavours through launching a new cordial range.

Targeted marketing is critical to driving engagement across Africa, and we continued to invest in strong integrated campaigns focusing on the key events such as Valentine's Day, Tabaski, Ramadan and Back to School. These events deliver increased visibility and availability for our brand that drive strong consumer engagement and brand penetration.

New market expansion remains a key growth driver. During the year we have developed a new partnership with a local distributor in the Ivory Coast, allowing us to gain market share within this territory.

Across our Rest of World markets we delivered double-digit revenue growth of 26.5%, building on the strong performance delivered in Europe in 2022. This success was achieved by driving additional distribution points for our core ranges across key retailers and wholesalers. Our partners focused heavily on implementing key marketing programmes, targeted at improving brand visibility and availability to deliver increased penetration and market share.

Chief Executive Officer's Statement *continued*

Market performance continued

UK Packaged

2023 once again proved a year of sustained growth in our UK Packaged division against a backdrop of high inflationary pressures. As a result, we implemented price increases early in the year to help mitigate these rising costs and help protect our margins.

The Vimto brand achieved its highest ever brand value of £107m¹, largely as a result of additional investment to expedite new product innovation, enhanced communications campaigns, new distribution points and driving improved availability.

We have maintained our position as the number two squash brand in the UK. We launched two new flavours of Orange & Pineapple and Mango & Passionfruit which helped increase on-shelf visibility for the brand and deliver incremental consumer penetration. We also focused on driving sales of squash during the colder winter months by rolling out our 'Try me Hot' marketing campaign. During the second half of the year we invested further in promotions to increase value for our consumers which resulted in us achieving increased market share within the category.

At the start of 2023 we renovated our 500ml carbonated and still ranges. Launching transparent labels has enabled our on-the-go ranges to be more easily recycled. We also delivered our largest ever van sales distribution drive and ran a national campaign for 26 weeks. This focused on securing new distribution points across the key wholesale and convenience channel. This drive was supported with our Big Cash Giveaway on-pack promotion allowing our customers to win a share of up to £1 million in cash.

During the year we also launched our first ever Natural Vimto Energy product into the fast-growing energy subcategory. The product was launched in two varieties both in a 500ml can format, delivering the benefits of natural caffeine with added B vitamins. The product has secured strong listings across the retail market with very encouraging sales growth.

2023 saw the third year of our highly successful 'Find Your Different' marketing and advertising campaign. We delivered our largest ever multimedia campaign through TV, Video on Demand, cinema, digital and a Spotify partnership. The campaign proved hugely successful reaching 88% of our target audience and was seen on average twelve times by our target consumers.

We continue to utilise digital communications as a key interface with consumers, and launched Vimto onto TikTok during the year, already securing over 88 thousand followers. Our 'Vimpto' campaign went viral in March across social media reaching 3 million in organic reach.

By investing into our e-commerce business, we have secured new listings with Amazon, Go Puff and Uber Eats, delivering new reach and penetration via this fast-growing channel.

Within our brand licensing channel, we have extended our Myprotein Vimto range from its online platform into mainstream retail with a listing in Boots.

Across our licensed brands portfolio, we entered a new partnership in 2023 with SLUSH PUPPIE, launching a carbonated version of the well-loved brand in our grocery, wholesale and convenience channels. The launch proved extremely successful with a large trade and shopper support package bringing excitement to the carbonates category. Sales have been incredibly strong since the launch and more listings continue to be secured which will result in long-term growth.

Our Levi Roots portfolio was relaunched in its iconic green bottle in 2023. We introduced a new Price Mark Pack promotion to offer value for our consumers. On the back of this activity the brand delivered strong sales value and volume growth in Q4.

Case Study: THIRST FOR NEW

SLUSH PUPPIE partnership launched

With 50 years of brand heritage, we launched a new partnership with SLUSH PUPPIE in 2023. As a result of this partnership, we launched two new flavours of products across a range of pack formats within the UK retail market, which generated new excitement to the category and resulted in strong consumer engagement.

Sales have been incredibly strong since the launch of a carbonated version of the well-loved SLUSH PUPPIE brand.



1. Nielsen IQ RMS for Squash, Flavoured Carbonates, RTDs, and Flavoured Water categories for 12 months to 30.12.23 for the total coverage market.

Chief Executive Officer's Statement *continued*

Market performance continued

Out of Home

During 2023, we implemented the actions relating to the full strategic review of our OoH business. I am pleased that we have driven a very robust margin performance having also realised some of the benefits from the review earlier than anticipated. As expected, our sales revenue declined in the year as we exited unprofitable accounts in line with our strategy.

The OoH business is now operated as a distinct division within the Group, with a key focus on profitability.

The key changes implemented within the OoH business include:

- exited underperforming customer contracts, channels and regions which were considered sub scale and unprofitable;
- implemented processes to simplify the business and a rationalisation of operating costs and central overheads; and
- improved financial reporting, including divisional and regional reporting focusing on net profit and return on capital employed.

During the year we rebranded and relaunched our dispense V range of products as Premium Mixers by Vimto which has received positive feedback across the trade. We also launched a new limited flavour ICEE product to add excitement for our consumers across our cinema channel.

In line with our Happier Future commitments, we reformulated our still frozen slush range to ensure our consumers can enjoy great tasting products in line with our 'Products we are proud of' pillar.

Looking ahead

Our business has again delivered a strong performance in a challenging and uncertain marketplace. The strength of our portfolio of owned and licensed brands, the resilience of our people, the close partnerships we have with our suppliers and customers and our long-term strategic focus have been at the core of the success we have achieved.

We have delivered a strong financial performance by having a very clear strategy across our different routes to market, and I am pleased that we have executed our initiatives in accordance with that plan. We are very focused on driving accelerated growth in our Packaged business and delivering bottom line value in our OoH division.

The diversity of our business has once again proved pivotal to our success. The momentum we have as we enter 2024 has been achieved by the strength of our core brands, our innovation pipeline, the opportunity for geographical expansion and the strong balance sheet we have for future investment in organic growth and targeted acquisitions.

I am confident that we will continue to deliver growth, ensuring we focus on the clear priorities we have in place. These plans, combined with a resilient soft drinks market and the passion, tenacity and dedication of our people, will ensure we are able to offer strong returns for our shareholders. Trading in 2024 has started well and is in line with our expectations. While our markets are clearly subject to some general levels of uncertainty we remain confident in our ability to deliver an improved performance from each of our businesses and for the Group as a whole.



Andrew Milne
Chief Executive Officer
5 March 2024



Our Strategy

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.

During 2023 we focused on delivering against our strategic framework through investment in our four key growth pillars to build long-term value for our shareholders.

We are clear that we will continue to accelerate the growth of our business by focusing on the higher-margin Packaged business whilst driving bottom line value from our OoH division. Ensuring we are investing in both our current brands and infrastructure, whilst being clear about how we invest our cash, will be critical to ensure our long-term growth plans are achieved.

PURPOSE
WE MAKE LIFE taste BETTER

VISION
 TOGETHER WE WILL BUILD OUR BUSINESS BY DOING THE RIGHT THINGS, IN THE RIGHT WAY

COMMERCIAL GOAL
 DELIVER SALES AND PROFIT GROWTH. BUILD LONG TERM SUSTAINABLE VALUE.

GROWTH PILLARS

- MORE FROM THE CORE
- THIRST FOR NEW
- CONSUMER AT THE HEART
- FUEL FOR GROWTH
- HAPPIER FUTURE

VALUES

- PROUD TO BE PART OF OUR Family
- DELIVER WOW!
- PASSIONATE ABOUT WHAT WE DO
- CREATE FUN CREATE FUN
- PAUSE. BE BRAVE. MAKE A DIFFERENCE
- FIND A better WAY

OUR WAY
 PEOPLE BRANDS PARTNERSHIPS

MORE FROM THE CORE

Our core range of iconic brands continue to be loved by our consumers around the globe.

We will focus on building a diversified and optimised portfolio across all our core geographies by growing our consumer penetration and working in partnership with our customers.

See more on page 32

THIRST FOR NEW

We will accelerate growth across our UK Packaged business through portfolio, brand, targeted acquisition and new scalable channel expansion. Growth within our International Packaged geographies will be delivered by entering new selective international markets and portfolio expansion.

See more on page 34

HAPPIER FUTURE

We have three core pillars that are central to our Happier Future strategy:

1. Everyone matters – a clear focus on the wellbeing of our people and those in the communities we serve.
2. Products we are proud of – helping our consumers make healthier hydration choices, having sustainable packaging solutions and ensuring that we source our materials and ingredients responsibly.
3. Owning our climate impact – taking the right actions to reduce our impact on the climate.

See more on page 40

FUEL FOR GROWTH

We will continually look to drive efficiencies within our business to allow us to invest and grow the business long term.

Our asset-light model allows us to act quickly which meets the changing needs of our customers and consumers at pace to deliver a competitive advantage.

See more on page 36

Strategy in Action

More from the core

100th Ramadan season

In 2023 we celebrated our 100th Ramadan season on our Vimto cordial range across our key Middle East markets. Our Vimto cordial range is the category leader across our main markets in this division and continues to drive strong growth year on year.

We have continued to invest in store to drive outstanding execution to promote product visibility and availability for our consumers. This is further supported by our integrated Sweet Togetherness marketing campaign.



Strategy in Action continued

Thirst for new

Vimto Energy

Innovation has played a vital role in our success in 2023 and remains a key focus for us in our Packaged business.

Within the UK we have launched two new varieties of Vimto Energy into the fast-growing energy sub category across our grocery and convenience stores. We have seen a strong uptake from our consumers who love the taste of the product.



Strategy in Action *continued*

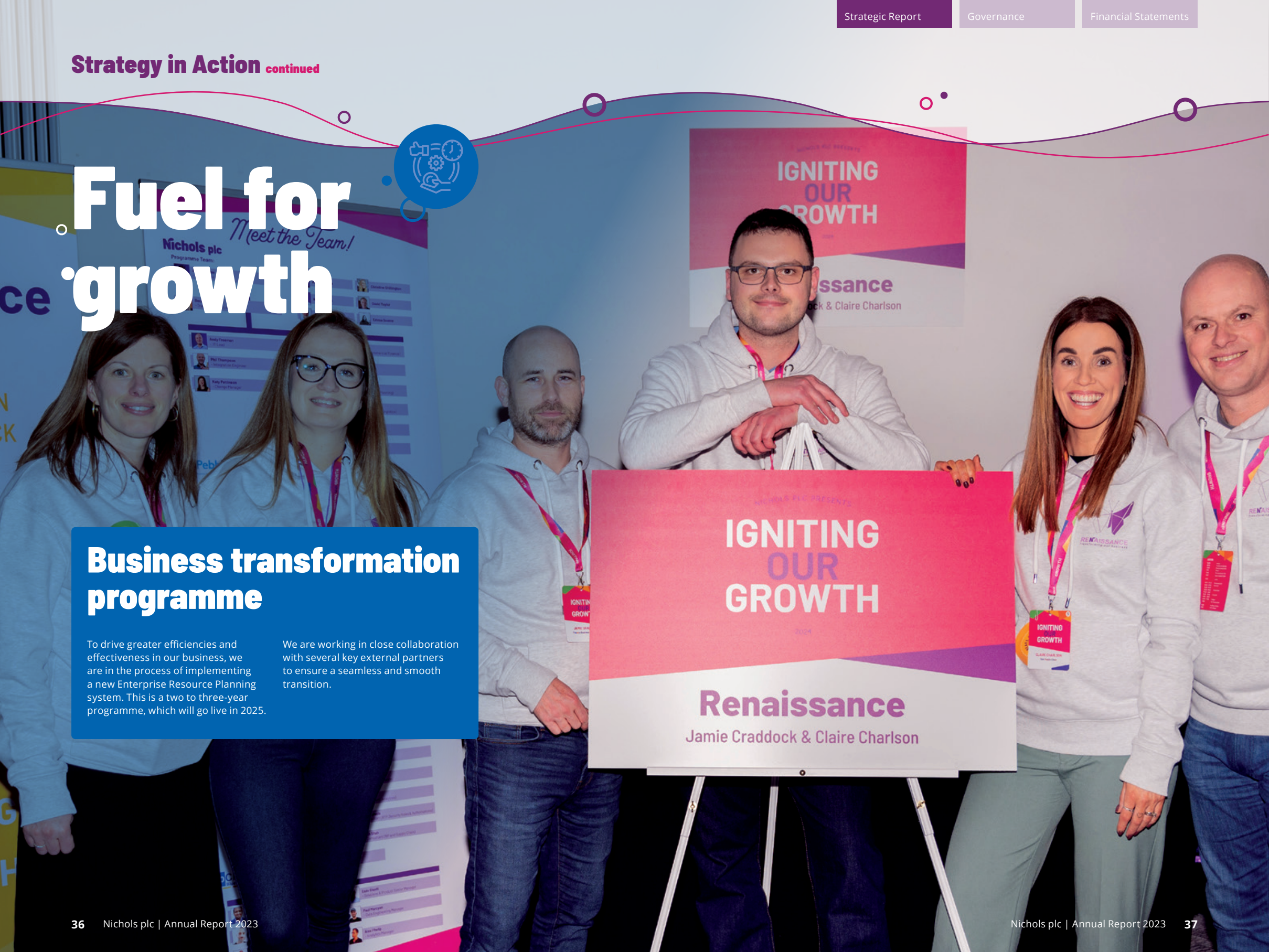
Fuel for growth



Business transformation programme

To drive greater efficiencies and effectiveness in our business, we are in the process of implementing a new Enterprise Resource Planning system. This is a two to three-year programme, which will go live in 2025.

We are working in close collaboration with several key external partners to ensure a seamless and smooth transition.



Our Happier Future Progress Report

Happier Future



Our Happier Future progress report 2023

In 2023, we celebrated another year of continued momentum and progress made against our Happier Future strategy. We are particularly pleased with how it has been embraced by all employees and embedded across the organisation.

Highlights from 2023 include:

- Expanding our Happier Future Steering Committee to include additional leadership roles, to ensure that action is comprehensive and embedded across the business
- Continuing our Inclusion & Diversity strategy by launching the Inclusion Hub, co-created by people from across the business
- Launching new low sugar and no added sugar products, so that over half of our UK-owned product portfolio continues to be low or no added sugar

These are great achievements within our business, but we recognise that our influence and impact go far beyond our own operations. With this in mind, in 2023 we were pleased to continue to work closely with our partners across the soft drinks industry to ensure alignment with our Happier Future vision. Examples include:

- Developing our UK Scope 3 (indirect) carbon emissions roadmap by collaborating with our key UK manufacturing and distribution partners and working with our international partners to align our sustainability agendas. This work will enable us to take action in the coming years on global issues that are mutually important
- Introducing a Responsible Sourcing Policy and a Supplier Code of Conduct for all our partners that will enable us to continue to collaborate and ensure they uphold high environmental and social standards

2023 was another year that presented us with unforeseen circumstances that meant we didn't deliver everything we planned, and we experienced new challenges to navigate. This meant we had to adapt some of our plans accordingly. For example, the safe enjoyment of our products is paramount to everything we do, so we proactively reformulated our SLUSH PUPPIE and Starslush iced slush products to remove glycerol, in light of concerns outlined by the Food Standards Agency (FSA) over exposure to glycerol in 'slush ice drinks' amongst young children.

We also faced changing business needs and external circumstances, including high inflation, the cost-of-living crisis, and a slowdown in electric vehicle proliferation across the UK commercial vehicle market which means we need to develop a new roadmap to decarbonise our fleet. However, we expect to still deliver on our 2030 targets in this area.

Previously, we communicated that we would not achieve our target for all of our UK packaged products to contain 51% recycled PET (rPET). However, at the end of 2023, we made the decision to move forward towards achieving this target, committing to implementing a higher level of rPET across our full UK Packaged (UKP) goods range in 2024.

Throughout these successes and challenges, our commitment to our people, our products and our planet remains steadfast. We thank all employees from across the Company, our partners, suppliers and customers, for their continued hard work and support. Together, we look forward to this year, where we will continue to work with our stakeholders to ensure our entire value chain is having a positive impact.



Our Happier Future Progress Report *continued*



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, 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. Our Happier Future Strategic Framework enables us to do just that. The strategy, which we have organised into three interconnected pillars, provides us with tangible goals around which we can align our resources, employees and stakeholders.



EVERYONE MATTERS

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

We will innovate to allow our consumers to make healthier choices.
Update: All of our UK packaged products will contain 51% recycled PET by 2024; we are reviewing our 2025 commitment to strive to reach 100% by 2025.

OWNING OUR CLIMATE IMPACT

We will reduce our impact on climate change by reducing absolute Scope 1 and Scope 2 greenhouse gas emissions¹ by 25% by 2025 and define our net zero roadmap.

1. 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, where every employee understands what it means for them and their role. Every team within the organisation has an important role to play to ensure we are delivering on our commitments to our pillars.

We continually make progress on our Happier Future strategy by having a clear governance, leadership and activation of our strategy, including:

- Retaining a strong connection with our Board, regularly reporting on our progress against the Happier Future strategy. The Board also continues to play an active role in shaping the Happier Future strategy, including our focus areas for the future
- A well-established Steering Committee ('SteerCo') which is responsible for monitoring and reviewing progress and bringing new insights into the Happier Future strategy. In 2023, we extended the members of the SteerCo so that it represents all relevant functions from across the business. This has enabled more timely decision-making, and ensures action and impact is realised throughout the business

- Continuing with a clear set of workstreams, ensuring all plans and commitments across the three pillars are managed through project teams. These teams regularly report progress and escalate potential issues through our project management office. Our project teams are multidisciplinary and include relevant technical experts and team members who can input customer, consumer and supply partners requirements and expectations
- Offering Group-wide environment, social and governance (ESG) training in 2023 in addition to quarterly briefings that update all employees on our progress and achievements. This ensures employees are engaged in the topics that sit within the Happier Future strategy

Developing our international Happier Future plan

With our international presence a key part of the business, in 2023 we also deepened our collaboration with our international partners to align our sustainability priorities with their focus areas and action plans. This began by mapping our global partners' priority areas. From this, we have developed four shared areas of focus: Water, Energy usage, People and Health. For each of these priority areas, we have developed a one and three-year roadmap, identifying key actions for us and our partners moving forward.

Our Happier Future Progress Report **continued**

Everyone matters

Doing things in the right way means ensuring everyone is looked after, from our own 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 support.



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

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.

Progress in 2023

Highlights this year include:

- Continued implementation of our Inclusion & Diversity strategy, including the launch of our Inclusion Hub. The Hub was co-created by employees from across the organisation, was representative of a wide range of needs and interests, and accelerates our efforts to raise awareness and take action on this topic throughout the business. Read more about how we developed our Inclusion Hub on page 45
- Enhanced our family-friendly company benefits, making them more inclusive for all family set-ups. These were also developed with input from across the business
- Continued to grow our Female Leaders Network (FLN), with day-to-day peer support as well as quarterly events – including one focused specifically on sustainability. This strong peer network continues to be highly valued amongst female senior leaders in the business
- The 'This is Me' series (where employees share their personal stories with the business) continued to be highly appreciated by employees throughout the year

Employee development

For Nichols, our commitment to a Happier Future is reflected in the way we look after every one of our employees. After all, day in, day out, our people are the ones delivering our vision. As a part of this commitment, highlights this year included:

- Continued to offer our employees development opportunities outside their core job. This includes opportunities to participate in new projects and develop new skills within different areas of the business
- Specifically, one of our Group priority themes, identified from the previous employee engagement survey, has been a key consideration for us to undertake a wider business transformation programme. Enabled by a new ERP system, this programme (currently underway) involves creating new roles and opportunities for employees to expand their skills and knowledge and gain invaluable career experience

Employee wellbeing, engagement and satisfaction

To ensure our employees know their voice matters, we conduct a regular survey to gather their ideas and input. Feedback from the previous employee engagement survey indicated that we could better help our people manage their own wellbeing. We took time to explore the topic in further detail to address this fully. Actions this year include:

- Conducted workshops to raise awareness of important wellbeing issues (such as financial wellbeing, mental health and resilience) and available support
- Set up an Employee Wellbeing Forum, with volunteer members from across the Company, helping to further improve our Company wellbeing offering

Focus for the future

We will continue to prioritise our people by:

- Reviewing progress against our key focus areas following the Employee Engagement Survey in 2024, maintaining or increasing engagement scores concerning inclusion
- Updating the Inclusion Hub with current content, alongside running regular events and other activities to ensure all employees are aware of this information, guidance, and support
- Developing our Employee Value Proposition to ensure our benefits and support packages continue to meet the needs of the business and our employees
- Continuing to implement current talent initiatives, for example skill development and creating opportunities for progression, evolving and adapting to continue to meet the needs of our employees and the business



Our Happier Future Progress Report *continued*

Everyone matters *continued*

Giving back to our local communities

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.

Progress in 2023

Highlights this year include:

- Since 2022, through our community partnerships and Camp Vimto programme, we have made a tangible difference to over 61 young people's lives in the UK and in Africa, fantastic progress against our 2025 commitment to improve the future of over 100 young people in our local communities
- Ran our second year of Camp Vimto, launched in 2022, to raise the aspirations of young people local to our head office and operations in the North
 - We once again ran our specially designed programme across five sessions with a larger initial cohort of 20 participants. The sessions included engaging and recruiting young people from the local community, a residential session in Chorley, a 'Farm to Fizz' day at our head office, and finally a graduation event with participants and their carers. The programme received high engagement from employees from across the business
 - We also incorporated 1:1 sessions with several participants pre-graduation, providing an opportunity for further mentorship from current Nichols employees

- Developed our plans with other key partnerships, including Manchester Thunder – the first ever ParaNetball club by a Super League netball team – and Waves4Change – an international charity supporting vulnerable young people through surfing lessons
- Raised over £10k for Warrington Youth Group through our annual Charity Golf Event
- Continued our employee volunteering programme Day to Make a Difference, a core part of our annual support to local communities

Focus for the future

We will carry forward our work and partnerships that tangibly benefit young people by:

- Continuing to support our Camp Vimto programme
- Further developing our partnerships with Manchester Thunder and Waves4Change
- Increasing employee engagement across all partnerships

Case Study

Our new Inclusion Hub

Amplifying and enhancing our commitment to Inclusion & Diversity across Nichols

In December 2023 we launched the Nichols Inclusion Hub. The Hub serves as an online collection of information and resources, co-created by employees, that raises awareness and understanding of what it means to be inclusive and promote diversity across the Company. This is one of our core values: that everyone feels 'proud to be part of our family'.

The Hub was co-created by members of our Operational Leadership Group (OLG), who developed the key structure of the Hub and suggested what content would be most useful to have displayed on the site. Once the site structure and key content had been agreed, other groups, including the LGBTQ+ and the Female Leaders Network (FLN) community groups, wrote and developed further content for the Hub, ensuring the creation of the Hub was inclusive and embraced a diverse range of voices and experiences.

It was launched to employees across the business from December. So far, feedback is that our people are excited about the Hub and are engaging with their own learning and insight on inclusion and diversity topics, bringing our inclusive culture to life across the Company.

What's next?

Looking forward, we will continue to add relevant content from a variety of groups and employees across the Company, raising awareness of the diversity amongst our people and issues of importance. We look forward to further contributions from a variety of employees, including thought-provoking articles, Inclusion & Diversity training modules, employees' stories of strength and overcoming adversity, and best practices and guidance on creating a more inclusive workplace.



Our Happier Future Progress Report continued

Gender Pay Gap Report

As at 5 April 2023

Nichols plc is pleased to present our 2023 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 remains firmly rooted in our culture, values and heritage.

It is also paramount for our employees to perform at their best and for the ongoing success of our business. In our last 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.

47% of our senior leaders and manager levels are female, which is higher than our overall gender split in the business and an increase of 13% from 2022. We have worked proactively to increase female representation in these roles, and it is really pleasing to see that the focus on growing our longer-term succession pipeline and our focus on accelerating the development of our female talent has positively contributed to such a substantial increase this year.

We remain committed to providing our female talent with stretch opportunities in new roles, secondments or projects. Additionally, the Female Leaders Network (FLN), a key community group in the business, is now well established and we are seeing its benefits in three key ways. Firstly, it is providing valuable internal holistic peer support to our female leaders. Secondly, Nichols is leveraging the benefits of these developed relationships in an enhanced operational performance and leadership capability. Thirdly, real opportunities are being taken and realised by our female leaders through the development of their external female networks; for example, membership and collaboration with The Women's Leadership Association.

Whilst we continue with our focus on developing our inclusive culture, there remains a big opportunity to increase female representation at all levels in our business.

Our gender split

This year's gender split remains consistent with 2022 levels and is also mirrored through the number of new employees hired during this reporting period, with 67% of new hires being male and 33% being female. In the previous year we saw a near-even split of females and males being recruited into the business, so it is frustrating that we were not able to maintain or improve on this balance. The external talent market has remained a challenging one. This is both in terms of the diversity and size of the talent pools in the skill areas we have been recruiting for, with unemployment levels being lower and wage inflation remaining high in our sectors, the opportunity to bring a wider female representation has been challenging. Additionally, as we have regularly reported, our gender split is reflective of our large employee group within our Out of Home (OoH) operations and manufacturing functions, with males making up the vast proportion of employees undertaking driver, technician or manufacturing operational roles within the business.

Our pay quartiles

The proportion of males and females in the lower two pay quartiles continues to reflect the workforce and it remains a significant opportunity and a challenge for the business to realise a more balanced gender split across our workforce given the male-dominated make-up of our operational employee groups and available talent pool.

Consistent with the improvement in the number of female senior leaders and managers shared above, it is pleasing to see a positive increase in the number of females in the upper two quartiles of 14%. This reflects the focus on attracting and developing females into senior leader and manager positions during the reporting period and a corresponding level of turnover of senior males.

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%.

96%

of our employees believe that individual differences such as race, gender, disability and sexual orientation are respected and valued at Nichols

92%

of our employees feel they are free to be themselves at work

84%

of our employees believe Nichols builds diverse and inclusive teams



Our Happier Future Progress Report *continued*

Gender Pay Gap Report *continued*

Our gender pay and bonus gap

Our median gender pay gap for our hourly pay has increased from -1% in 2022 to -12% in 2023, which is favourable to females and when compared to the UK average of +7.7%¹. The median on bonus is -46% favourable to females which was a reduction from -94% in 2022. There are no clear underlying reasons for this swing when referencing our historical reporting. The in-year bonus performance metrics and financial targets delivery across the business and the composition of females and males in different business units will be a factor here.

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.

We present our gender pay gap results for the year ended 5 April 2023 in line with our legal obligation and commitment to produce gender pay gap information.

1. ONS Annual Survey of Hours and Earnings (ASHE) for 2023.

Our data

1. Employee % split by gender: **33** female/**67** male
2. Proportion of males and females in each pay quartile:

| Quartile % | 2023 | | 2022 | |
|------------|-----------|-----------|------|--------|
| | Male | Female | Male | Female |
| Bottom | 70 | 30 | 60 | 40 |
| 2 | 78 | 22 | 74 | 26 |
| 3 | 58 | 42 | 65 | 35 |
| Top | 62 | 38 | 69 | 31 |

3. Proportion of males and females receiving a bonus within the reporting period:

96% of males/**92%** of females

4. Mean & median pay gap¹

Hourly pay – median -12% (2022: -1%)/mean -1% (2022: 19%)

Bonuses – median -46% (2022: -94%)/mean 27% (2022: 31%)

1. Variance in male pay to female pay.

Our Happier Future Progress Report **continued**

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 challenging ourselves to find more sustainable packaging options.



We will innovate to allow our consumers to make healthier choices

Update: All of our UK packaged products will contain 51% recycled PET by 2024 and we are reviewing our 2025 commitment to strive to reach 100% by 2025

Healthier hydration

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

Progress in 2023

Highlights this year include:

- Increased our proportion of no added sugar (NAS) products in our UK Packaged (UKP) portfolio so that over half (52%) of the total volume of drinks sold is now NAS. We also lowered the average calories per litre of our products by a further 4% from 2022
- Launched several new NAS and lower sugar products across our Vimto, SLUSH PUPPIE and ICEE branded portfolio
- Worked with our international partners to further reduce the sugar content of our international products including reducing the sugar content of our pomegranate cordial in Sudan by over 20%, and making the NAS Vimto Zero cordial a permanent Aujan product

Use of glycerol in slush iced drinks

The safe enjoyment of our products is paramount to everything we do. This year, in light of concerns outlined by the Food Standards Agency (FSA) over exposure to glycerol in 'slush ice drinks' among young children, we proactively reformulated our SLUSH PUPPIE and Starslush iced slush products to remove glycerol in full, as these brands are predominantly sold in venues popular with young children. Glycerol is widely used across the industry as a reduced-sugar alternative in slush ice drinks. As the only known current alternative to glycerol to prevent slush from freezing solid is sugar, we have reintroduced recipes containing sugar. We will continue to monitor alternatives that provide the desired functionality of preventing the products from freezing solid.

ICEE is a zero-sugar carbonated slush drink containing glycerol, aimed at teens and adults and sold exclusively in cinemas. We have fully implemented the FSA industry guidance with our customer partners to ensure that ICEE can be enjoyed safely.

Focus for the future

We will continue to provide healthier hydration, by:

- Continuing our established approach to innovation and renovation to meet evolving needs and allow our consumers to make healthier choices
- Working closely with our international partners to explore sugar reduction, where appropriate to the consumer needs in local markets



Our Happier Future Progress Report **continued**

Products we're proud of **continued**

Sustainable packaging

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.

We previously reported our decision to pause the expansion of our UK Packaged (UKP) portfolio containing 51% recycled PET (rPET), due to a significant number of external factors (including inflation, Deposit Return Scheme (DRS) and the cost of living crisis) and the impact of passing these costs onto our consumers. In 2023, 40.5% of the total PET used was recycled PET, the same as 2022. Throughout 2023, we carefully monitored the cost and availability of virgin and recycled PET within our agreed supply chain parameters, and are pleased to report that in 2024, we will move to using 51% rPET in all our UK PET packaged products.

Progress in 2023

Highlights this year include:

- Embedded the Sustainable Packaging Policy across the entire business. This included standardising the policy to ensure it is applicable to all co-packers, new and existing products, international products and brand licensing, as well as building our internal product packaging capability
- Increased transparency of Vimto UK branded shrink 500ml Ready-To-Drink sleeves to improve ease of recyclability
- Undertook extensive work to prepare for the planned Scottish Deposit Return Scheme (DRS) 2023 implementation
- Introduced a fully recyclable inner BiB substrate Liquipure™ packaging across the entire post mix portfolio (excluding products Nichols co-pack on behalf of other brands)
- Conducted regular trials to ensure the Bag in Box (BiB) formats retain packaging integrity, whilst seeking to remove plastic shrink wrapping, which will be implemented (by product category) once validated

Focus for the future

We will continue to implement the four pillars of our packaging strategy (reduce, reuse, recycle and reimagine) by:

- Ensuring all of our portfolio is compliant with our Sustainable Packaging Policy
- Continuing to increase the proportion of rPET in our UK Packaged (UKP) products
- Completing the roll out of Liquipure™ packaging across our entire post mix portfolio in 2024
- Continuing to trial new packaging solutions, sharing learnings from across the portfolio to inform innovations
- Reducing the weight, where possible, of all primary (e.g. cans and bottles) and secondary (e.g. boxes and pallets) packaging



Our Happier Future Progress Report **continued**

Products we're proud of **continued**

Responsible sourcing

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.

Progress in 2023

Highlights this year include:

- Revised our Responsible Sourcing Policy and developed our Supplier Code of Conduct to ensure our partners meet our environmental, social and governance (including ethical behaviour) standards. Read more about this work on page 55

- Educated the business on our policies to build the right capability to move forward with a robust implementation plan. We have been really pleased with the engagement from our key partners on the Supplier Code of Conduct
- Transitioned from 20% to 81% palm oil-free across our Vimto UK brand-licensing product portfolio
- Ensured 100% of our Vimto UK brand-licensing products are Roundtable on Sustainable Palm Oil (RSPO) accredited

Focus for the future

We will continue to source our products responsibly by:

- Fully implementing our Responsible Sourcing Policy and Supplier Code of Conduct for all of our primary partners, providing environmental, social and governance (ESG) assurance across our portfolio
- Working to be 90% palm oil-free across our Vimto UK brand licensing portfolio in 2024

MEET ONE OF OUR SUPPLIERS WHO GROWS CARROTS – THE JUICE OF WHICH WE USE TO COLOUR OUR PRODUCTS!



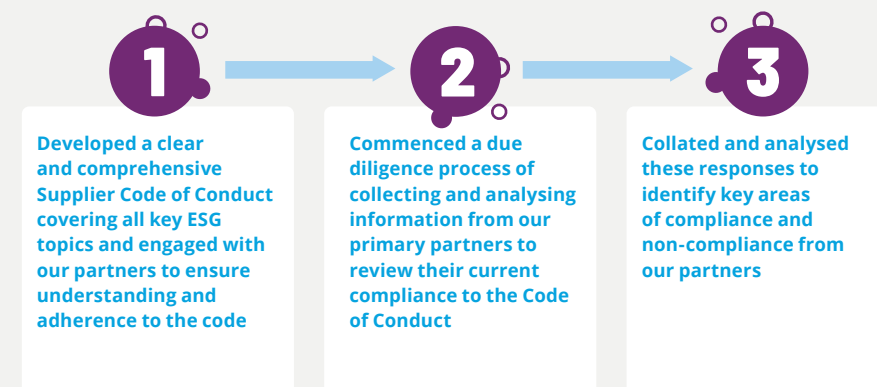
Case Study

Increasing transparency across our supply chain

As part of our governance standards, in 2023 we began an extensive programme of engagement with our partners to gather due diligence information, used to provide Environmental, Social and Governance (ESG) assurance as part of our governance standards.

These standards are to ensure our partners provide safe working conditions, respectful treatment of workers, and manufacture products in a manner that does not exploit, or present a danger to health, safety or the environment.

To achieve this ambition, we commenced a multi-staged process during which we:



From the information gathered in our due diligence process, we are learning which ESG aspects our partners are already managing well, and which they may need support to improve. We can also identify common areas of non-compliance and think systematically about how we might use our influence and collaborative power to address these areas.

What's next?

Over the next three years, we will roll out this programme to all of our partners. We will also be conducting a more thorough risk assessment, including a Sedex Members Ethical Trade Audit (SMETA), to ensure our partners are compliant with global standards, as well as our own.

Our Happier Future Progress Report **continued**

Owning our climate impact

Nichols is committed to taking action to reduce our climate impact.

We recognise that the impacts of the climate crisis present a principal risk to the business¹, and we know that a company like Nichols must reduce its carbon emissions to align to a net-zero future.

We also recognise that by having an international route to market with a large network of partners, suppliers and customers, we have an important role to play in inspiring and enabling others to do the same.

Our longer-term roadmap to net zero, will rely on new technologies being identified as well as working collaboratively with our partners and experts to unlock solutions in challenging areas, for example how we reduce the carbon intensity of our key ingredients life cycle. Therefore, as we move into setting our longer-term targets for net zero we recognise that we will need to continue to be flexible and adapt our plans accordingly. We will continue to be open and transparent regarding our Happier Future progress.

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.

Reducing our direct emissions **Progress in 2023:**

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 and 2 emissions by 80% by 2030, in order to reach net zero by or before 2050.

This year we have reduced our UK Scope 1 carbon emissions by 219 tCO₂e to 1,059 tCO₂e in 2023. This is a 17% decrease from 2022. Our Scope 2 emissions remained at net zero as we continued to purchase 100% renewable energy.

For further information please see the Streamlined Energy and Carbon Reporting (SECR) Report on pages 62 to 63.

Highlights this year include:

- Exceeded our 2025 Scope 1 and 2 reduction target by almost 5%, reducing our direct carbon emissions by almost 30% from our 2018 baseline, meaning we have already achieved our 2025 commitment to a 25% reduction in Scope 1 and 2 emissions
- Generated 36,266 kWh of energy this year (2023) through our solar panels at our Head Office, Laurel House
- Implemented our new green car policy, encouraging our employees to choose electric car options. The policy has had an encouraging uptake from across the business with an increase in eligible employees choosing e-vehicles

1. The Board takes overall accountability for owning our climate impact and managing the risks and opportunities that this presents. You can find out more about the process for identifying and assessing climate-related risks, including how it is aligned to the Group's risk management policy, on page 81.



We will reduce our impact on climate change by reducing absolute Scope 1 and Scope 2 greenhouse gas emissions² by 25% by 2025 and define our net zero roadmap



Decarbonising our fleet

Our Out of Home (OoH) fleet makes up a large proportion of our Scope 1 emissions and we remain committed to moving to electric vehicles in order to lower our carbon impact in this area. This year we planned to replace 20 of our fleet vehicles with their electric equivalents. However, we were unable to meet this target due to the market for commercial electric vehicles and the required on-the-go infrastructure not developing at the pace expected. This meant we were unable to source e-vehicles that were fit for purpose for our business needs.

At the end of 2023, we undertook a strategic review of our operational requirements for fleet vehicles. We will be developing a revised roadmap and targets aligning to development of the commercial e-vehicle market.

Focus for the future

In 2024, we will progress further along our roadmap for carbon reduction across our Scope 1 and 2 emissions by:

- Completing the strategic review of our operational requirements and e-vehicle sourcing options, revising our targets accordingly, and replacing our fleet as soon as we can
- Continuing to review and evaluate technologies that increase energy efficiencies at our OoH manufacturing site in Ross-on-Wye



2. 2018 baseline.

Our Happier Future Progress Report **continued**

Owning our climate impact **continued**

Decarbonising our supply chain **Progress in 2023:**

Reducing our Scope 1 and 2 emissions is important, but 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 meaningfully reduce our carbon footprint and reach our decarbonisation targets. In 2023, we calculated our 2022 baseline for UK Scope 3 emissions to be 44,724 tCO₂e, 97% of our total 2022 UK emissions.

We were able to identify our Scope 3 carbon hotspots to be packaging, ingredients and supplier energy. These accounted for 41%, 36% and 11% of our UK 2022 Scope 3 emissions respectively. This data informed key areas of action carried out in 2023 as well as focus areas for our Net Zero Roadmap developed this year.

Highlights this year include:

- Developed our UK roadmap to net zero carbon across all three scopes (see our case study on page 61 for further detail)
- Completed short-term actions to reduce our Scope 3 carbon footprint, including:
 - Reduced both the thickness of plastics and the amount of cardboard used in pallet builds, which equates to a reduction of 21.6 tonnes of plastic and 18.9 tonnes of cardboard
 - Increased the concentration of key ingredients including colours and juice compounds in order to reduce packaging and transportation emissions. Increasing the concentration of our most popular colour has reduced the volume purchased by 20%, leading to an equivalent reduction in packaging waste and transportation for this ingredient.

- Started to engage and work with our key suppliers to understand areas of potential impact, and shape future areas of focus for our Net Zero roadmap, for example we:
 - Worked with suppliers to assess the feasibility of further increasing the amount of recycled content in their aluminium cans, an action with the potential for significant carbon reductions
- Reviewed how we move our products to increase efficiencies that reduce our carbon emissions. For example, we:
 - Maximised the number of cases on pallets to fit more product in each van. This resulted in reducing the number of journeys by 37,920 miles
 - Assessed the feasibility of delivering directly from our manufacturers to customers without storing products at warehouses. This would reduce the number of journeys and associated carbon emissions

Focus for the future

We will continue to decarbonise our supply chain by:

- Delivering on the 2024 milestones defined in our UK net zero roadmap
- Engaging with our suppliers to understand how and where large carbon savings can be made in the supply chain, aligning this to the areas of focus in our UK net zero roadmap
- Working with key international partners to measure their carbon footprint, incorporating this data into our Scope 3 emissions calculations and targets
- Increasing the concentration of flavourings to reduce the amount of packaging and associated carbon footprint



Our Happier Future Progress Report *continued*

Owning our climate impact *continued*

Responsible water usage

Progress in 2023:

We recognise that it is more important than ever to use water sustainably. We must use water responsibly, reduce emissions from water transport, and address the risk of increased water scarcity in some of our markets.

In 2023, as a first step we measured our baseline water footprint by gathering data from all our UK manufacturing sites, which we are pleased to have completed in 2023.

Our 2023 total water consumption for manufacturing products in the UK was 293,765m³ and the average number of litres used to produce a litre of product was 2.03l/l. This data will inform our plans on how to reduce the intensity of water usage across our UK sites.

Focus for the future

We will continue to take action to use water responsibly by:

- Developing a water strategy for the UK, identifying how we can reduce the intensity of water usage across our UK manufacturing sites



Case Study

Designing our UK net zero roadmap

Nichols is committed to taking action to address our climate impact. In order to effectively manage our emissions, we first had to understand the carbon footprint of all our business operations and where our 'hotspots' lie. In 2022, we focused on measuring our UK carbon emissions across all 3 scopes.

With this data, in 2023, we were able to start developing our roadmap for progressive carbon reduction to achieve our ambition of reaching net zero carbon by 2050 (90% total emissions reduction compared to our baseline year). We knew that we would need to draw on the knowledge and expertise of stakeholders across our entire business to be able to design a roadmap that would mean we achieved this ambitious goal.

We started this project by building a dedicated team made up of people from every facet of the business – from marketing to manufacturing – with support from senior leadership. A particular highlight of this process was the off-site day, facilitated by carbon experts at Green Element.

On this day, the team co-created ideas of how Nichols can work to reach net zero by 2050. The day was filled with positive energy and although the task seemed daunting, by the end of the session we had lots of ideas – big and small – about how Nichols in the UK could transition to net zero.

We maintained the positive momentum created during the off-site day, and worked towards producing the complete roadmap. This work catalysed more conversations with our suppliers about decarbonisation and wider sustainability goals. We even began implementing some of the actions before the roadmap was finalised, ahead of our schedule.

What's next?

Our finalised roadmap details our 2024 and longer-term targets that ensure we are reducing our emissions in line with global goals and targets. This year, we will be working to reach our 2024 targets as well as planning how we will meet these longer-term targets. In this way, we can own our climate impact and work to conduct our business in the most sustainable way.



It was really interesting to work with colleagues from all different areas of the business to come up with a myriad of ways we could look to reduce our carbon footprint at Nichols. The support of Green Element was invaluable to the process, providing us with expertise and guidance to design a roadmap that is both ambitious and achievable.

LOUISE PARKE
Head of Procurement

Our Happier Future Progress Report **continued**

Owning our climate impact **continued**

SECR Report

2023 Energy and Carbon Report summary

In accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have prepared a Streamlined Energy and Carbon Reporting (SECR) Report for the 2023 financial year. This measurement and reporting of our environmental performance will drive direct benefits for the business such as lower energy and resource 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.

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 Scope 1 and 2 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 the 2023 financial year was 5,494 MWh, a 14% reduction compared to the previous year. In terms of gross carbon emissions, the business emitted 1,241 tCO₂e, a 14% reduction from the previous year.

This is due to the reduction in energy consumed and resulting emissions produced from transport fuel.

In terms of production, site production decreased compared to the previous year from 9,965 ML to 8,917 ML. Despite the decrease in production, site production volumes have rebounded since the COVID impact in 2020. Despite this decrease in production output, normalised gross emissions have decreased by 4% since last year, from 145 tCO₂e/ML to 139 tCO₂e/ML of drinks produced.

Continuing from 2022, Nichols procured 100% of its electricity backed by Renewable Energy Guarantees of Origin (REGO) certificates as well as 100% of natural gas consumed backed by

Renewable Gas Guarantees of Origin (RGGO) certificates. This resulted in a reduction of the net carbon emissions from 1,241 tCO₂e to 913 tCO₂e.

Nichols' focus on energy and carbon-saving measures continued throughout this financial year. The solar panels at our head office, Laurel House, produced 36.3 MWh of electricity. Furthermore, the site intends to replace fossil fuel powered vans with electric in the following years.

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 efficiency actions

Solar panels and an air source heat pump have been installed at the Laurel House head office, reducing the consumption of natural gas for providing hot water for the office staff; the benefit of this has been seen in previous years.

There is a project in place to replace the existing transport fleet in phases in the following years. This was expected to begin from last year but due to the continued challenges in the development of viable commercial Battery Electric Vans (BEVs) and the supporting national infrastructure, a new roadmap will be developed in 2024.

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.

| Parameter | Units | Current reporting year | Comparison calendar year |
|--|----------------------------|-------------------------|--------------------------|
| | | 01/01/2023 – 31/12/2023 | 01/01/2022 – 31/12/2022 |
| Natural gas consumed | kWh | 804,335 | 760,663 |
| Grid electricity consumed | kWh | 877,027 | 873,461 |
| Solar photovoltaics electricity generated | kWh | 36,266 | 26,508 |
| Transport fuels consumed | kWh | 3,776,009 | 4,710,994 |
| Total energy consumption used to calculate emissions | kWh | 5,493,637 | 6,371,626 |
| Emissions from combustion of gas (Scope 1) | tCO ₂ e | 147 | 139 |
| Emissions from transportation in vehicles owned or controlled by reporting company (Scope 1) | tCO ₂ e | 902 | 1,135 |
| Fugitive emissions from refrigeration plant (Scope 1) | tCO ₂ e | 11 | 4 |
| Emissions from purchased electricity (Scope 2) | tCO ₂ e | 182 | 169 |
| Emissions from business travel in vehicles owned or operated by 3rd parties (Scope 3) | tCO ₂ e | 0 | 0 |
| Total gross carbon emissions | tCO₂e | 1,242 | 1,447 |
| Carbon reduction through green electricity tariff (REGOs) | tCO ₂ e | (182) | (169) |
| Carbon reduction through green natural gas tariff (RGGOs) | tCO ₂ e | (147) | (8) |
| Carbon reduction through green natural gas tariff (carbon credits) | tCO ₂ e | 0 | (62) |
| Total net carbon emissions | tCO₂e | 913 | 1,208 |
| Intensity ratio: Total gross emissions/1,000,000 Litre product | tCO₂e/ML | 139 | 145 |
| Intensity ratio: Total net emissions/1,000,000 Litre product | tCO₂e/ML | 102 | 121 |

Section 172 Statement

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; and
- the need to act fairly between members of the Company.

This section forms the Directors' statement under section 414CZA of the Companies Act 2006.

Key Board decisions and discussions

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 decisions are made 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.

Key Board decisions during the year

The Board considers the following to be the principal decisions and considerations it has made during the year to 31 December 2023. 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.

BOARD DECISION

During the year, the Food Standards Agency (FSA) highlighted concerns over exposure to glycerol in 'slush ice drinks' especially amongst young children.

The Board fully supported the FSA's concerns and immediately implemented the proactive and voluntary reformulation of our SLUSH PUPPIE and Starslush iced slush products to remove glycerol and replace with sugar as an alternative.

The immediate replacement of glycerol products already in market at various venues across the country was approved by the Board.

The significant inflationary pressures and cost-of-living pressures seen during 2022 continued into the start of this financial year.

In order to mitigate against these pressures and protect gross margins, particularly within the UK, the Board continued the Group's clear strategy of value over volume alongside the de-listing of lower-margin products during the early part of 2023.

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

CONSIDERATIONS

The safe enjoyment of our products is paramount to everything we do at Nichols.

The Board considered the Group's customers and arranged a 'free of charge' replacement for existing glycerol stock to all customers affected, alongside updated signage as necessary.

Working with our customers, the replacement programme was undertaken with minimal business disruption to them and no adverse financial impact.

The Board considered the Group's long-term strategic positioning and the balance between protecting margins versus the potential loss of volume.

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.



Section 172 Statement *continued*

How the Group engaged with its key stakeholders during 2023

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 wellbeing.

How we engaged during 2023

To ensure our employees know their voice matters, we conduct a regular survey to gather their ideas and input. Feedback from the previous employee engagement survey indicated that we could better help our people to manage their own wellbeing.

We took time to explore the topic in further detail to address this fully. Actions this year included:

- conducting workshops to raise awareness of important wellbeing issues (such as financial wellbeing, mental health and resilience) and available support; and
- setting up an Employee Wellbeing Forum, with volunteer members from across the Company, helping to co-create our Company wellbeing offering.

We will continue to prioritise our people, with this key focus for the future.

Customers

Why we engage

Communication and relationships with our direct customers are a fundamental ingredient to our success.

How we engaged during 2023

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 ongoing promotional and advertising activity.

Suppliers

Why we engage

Given Nichols' Packaged outsourced manufacturing model and Out of Home's 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 2023

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



Section 172 Statement *continued*

How the Group engaged with its key stakeholders during 2023 *continued*

The community

Why we engage

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

How we engaged during 2023

During the year the Group developed its plans 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 ongoing support for the Waves For Change Initiative.

2023 also saw the second year of Camp Vimto that helps children from disadvantaged backgrounds learn life skills via workshops and interactive/outdoor activities to learn 'real' life skills such as resilience, good choices and how to look after their health. The extended programme ran across five sessions with a larger cohort of 20 participants as well as providing recent graduates of the programme with the opportunity for further mentorship from current employees at Nichols. This will ensure our support for participants in our local community continues far beyond the summer programme.

Our volunteering programme 'Day to Make a Difference' remained fully embedded as part of our annual support to local communities, whilst our annual Charity Golf Event raised over £10k for Warrington Youth Group.

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 2023

This year we have reduced our UK Scope 1 carbon emissions by 219 tCO₂e to 1,059tCO₂e in 2023. This is a 17% decrease from 2022. Our Scope 2 emissions remained at net zero as we continued to purchase 100% renewable energy.

Implementation of a new green car policy, encouraging employees to choose electric car options.

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 2023

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.

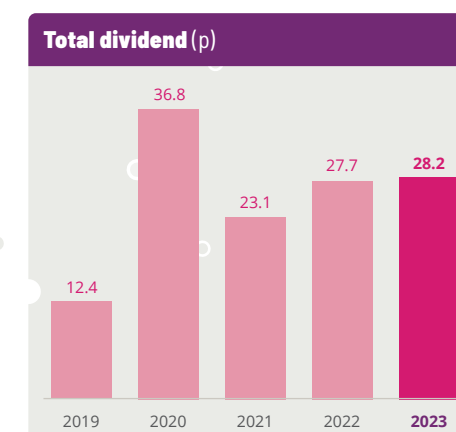
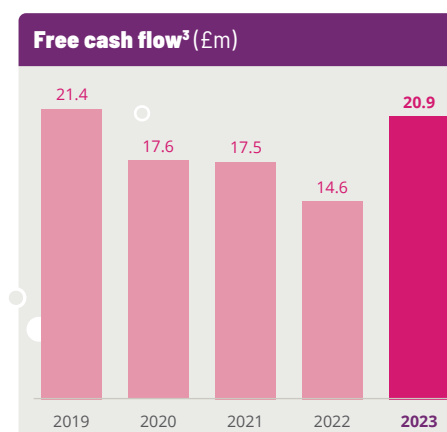
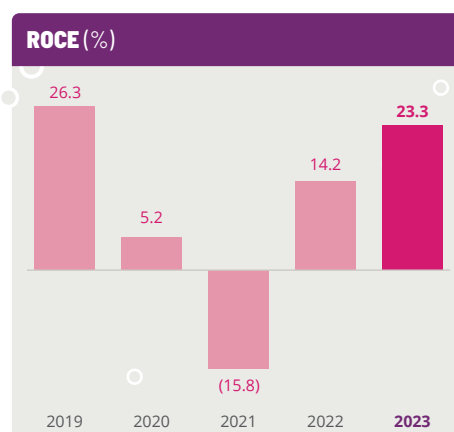
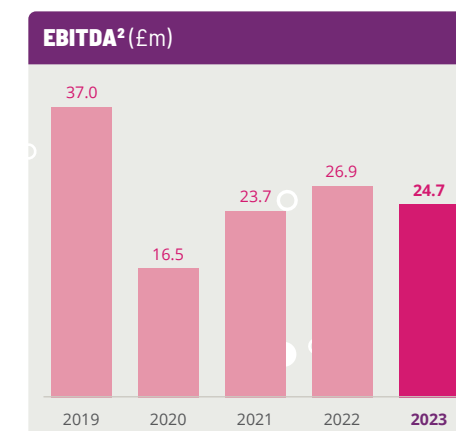
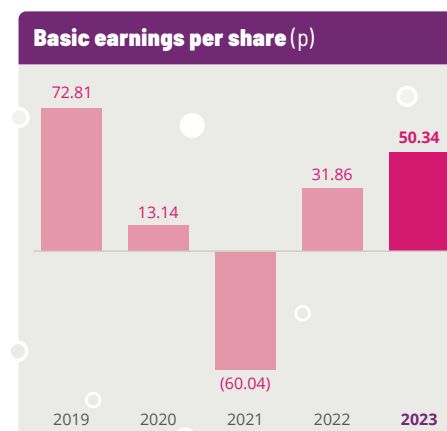
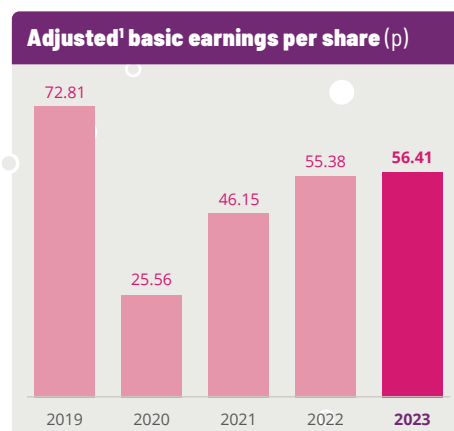
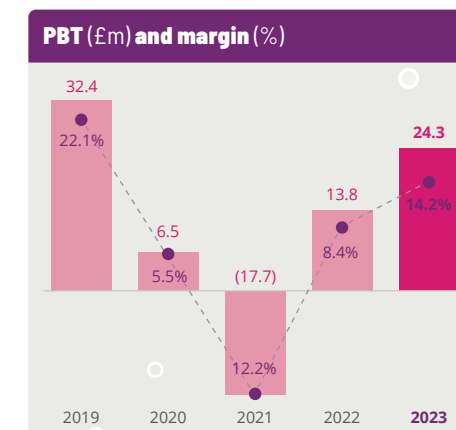
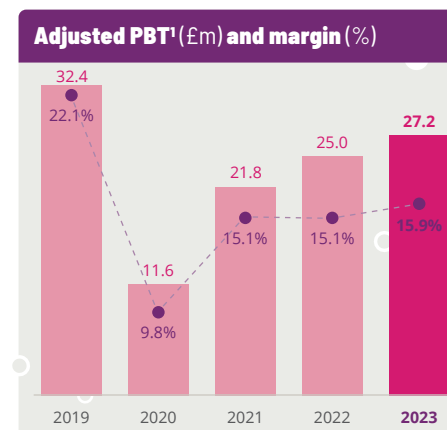
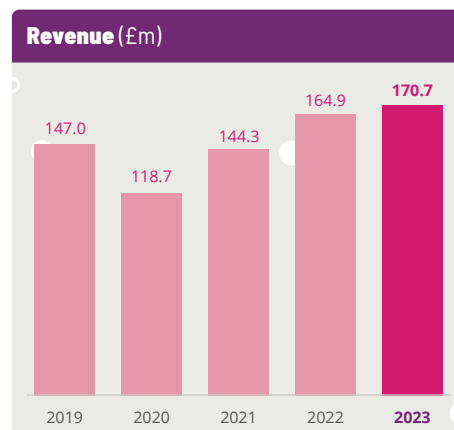
During 2023, the Board committed to publish the presentations on interim and full-year results that the executive management give to institutional investors on the Company's website so that our retail shareholders are able to view these as well. The presentation for the 2023 interim results has already been published.

Executive Directors utilise the online meeting platform, Investor Meet Company, to enable retail shareholders to participate in live investor presentations as well.

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.

Our Key Performance Indicators

2023 was a year of strong progress and execution for Nichols, as the Packaged business delivered another year of growth underpinned by the Vimto brand, and benefits from the newly streamlined OoH business were delivered earlier than anticipated.



1. Excluding exceptional items.
2. EBITDA is the 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.

Interim Chief Financial Officer's Statement



In line with our strategic focus, the Group's Packaged business grew revenue during the year to £127.2m (2022: £119.9m, +6.1%) with gross profit improving proportionately.

DAVID TAYLOR
Interim Chief Financial Officer

Revenue

Group revenue increased by 3.5% to £170.7m (2022: £164.9m). This increase reflected further progress in our export sales and increased prices arising from our response to higher input costs, which has been partially offset by the fall in revenue following the restructuring of our OoH business. We raised prices to recover significantly higher material input costs early in the year where we were unable to mitigate these costs, with the expectation that we would lose some volume in the UK as a result of our decision to protect our gross margins. The price increase was designed to recover higher costs rather than to increase profitability and was consistent with our long-term strategic positioning. Overall revenue from the UK and International Packaged business rose by £7.3m (6.1%) to £127.2m with International accounting for the majority of the improvement. Revenue from our OoH business fell by £1.5m to £43.6m (-3.4%) as we withdrew from lower-margin products and customer accounts.

Gross profit

At the start of the year, we made a conscious decision, as discussed above, to prioritise the maintenance of our gross margins. Absolute gross profit was £72.2m (2022: £71.0m), with Group gross margin falling slightly to 42.3% from 43.1%. This reduction reflected a change in sales mix within our operating units and our decision to pass on cost inflation only.

We mitigated much of the cost increases experienced in the latter part of 2022 and early 2023 through more effective purchasing and working closely with our manufacturing partners to optimise productivity. Where appropriate we increased sales pricing and also de-listed lower margin products. Our gross margin fell slightly as a result of changes to our Group market mix.

Distribution expenses

Distribution expenses totalled £9.6m (2022: £10.7m), a fall of 10.4% as overall volumes fell, in UK Packaged and in OoH, and fuel costs reduced in the second half of the year.

Administration expenses

Administration expenses (excluding exceptional items) increased in the year by £1.7m to £37.4m. Planned investments in the future growth of our business were implemented during the year. The majority of this investment was made in additional people and resource in our International business, procurement, marketing and IT operations.

All these investments should improve our capacity to generate additional returns in the long term. These were supported by a substantial reduction in overhead costs in OoH as we implemented the restructuring of that business. Within the figure of £37.4m additional costs were incurred in the reformulation of Slush products and in an increase in bad debt provisions within International reflecting a more uncertain business climate in the Yemen and other markets.

Including exceptional items, administrative expenses were £40.3m (2022: £46.9m).

Segmental performance

Our revised segmental disclosure, identifying operating profit arising from our Packaged and OoH businesses alongside shared Central expenses, has been adopted to better reflect the strategic focus and forward plans of the Group. The Board's intention is to invest for future growth in our Packaged business, whilst allowing clearer focus on optimising performance in OoH.

In line with our strategic focus, the Group's Packaged business grew revenue during the year to £127.2m (2022: £119.9m, +6.1%) with gross profit improving proportionately. The majority of this improvement came from our International operations with good progress in the UK. Profit growth was strong with adjusted operating profit increasing to £36.3m (2022: £34.3m) and this allowed further investment in the long-term development of the business. Overall profitability was impacted by a provision against the recoverability of customer debts in the Yemen and other export markets.

Within OoH the reported fall in revenue to £43.6m (2022: £45.1m) reflected a reduction in scale of the business as our restructuring progressed. This was carefully considered and recognised the cost to serve individual customers. Where the overhead associated with delivering a service was high relative to the additional contribution created, we withdrew. Revenue may have fallen but importantly the reduction in costs arising from the restructuring has allowed us to improve our profitability in this area. Adjusted operating profit increased to £5.1m (2022: £3.5m). The Board is pleased with the progress of OoH and the restructuring process has allowed much clearer reporting lines and an improved focus on profit optimisation within the operation. The benefits of the change are being secured earlier than we initially anticipated and we expect further progress in 2024, particularly given the negative effect on reported performance of product reformulation costs during 2023.

Central costs increased in the year to £16.2m (2022: £13.3m). The majority of this increase was in employment costs reflecting both cost-of-living increases and investment into creating additional capability within the Group. This additional capability is targeted against clear strategic growth plans and we expect it to support our forward performance.

Exceptional items

The Group has incurred £2.9m of net exceptional costs during the year (2022: £11.1m).

Out of Home strategic review and restructuring

In 2022 the Group completed a strategic review into its OoH business following a number of changes to the market it serves. This review included an assessment of customer and product profitability and the identification of opportunities to raise operating margins. As the changes arising from this review have been implemented during 2023 costs of £1.8m have been incurred to restructure the operations of the business. These additional restructuring costs are one-off in nature and will be treated as exceptional.

Interim Chief Financial Officer's Statement continued

Risk Management

Exceptional items continued

Business change programme and systems development

The Group commenced a project in 2022 to identify the potential benefits from replacing current operational and IT processes and systems, which are reaching the end of their planned life, with an integrated Enterprise Resource Planning (ERP) solution. During 2023 this project has progressed well and a number of future operational benefits have been identified. Costs of £1.7m (2022: £0.3m) have been incurred in completing the review, vendor selection and business design phases of the programme. Further costs will be incurred on the development of new systems and processes during 2024 and the project is expected to be completed in 2025. Due to the nature of these charges, the Group is treating the costs as exceptional.

Historic incentive scheme

During 2022 the Group finalised the treatment of a historic incentive scheme with HM Revenue and Customs and agreed to pay a sum in settlement of additional tax and interest liabilities. The Group also commenced the process of the recovery of debts from current and former employees who had indemnified the Company. A reserve was put in place to provide against the potential irrecoverability of some of these debts. Given the progress made in the collection of outstanding amounts, this provision has been reduced during 2023 giving a net exceptional credit (after further legal fees) of £0.6m (2022: cost £0.1m).

Interest income

Net finance income of £2.0m (2022: £0.4m) has been received during the year. The Group has benefited significantly from increased interest rates during the year and also from higher average cash holdings.

Adjusted profit before tax, profit before tax and tax rate

Adjusted profit before tax (excluding exceptional items) increased by 8.7% to £27.2m (2022: £25.0m) and profit before tax (including exceptional items) increased by 75.3% to £24.3m (2022: £13.8m). The tax rate for the year has increased to 23.75% following the general increase in UK corporation tax to 25% effective from April 2023.

Adjusted earnings per share and earnings per share

Adjusted earnings per share ('adjusted EPS') increased by 1.9% from 55.38p to 56.41p. The difference between the rate of increase in adjusted EPS (+1.9%) and adjusted profit before tax (+8.7%) reflects the increase in UK corporation tax rates noted above. Earnings per share were 50.34p (2022: 31.86p).

Cash and cash equivalents and balance sheet

The Group's cash generated from operating activities was once again strongly positive at £24.8m (2022: £20.5m). Working capital was well controlled with a fall in inventory levels offsetting increased trade and other receivables. The Group's cash contribution to our final salary pension scheme also fell as deficit reduction payments ceased. Our cash conversion performance improved substantially and was 102% (2022: 72%). Free cash flow after the payment of tax and capital expenditure was £20.9m (2022: £14.6m). After the payment of dividends of £10.2m (2022: £9.4m) and the purchase of shares into treasury of £nil (2022: £5.5m) net cash increased by £10.7m to £67.0m (2022: decrease of £0.4m to £56.3m).

Capital expenditure in the period was lower than in 2022 at £0.5m (2022: £1.2m) with the reduction largely a result of lower investment in OoH. Working capital was well controlled.

The Group retains substantial cash resources to fund investment in its forward strategic growth plans alongside its aim to improve shareholder returns. As detailed in the Chair's statement, the Board is currently assessing the future funding requirements of the Company's business plan and intends to identify surplus cash reserves for return to shareholders during 2024.

The Group's adjusted return on capital employed remained strong at 26.3% (2022: 27.2%). Return on capital employed rose from 14.2% to 23.3%.



David Taylor
Interim Chief Financial Officer
5 March 2024

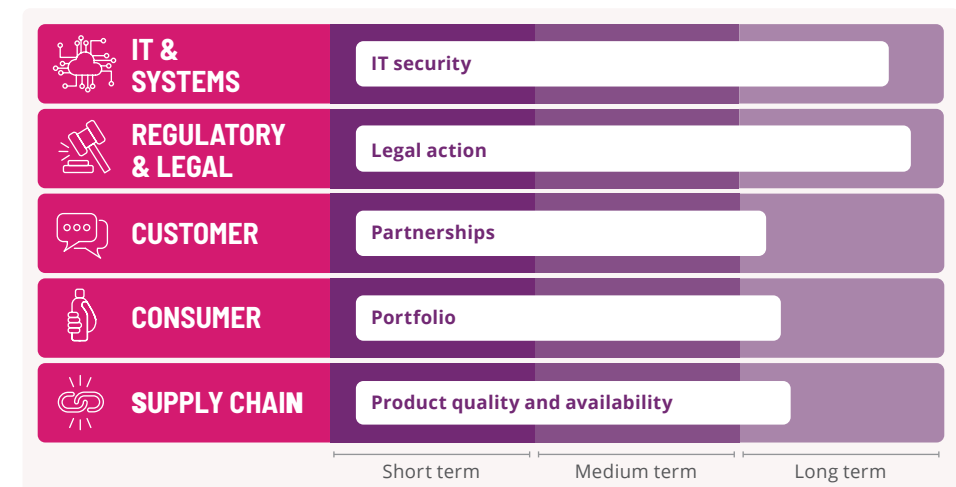
The primary aim of the Group's risk management process is to assist the business in meeting its strategic and operational objectives.

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 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 challenging environment, which has again seen rapidly rising inflation and increased cost-of-living pressures. These macroeconomic and geopolitical challenges have been accompanied by an ever-increasing focus on climate change, increased cyber security risk as well as a focus on attracting and retaining talent.

Whilst the recruitment, retention and development of our key people has previously been managed in our operational risk register, it has been elevated as a principal risk in 2023 reflecting the focus on continuing improvements on this area going forward.

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 continued

Recruitment, retention and development of our key people

Change in risk score rating: 

Impact

Our ability to attract, develop and retain a diverse workforce with a wide range of skills is critical for the success of the Group and delivery of our long-term strategic ambitions.

The competition for top talent has increased significantly and an inability to replace key colleagues would make it increasingly difficult to manage operations and deliver the financial results for the business.

Employees' wellbeing remains a key risk. We need our colleagues to be fit and motivated in order to contribute to our overall success.

Mitigation

We are dedicated to ensuring our colleagues are supported and developed throughout their time at Nichols. People performance, potential as well as areas for development, are formally reviewed by senior management each year with succession plans in place for key roles and individuals.

Staff remuneration is regularly reviewed and benchmarked with competitors alongside our Remuneration Committee agreeing the objectives and remuneration arrangements for senior leaders.

Engagement surveys form a key part of understanding our employees' views across these topics. We have high response rates, for example 87% achieved in the last full survey. Wellness and mental health support is provided to all through our employee assistance portal alongside agile working arrangements.

Development

During the year we have worked with specialist recruitment firms to ensure we are accessing and attracting the best talent in highly competitive skill bases.


Using an external reward specialist, we have benchmarked our benefits package to ensure it remains competitive.

Retention plans have been put in place where there is growing competitiveness for specific skills and wage inflation in the market.

We have created an Employee Wellbeing Forum as part of our employee-led approach.

Workshops have been undertaken to raise awareness and understanding of how employees can access a full range of support including financial, legal, physical and emotional.

Loss of system availability

Change in risk score rating: 

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 two hours in the event of a major outage.


Development

The Group continues to update the current systems and controls whilst seeking further improvements as appropriate.

The implementation of a new Enterprise Resource Planning (ERP) system has continued during the year and is expected to be in operational existence towards early 2025.

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

Change in risk score rating: 

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.

The Group continually makes systems upgrades including, but not limited to, encryption developments, multi-factor authentication and a default deployment strategy of security measures.

In addition, we have a robust disaster recovery plan for business continuity 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

The Group ensures that critical infrastructure is upgraded as required and that all system patches are applied with immediate effect.

Staff training and cyber awareness forms a key defence against attack. The Group has continued its focused training during the year and makes all staff aware of the threat.

The Group has also undertaken an annual vulnerability test during the year.

Risk Management continued

Health and safety incident

Change in risk score rating: 

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 and 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

Ongoing monitoring of the Group's defined standards on health and safety ensures minimum standards and performance are maintained across the business.

Training on all health and safety matters continues to be a key focus for the Group.

Product quality issues

Change in risk score rating: 

Impact

Inconsistent quality or contamination of any products across the Group's portfolio could 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

During the year the Group undertook an internal audit on Incident Management with our co-sourced partners, EY.

Recommendations are being implemented with training to all relevant staff in order to ensure sufficient preparedness for any incidents should they occur.

Failure to successfully evolve our brand and product portfolio in line with changing consumer needs

Change in risk score rating: 

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 three-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 successful introduction of Vimto Energy within the UK being an example of such innovation.

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

Loss of a major customer account or key partner

Change in risk score rating: 

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.

Risk Management continued

Introduction of new government legislation

Change in risk score rating: 

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

Development

Whilst the introduction of the DRS has been delayed, its scope has been expanded to now be a UK-wide initiative.

The cross-functional working group continues to monitor government guidance in order to ensure that the Group is well positioned once further clarity over the scheme and future implementation is provided.

Failure to protect the Group's intellectual property rights

Change in risk score rating: 

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

Change in risk score rating: 

Impact

There is increasing focus on environmental and social issues in government. This may result in new legislation (e.g. plastic tax and 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 an 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 wellbeing.

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: increasing the transparency of Vimto UK branded shrink 500ml Ready-To-Drink sleeves to improve ease of recyclability; embedding our Sustainable Packaging Policy across the entire business; all of our Nichols UK sites operating on 100% renewable energy for the first full year; and implementing our new green car policy across the business.

Governance

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Board of Directors



N A R

LIZ MCMEIKAN

Non-Executive Chair

Liz has been a Non-Executive Director in a wide variety of customer-facing businesses for the past 20 years. She has extensive experience working with plc boards and with family and privately owned businesses, holding Remuneration Committee Chair, ESG Committee Chair and Senior Independent Director positions. Her executive career was spent initially within marketing and sales for Colgate Palmolive and subsequently with Tesco, covering a wide spectrum of commercial roles both nationally and internationally. Liz is married to Gerard and has three grown-up children. She loves to travel, walk and enjoy good food and is passionate about theatre, film and Suffolk, where she spends her spare time.



ANDREW MILNE

Chief Executive Officer

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

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

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



DAVID TAYLOR

Interim Chief Financial Officer

David joined Nichols in June 2023 as Interim Chief Financial Officer. He is an experienced CFO, having held that position with Churchill China plc, the AIM-listed ceramic tableware manufacturer, for over 30 years. Prior to that role he worked within the chemical industry following qualification as a Chartered Accountant with KPMG. Outside of work, David is a keen trail runner and also cycles and skis when time allows.

Following the appointment of Richard Newman as Chief Financial Officer on 20 March 2024, David will step down from the Board.



RICHARD NEWMAN

Chief Financial Officer Designate

Richard joined Nichols in January 2024 as a Director, before becoming Chief Financial Officer on 21 March 2024. He has extensive and relevant UK public company financial experience having held several senior plc roles and most recently, between 2021 and 2023, as CFO at AIM-listed Accrol Group Holdings plc. Prior to this role, after 15 years with Cadbury plc where he progressed from Finance and IT Director for Ireland and then Group Financial Controller, he took a new role as Divisional Finance Director at National Express Group plc before joining DS Smith plc in 2015 as UK Finance Director for Packaging and then Regional Finance Director for North Europe. Richard is married to Lynne and has three sons. He enjoys cricket, football and generally being outdoors.



JOHN NICHOLS

Non-Executive Director

John is the grandson of the founder of the Company and inventor of Vimto, John Noel Nichols. John joined Nichols plc in 1971 and was appointed as Director in 1975. In 1986 John became the Group Managing Director, subsequently he became Executive Chairman of the Group and in 2007 he moved to Non-Executive Chairman. John retired as Chairman in 2023, but continues to serve on the Board as a Non-Executive Director. John has three grown-up children and three grandchildren. He enjoys spending time with his family and using his spare time sailing, playing golf and walking his dog on the beach in Wales.



MATTHEW NICHOLS

Non-Executive Director

Matthew is John's son and joined the Company in September 2006. He is currently Commercial Director – International within the Group's Packaged business and is a member of the Company's Senior Leadership Team. He has managed many of the different countries and regions across Africa and the Middle East, holding several senior roles during his time with the Group. Matthew is married to Gemma and they have two young children, Seren and Benjamin, who take up a lot of his time outside work. During any other free time Matthew enjoys winter sports (skiing and snowboarding) and water sports (wakeboarding, waterskiing and swimming) as well as running.

R Remuneration Committee
A Audit Committee

N Nomination Committee
● Committee Chair

Board of Directors continued

Corporate Governance Statement



N A R

HELEN KEAYS

Independent Non-Executive Director

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 Communis 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.



N A R

JOHN GITTINS

Independent Non-Executive Director

John is a graduate of the London School of Economics and a Chartered Accountant. He was appointed to the Board of Nichols as an independent Non-Executive Director in July 2015 and is a member of the Audit Committee (which he chairs) as well as the Remuneration and Nomination Committees. John was previously an independent Non-Executive Director and Audit Committee Chair of AIM-listed Appreciate Group plc, Hill Dickinson LLP and Electricity North West Limited. John also has over 20 years' experience of CFO roles in companies such as Begbies Traynor Group plc, Spring Group plc and Vertex Data Science Limited.

- R** Remuneration Committee
- A** Audit Committee
- N** Nomination Committee
- Committee Chair



“

I have pleasure in introducing my first Corporate Governance Statement as Non-Executive Chair of Nichols plc.

”

LIZ MCMEIKAN
Chair of the Board

Chair's introduction

I have pleasure in introducing my first Corporate Governance Statement as Non-Executive Chair of Nichols plc.

The Board is committed to supporting high standards of corporate governance and our effective governance framework has continued to enable the Board to act effectively and efficiently to support the management team in making timely decisions and taking appropriate actions.

As Chair I am responsible for leading the Board and for its governance of the Group. I work with the Board to ensure regular review and improvements to the Group's governance in order to promote its continued long-term success.

The Board is committed to ensuring that it is diverse and dynamic, and periodically reviews its composition to confirm it retains a balance of skills, experience and diversity and that the debate and input at board level is relevant, stimulating and constructively challenging.

During the year we announced the resignation of David Rattigan as Chief Financial Officer of the Company and in June 2023 we appointed David Taylor, as Interim Chief Financial Officer. Following a formal external search process, we announced in October 2023 that Richard Newman was being appointed to the Board as Chief Financial Officer Designate with effect from 29 January 2024. Richard will become Chief Financial Officer and Company Secretary on 21 March 2024. Details of Richard's induction can be found in our Nomination Committee Report on pages 94 and 95.

We also announced the resignation of James Nichols, who stood down from both his non-executive and executive positions after 18 years with the Group. Pursuant to the Relationship Agreement between Nichols plc and the Nichols family we announced in January 2024 that Matthew Nichols, currently serving in an executive capacity as International Commercial Director, would join the Board as a Non-Executive Director.

In January 2024, we conducted a review of our governance framework against the latest version of the Quoted Companies Alliance Corporate Governance Code that was published in November 2023. Our consideration of the new code and how it will be applied will be reported on in our 2024 Annual Report and Accounts.

Liz McMeikan
Chair of the Board

Corporate Governance Statement **continued**

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 (the 'QCA Code')

The Group has adopted the QCA Code and is compliant with all of its principles. Disclosures required by the QCA Code have been made both in this Annual Report and on our website.

The corporate governance framework within which the Group operates, including Board leadership and effectiveness, Board remuneration and internal controls, is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the Group.

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 below.

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

Principles of the QCA Code

1. Establish a strategy and business model which promote long-term value for shareholders.

2. Seek to understand and meet shareholder needs and expectations.

3. Take into account wider stakeholder and social responsibilities, and their implications for long-term success.

How the Company has complied

The Board has collective responsibility for setting the strategic aims and objectives of the Group. Our strategy and business model is articulated on pages 30 and 31 and 18 to 22 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.

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 64 to 69.

We consider our key stakeholders to be: our shareholders; our employees; our customers; our suppliers; and our community. The Board recognises the importance of maintaining regular dialogue with our stakeholders in order to listen to, understand and consider their views.

We also recognise that we have a duty of care to our environment and our communities and consider both to be key social responsibilities of the Group.

Information on how the Company engages with its key stakeholders is provided on pages 66 to 69.

Principles of the QCA Code

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

5. Maintain the Board as a well-functioning, balanced team led by the Chair.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

8. Promote a corporate culture that is based on ethical values and behaviours.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

How the Company has complied

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 senior controllers within the business, including, but not limited to, the Risk Controller and both a Legal and Health and Safety representative. The RMT has met regularly throughout 2023. The RMT reports to the Senior Leadership Team, in addition to providing an update to the Audit Committee three times a year.

The Group's significant risks and related mitigation/controls are disclosed in the Risk Management section on pages 75 to 81.

Details of how the Company has complied with Principles 5 to 9 are set out further in this report.

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 and provides access to all RNS announcements and copies of the Annual Report and Accounts.

The work of the Audit, Remuneration and Nomination Committees is described on pages 94 to 108.

Corporate Governance Statement **continued**

Board roles and division of responsibilities

The Board sets the strategy of the Group ensuring the long-term success for our shareholders, customers and wider stakeholders. Principle 5 of the Code requires the maintenance of the Board as a well-functioning, balanced team led by the Chair.

The Chair

The Board is led by our Non-Executive Chair, Liz McMeikan, who joined the Group on 1 February 2023 and was appointed as Chair on 26 April 2023.

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

Liz is not involved in the day-to-day operations of Nichols plc. Those responsibilities are managed by the Group's CEO.

Non-Executive Directors (NEDs)

John Nichols is a Non-Executive Director. John was Chairman of the Board until he stepped down at the 2023 AGM. John has remained on the Board as a Non-Executive Director and 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 the effective and appropriate relationship between the Nichols family and the Company.

During the year, James Nichols stepped down from his position as Non-Executive Director and as a representative of the Nichols family and, in January 2024, Matthew Nichols joined the Board as a Non-Executive Director, pursuant to the terms of the Relationship Agreement which entitles the Nichols family to two Non-Executive Board positions.

Further details of the terms of the Relationship Agreement are provided on page 110.

The Board also includes two independent Non-Executive Directors (INEDs), John Gittins and Helen Keays, both of whom have significant experience of plc directorships. John and Helen are considered by the Company to be independent. The purpose of 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 are normally expected to spend a minimum of twelve days per annum on Company business, after the induction phase, typically 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. The INEDs and the Company recognise, however, that due to the nature of their role, it is impossible to be specific about the required time commitment: additional time commitment will inevitably be 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 currently has three Executive Directors: Andrew Milne, David Taylor and Richard Newman. The Executive Directors are charged with the delivery of the business model within the strategy set by the Board.

During the year David Rattigan resigned as Chief Financial Officer and David Taylor was appointed as Interim Chief Financial Officer on 21 June 2023. Following an external search process, Richard Newman was appointed as an Executive Director of the Company on 29 January 2024 and will become Chief Financial Officer and Company Secretary on 21 March 2024. David Taylor will step down from the Board at the same time in March 2024 following a comprehensive handover of responsibilities.

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 Chair, 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.

The Board has delegated specific responsibilities to its three Board Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. Liz McMeikan 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 that served during the year are set out below:

| Directors | Board | Audit | Remuneration | Nomination |
|---------------------------|-------|-------|------------------|------------|
| L McMeikan ¹ | 5/5 | 3/3 | 2/2 ⁶ | 2/2 |
| J A Gittins | 6/6 | 3/3 | 3/3 | 2/2 |
| H M Keays | 5/6 | 3/3 | 3/3 | 2/2 |
| P J Nichols ² | 6/6 | — | 1/1 | — |
| J E Nichols ³ | 4/5 | — | — | — |
| A P Milne | 6/6 | — | — | — |
| D Rattigan ⁴ | 2/2 | — | — | — |
| D J S Taylor ⁵ | 3/3 | — | — | — |

- Liz McMeikan was appointed on 1 February 2023.
- John Nichols attended one Remuneration Committee meeting as a member of the Committee in January 2023 before stepping down from his role as Chairman.
- James Nichols resigned on 23 October 2023.
- David Rattigan resigned on 25 April 2023.
- David Taylor was appointed on 21 June 2023.
- The January Remco meeting was held prior to Liz's appointment as Chair on 1 February 2023.

In addition, the Board held a strategy session in October 2023, to review its medium-term strategic plans, at which all Directors, excluding Helen Keays, were present.

Board experience and skills

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.

Richard Newman, will be appointed as Group Chief Financial Officer and Company Secretary on 21 March 2024. Prism Cossec Limited is engaged to provide certain company secretarial services and governance advice to the Company to support Richard in this role. This includes the attendance at, and minuting of, Board meetings to ensure that Richard 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 Cossec.

Biographies on all Directors, giving details of their experience and roles on the Board and its Committees, are shown on pages 84 to 86.

Corporate Governance Statement **continued**

Board and Committee performance evaluation

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

During 2023 the Board continued to monitor progress on the action plan agreed in 2022.

A formal Board and Committee performance evaluation was undertaken in November 2023, in the form of a questionnaire, supported by Independent Audit. The questionnaire focused on key themes including strategy, risk, finance, culture, stakeholders, development and the Board Committees. An overview of the Board Evaluation Report insights, prepared by Independent Audit, was presented to the Board at its December 2023 meeting. The Board discussed action areas and prioritisation and agreed an action plan for 2024, focusing on the following key themes:

- growth strategy;
- people, culture and stakeholders;
- mix, information and development;
- audit Committee – risk and internal audit focus;
- remuneration Committee – update QCA Code considerations and scope of Committee; and
- role of the Chair – engagement with key stakeholders.

Progress against all agreed actions will be reported on in the 2024 Annual Report and Accounts.

Our culture

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 on pages 38 to 63 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 and the Human Slavery Statement are available on the Company's website at www.nicholsplc.co.uk.

Internal controls

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 continued development of its internal audit strategy and deployment of internal audits across the business. Further detail of the Group's internal audit process is provided on page 99.

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



Liz McMeikan
Non-Executive Chair
5 March 2024

Nomination Committee Report



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

LIZ MCMEIKAN
Chair of the
Nomination Committee

Committee composition

The Committee is composed wholly of independent Non-Executive Directors. I act as Committee Chair, with my colleagues John Gittins and Helen Keays sitting alongside me.

The Nomination Committee meets at least twice a year and more often when necessary. The Nomination Committee met formally twice in 2023 and all Committee members were present at each meeting.

In the event that the matter under discussion relates to the Chair's reappointment or succession, the Committee is chaired by an independent Non-Executive Director.

The Chief Executive Officer, Chief Financial Officer, People Director, a member of the Nichols family and external advisors are invited to join meetings as appropriate.

Key responsibilities

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, the length of service of the Board as a whole and its Committees, 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

The Committee reviews its Terms of Reference annually and these were last reviewed in December 2023.

A description of how the Committee has carried out its responsibilities through the key activities of the year is provided below.

Succession planning

A key role of the Committee is to ensure that the Group has appropriate succession planning in place.

During the year, the Committee discharged its responsibilities by reviewing and approving succession plans for the Executive Directors and senior management.

The Committee also considered succession for the Non-Executive Directors, given that Helen Keays is serving her third three-year term and John Gittins is currently serving his ninth year as a Non-Executive Director of the Company. During the year, and with the advice and support of external advisers, the Committee agreed that John Gittin's appointment would be extended for a further twelve months at the time of his third three-year term ending in August 2024. The Committee has given this careful consideration and believes this is appropriate given John's significant contribution in his role to date and his wealth of experience. John remains independent and it is felt his appointment provides continuity at a time of change in the leadership of the Finance function and the re-tender of the external audit provider. In 2024, the Committee will commence a search process for John's successor and their appointment will be made in advance of John's departure in August 2025.

Renewal of appointment letter

The Committee recommended the reappointment of Helen Keays to the Board, following the expiry of her three-year term on 1 September 2023. Upon making the decision to recommend her reappointment, the Committee considered Helen's contribution to the Board giving due regard to her performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

Chief Financial Officer

The Board has delegated to the Nomination Committee the task of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed to the Board. Decisions regarding the appointment and removal of Directors are reserved for the full Board.

As announced on 26 April 2023, David Rattigan resigned as Chief Financial Officer at the end of April 2023. Following David's resignation and a formal search process, the Nomination Committee recommended to the Board that David Taylor be appointed as Interim Chief Financial Officer, with effect from 21 June 2023.

As announced on 25 October 2023, following an extensive formal search process, Richard Newman was appointed to the Board as an Executive Director on 29 January 2023 and will become Chief Financial Officer and Company Secretary on 21 March 2024. David Taylor will step down from the Board at the same time. On behalf of the Board I would like to thank David for his significant contribution during his time at Nichols and we wish him well and every success for the future.

As with all new Director appointments, Richard Newman benefited from a tailored induction programme that was designed to ensure he developed an understanding of the business and of the role and responsibilities of an Executive Director at Nichols plc. Richard's induction included one-to-one meetings with other Directors, members of the Group's Senior Leadership Team and external advisors.

Non-Executive Director change

After 18 successful years with Nichols, both in executive positions and as a Non-Executive Director, James Nichols left the business on 24 October 2023.

Succeeding James as a Non-Executive Director, Matthew Nichols joined the Board on 10 January 2024, pursuant to the terms of the Relationship Agreement between Nichols plc and the Nichols family, which entitles the family to two Non-Executive Board positions. Matthew joined the Company in September 2006 and has held several senior roles within the Group. He currently holds the position of International Commercial Director within the Group's Packaged business and is a member of the Company's Senior Leadership Team.

Board performance evaluation process

The 2023 Board performance evaluation was carried out by way of questionnaires, facilitated by Independent Audit's digital board evaluation system 'Thinking Board Evaluator'. Further details on the process, results and actions are provided on page 92.

Liz McMeikan
Chair of the Nomination Committee
5 March 2024

Audit Committee Report



“ On behalf of the Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2023. ”

JOHN GITTINS
Chair of the Audit Committee

Membership of the Audit Committee

The Committee is composed wholly of independent Non-Executive Directors. I continue to act as Committee Chair, with my colleagues Helen Keays and Liz McMeikan.

The Board is satisfied that I, as Chair of the Committee, have recent and relevant financial experience. I am a Chartered Accountant and previously chaired the audit committees of Appreciate Group plc, Hill Dickinson LLP and Electricity North West Limited.

The Audit Committee met three times during 2023 and all Committee members were present at every meeting.

The external auditor, the internal auditor, the Chief Executive Officer and Chief Financial Officer are invited to join meetings as appropriate.

Key responsibilities

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 advise the Board on the Company's overall risk appetite, tolerance and strategy;

- to consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment 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 and significant inflationary impacts.
- 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.

Audit Committee Report **continued**

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 judgements 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 2023 are set out below:

| Matters considered | Committee review and conclusions |
|----------------------------------|---|
| Exceptional items | The Committee reviewed the accounting treatment of the items listed in note 4, including the consistent application of the accounting policy for exceptional items, and concurred with management's view that the items are exceptional in size and nature in relation to the Group. |
| Bad debt provision | The Group has made specific provisions during the year in relation to overseas receivables. The Committee has reviewed management's assessment over the recoverability of these balances and agrees with the treatment of these within the accounts. |
| Segmental reporting | <p>During the year, the Group changed its reportable segments to ensure the appropriate strategic focus across the business given the differing strategic challenges between its Packaged and Out of Home routes to market.</p> <p>The Group is now segmented into the operating segments Packaged, Out of Home and Central. This replaces the operating segments Stills and Carbonates used in previous reporting periods.</p> <p>The Committee has reviewed management's assessment and disclosure of the Group's operating segments under IFRS 8 and agrees with the changes made to segmental reporting.</p> |
| Historic incentive scheme | <p>During the second half of 2022, the Group settled with HMRC the tax and interest charges regarding an historic incentive scheme and commenced recovery of related debts from current and previous management, who had indemnified the Company.</p> <p>The Committee has regularly reviewed management's progress on recovery and their continued approach to concluding this matter.</p> |
| Going concern status | <p>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.</p> <p>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).</p> |

External auditor appointment and tenure

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 in consultation with senior members of the finance team, the Committee continued to be satisfied with the scope of the external auditor's work and the effectiveness of the external audit process. The Committee therefore 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 ten years (including the current financial year). The Committee has adopted a policy of tendering external audit services at least every ten years. Accordingly, the Committee had originally planned to conduct an external audit tender process during 2023. However, due to the recent appointment of a new Chief Financial Officer, this tender process has been deferred for one year and will be carried out in 2024 for the financial year ending 31 December 2025. The Committee believes that it was important for the new Chief Financial Officer to be an active participant in this process as they are a key stakeholder in any future appointment.

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 2023 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 incident management, inventory management, a review of the Company's new Enterprise Resource Planning (ERP) implementation programme, as well as a 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. Management committees with remit over risk management, treasury management and capital expenditure regularly report to the Committee.

Whistleblowing and anti-bribery

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 Group also has in place an anti-bribery and anti-corruption 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 defers to the wider Board on the matters of whistleblowing and anti-bribery. The Board reviews any matters raised on a regular basis.

John Gittins

Chair of the Audit Committee
5 March 2024

Remuneration Committee Report



“ On behalf of the Remuneration Committee (the ‘Committee’), I am pleased to present the Remuneration Report for the year ended 31 December 2023. ”

HELEN KEAYS

Chair of the Remuneration Committee

Significant activities for the Committee during the year were as follows:

- Approval of the outcomes for 2022 under the Hybrid Incentive Plan
- Determination of the treatment of David Rattigan’s remuneration as a result of his stepping down from the Board and his role as CFO in April 2023
- Determination of the remuneration for Richard Newman as incoming Executive Director and CFO in 2024
- Setting of performance targets for the Hybrid Incentive Plan for 2023
- Approval of the 2022 Remuneration Report
- Consideration of the revised QCA Corporate Governance Code

This report consists of the following three sections:

- This introductory letter, setting out key decisions and activities of the Committee during 2023
- The Remuneration Policy that applies for Executive Directors and Non-Executive Directors
- The Annual Report on Remuneration, which sets out details of payments made in 2023

Revised QCA Corporate Governance Code

The QCA revised its Corporate Governance Code (‘Code’) during 2023, incorporating a new Principle on remuneration.

The Committee will review the new Code during 2024 as part of a review of the remuneration policy and practices. We also note the new requirement for a shareholder vote on remuneration. Therefore, the Remuneration Report will be subject to an advisory vote on an annual basis, starting from the 2025 AGM.

2023 remuneration outcomes

The Group’s corporate performance and shareholder experience over the year have been positive, with the Nichols share price movement outperforming the returns on the AIM (Nichols +6.2%, AIM -8.1%). Total dividend of 28.2p for the year is up 2.0% on the prior year which is in line with the Group adjusted earnings per share performance of 1.9% and market consensus as signposted at the beginning of 2023.

This is the third 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 100% 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 100% against the adjusted profit before tax objective which was ahead of city consensus for financial performance. Full details of the performance assessment against both the financial and key business objectives can be found on pages 106 and 107.

The outturn is 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 2023 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.

60% of the award will be deferred into shares and the remainder will be paid in cash. This deferred element of the award is intended to align Executive Directors’ remuneration with shareholder value in the longer term, and vests after three years after the start of the performance period.

Remuneration for outgoing CFO

It was agreed that David Rattigan would step down from the Board and his position as CFO at the end of April 2023. The Committee agreed that the following treatment of remuneration was appropriate:

- A contractual payment in lieu of twelve months’ salary and pension
- The matching award granted in December 2020 and the deferred shares granted in March 2022 in respect of performance for the year ended 31 December 2021 under the Hybrid Incentive Plan would be allowed to continue and vest at their normal vesting dates with pro-rating for time served
- Deferred shares due to be granted in May 2023 under the Hybrid Incentive Plan in respect of performance for the year ended 31 December 2022 would not be granted
- There would be no eligibility under the Hybrid Incentive Plan in respect of 2023

Remuneration for Interim CFO

David Taylor was appointed to the Board and to the role of Interim CFO on 21 June 2023, while a permanent CFO was being found. The Committee determined that the following remuneration arrangements would apply to David during his period of appointment:

- a base salary of £240,741;
- pension provision equal to 9% of salary;
- benefits in line with the Remuneration Policy; and
- participation in a cash bonus scheme, with award of up to 100% of salary being earned per annum (pro-rated to reflect time served).

Remuneration Committee Report continued

Remuneration for new CFO

Following an extensive search for a new CFO, it was announced in October 2023 that Richard Newman would join the Board as an Executive Director with effect from 29 January 2024, and would become Chief Financial Officer and Company Secretary in March 2024. The Committee approved the following remuneration package, in accordance with the Remuneration Policy:

- a base salary of £280,000;
- pension provision equal to 9% of salary;
- benefits in line with the Remuneration Policy;
- participation in the Hybrid Incentive Plan, with award of up to 250% of salary being earned per annum; and
- eligibility to join SAYE plan on terms consistent with those for other employees.

Duties of the Committee

The Committee operates under the Group's agreed Terms of Reference and is responsible for reviewing remuneration in respect of all senior executive appointments and determining the Group's policy in respect of the terms of employment, including remuneration packages of Executive Directors. The Committee meets at least three times a year under its Terms of Reference.

Committee members and attendance

The Committee comprises three independent Non-Executive Directors: I continue to act as Committee Chair, with my colleagues John Gittins and Liz McMeikan. John Nichols stood down as a member of the Committee on 1 February 2023, at which time Liz McMeikan was appointed as a Non-Executive Director of the Company and as a member of the Committee.

Conclusion

On behalf of the Committee, I trust that this report gives you a clear view of how we have implemented the Remuneration Policy in 2023 and our plans for 2024.

The Committee is open to engagement with shareholders and welcomes any comments or questions on the Company's approach to remuneration. We commit to consult with major shareholders ahead of implementing any significant changes to the way in which Directors are remunerated.

Helen Keays

Chair of the Remuneration Committee
5 March 2024

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.

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 single incentive plan in the form of a 'hybrid' incentive plan. The Hybrid Incentive Plan assesses short-term performance as well as aligning Executive Director remuneration with longer-term shareholder value using a combination of cash and deferred shares.

The table below summarises the key elements of the Remuneration Policy for Executive Directors, which remains in operation without any changes for 2024:

| Element and link to strategy | Operation | Maximum potential value | Performance conditions and assessment |
|--|---|--|--|
| <p>Base salary Supports the recruitment and retention of Executive Directors, reflecting their role, skills and experience.</p> | <p>Base salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual.</p> <p>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.</p> | <p>Increases to base salary are determined annually by the Committee considering:</p> <ul style="list-style-type: none"> • individual performance; • the scope of the role; • pay levels in comparable organisations; and • pay increases for other employees. | <p>Not applicable, although individual performance is considered when determining base salary increases.</p> |

Remuneration Committee Report continued

Remuneration Policy continued

| Element and link to strategy | Operation | Maximum potential value | Performance conditions and assessment |
|---|---|--|---------------------------------------|
| <p>Pension Supports recruitment and retention of Executive Directors.</p> | <p>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.</p> | <ul style="list-style-type: none"> Up to 9% of base salary. This is in line with wider workforce. After ten years' service the wider workforce is entitled to 10% of base salary. | Not applicable. |
| <p>Benefits Supports recruitment and retention of Executive Directors.</p> | <p>Executive Directors are entitled to the following benefits:</p> <ul style="list-style-type: none"> life assurance; Directors' and Officers' liability insurance; private medical insurance; and company car/car allowance and fuel. <p>The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, considering typical market practice and practice throughout the Company.</p> | <p>The value of such benefits is not capped but is based on cost, which may change from year to year.</p> | Not applicable. |
| <p>All-employee share plan – Save As You Earn (SAYE) To encourage equity ownership across all employees and create a culture of ownership.</p> | <p>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.</p> | <p>Maximum permitted based on HMRC limits from time to time.</p> | Not applicable. |

Element and link to strategy

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.

Encourages sustainable performance that supports the achievement of strategic goals.

Operation

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 three years from the start of the performance period. The Committee retains discretion to adjust the payout 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 payout.

Maximum potential value

The maximum incentive which may be earned in any year under the Hybrid Incentive Plan is 250% of base salary.

Performance conditions and assessment

For 2024 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 payouts from the remainder of the award.

Notice periods

Executive Directors' contracts incorporate a twelve month notice period from the Executive and the Group.

Remuneration Policy for 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 consist of fixed cash amounts and are determined by the Board.

Remuneration Committee Report continued

Annual Report on Remuneration in 2023

The following table summarises the total remuneration of the Directors who served during 2023.

| Directors | Fixed remuneration | | | Performance related – Hybrid Incentive Plan | | Totals | |
|---|--------------------------|--|-------------------------------|---|---------------------------------------|---------------------|---------------------|
| | Salary and fees £'000 | Benefits in kind ⁶ £'000 | Pension ⁷ £'000 | Cash ⁸ £'000 | Deferred shares ⁹ £'000 | Total 2023 £'000 | Total 2022 £'000 |
| Executive Directors | | | | | | | |
| A Milne (CEO) | 365 | 21 | 34 | 375 | 563 | 1,358 | 840 |
| D Rattigan ¹ (outgoing CFO) | 77 | 7 | 6 | — | — | 90 | 565 |
| D J S Taylor ² (Interim CFO) | 128 | — | 10 | 128 | — | 266 | — |
| Total | | | | | | 1,714 | 1,405 |
| Non-Executive Directors | | | | | | | |
| P J Nichols ³ | 65 | 1 | — | — | — | 66 | 102 |
| L McMeikan ⁴ | 113 | — | — | — | — | 113 | — |
| J E Nichols ⁵ | 21 | — | — | — | — | 21 | 22 |
| H Keays | 48 | — | — | — | — | 48 | 45 |
| J Gittins | 48 | — | — | — | — | 48 | 45 |
| Total | | | | | | 296 | 214 |
| All Directors | | | | | | 2,010 | 1,619 |

- D Rattigan stepped down from the Board and his role as CFO on 25 April 2023. He received payments in relation to stepping down from the Board amounting to £235,000. These are not included in the table above.
- D J S Taylor was appointed to the Board and to the role of Interim CFO on 21 June 2023.
- P J Nichols stood down from the role of Chairman on 26 April 2023, and remained a Non-Executive Director from this date.
- L McMeikan was appointed to the Board on 1 February 2023 and to the role of Non-Executive Chair on 26 April 2023.
- J E Nichols stood down from the Board on 24 October 2023. The fee disclosed above relating to J E 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 E Nichols was also a Commercial Controller within the Vimto Out of Home business.
- Benefits consist of the provision of a company car (or cash equivalent), fuel and private healthcare.
- Pension may be paid as a cash sum in lieu of
- Vesting of awards will be two years from the date of grant.
- D J S Taylor's bonus will be settled in cash with no deferred share element.

Salaries

Salaries were reviewed by the Committee at the beginning of the year. It was agreed that the positioning of the Executive Directors' remuneration remained relatively modest relative to the market and that the Executive Directors had substantial experience in their respective roles which justified an adjustment. As a result, the CEO's salary was increased from £335,000 to £375,000 and the CFO's salary was increased from £225,000 to £250,000, both with effect from 1 April 2023.

Hybrid Incentive Plan

For 2023, the maximum incentive opportunity for the Executive Directors under the Hybrid Incentive Plan was 250% of base salary. 70% of the award was based upon financial performance and 30% was based on performance against personal objectives.

Financial element outcomes (70% of award)

| | Performance targets | | | | | | Actual performance | | |
|---|---------------------|--------------|--------|-----------|----------------|------|--------------------|------|--------|
| | FY22 adjusted PBT | Threshold £m | Payout | Target £m | Maximum Payout | £m | Payout | £m | Payout |
| Group adjusted profit before tax ¹ | 25.0 | 24.3 | 0% | 25.0 | 60% | 27.0 | 100% | 27.2 | 100% |

1. Excluding exceptional items.

The Group achieved a strong financial performance in the year with adjusted profit before tax ('adjusted PBT') of £27.2m, up £2.2m (+8.8%) on the prior year result of £25.0m.

Performance targets were set at the beginning of 2023. Based upon financial plans at that time, Executive Directors would be able to earn 60% of maximum incentive with adjusted PBT of £25.0m. This target represented the Group-compiled market consensus for full-year performance in existence at that time and acknowledged the challenging economic environment and difficult trading conditions. An achievement of adjusted PBT of £27.0m represented a stretch target for the Group and would result in a maximum payout of 100%.

Based on actual performance, the Chief Executive Officer achieved 100% of the maximum incentive, acknowledging the Group performance in the period, broadly in line with target.

Personal element outcomes (30% of award)

The Chief Executive Officer was set three personal objectives to be measured as a whole, weighted at a maximum of 30% as follows:

- Business transformation.** Define and implement the vision, scope and business design phases and commence the realisation phase whilst optimising resources and business continuity in accordance with overall programme timescales
- OoH strategic review.** Ensure the new operation model is implemented and that improved net financial performance is delivered
- Growth strategy.** Develop next phase Group growth strategy for the Company, including identification of appropriate M&A opportunities with outline business cases

Based on the exceptional performance of the Chief Executive Officer during the year, the Committee has determined that the maximum potential 30% award in respect of the personal objectives was achieved.

Total incentive earned

Therefore, the total incentive earned by the Chief Executive Officer for 2023 was 250% of salary, or £938,000. Of this, 40%, or £375,000, will be paid in cash and the remaining 60%, or £563,000, will be deferred into shares for two years. The Committee has not used any discretion as it believes the formulaic outcome is reflective of corporate and individual performance.

As noted above, David Rattigan the outgoing Chief Financial Officer was not eligible to earn any incentive for 2023.

Remuneration Committee Report continued

Directors' Report

Vesting of share awards

An award of matching awards granted to the Chief Executive Officer and former Chief Financial Officer vested on 18 December 2023. The awards were subject to continued service.

Including dividend shares earned, the following numbers of shares vested:

- Chief Executive Officer: 10,257 shares
- Former Chief Financial Officer: 6,222 shares

Outstanding share awards

The table below sets out details of all outstanding share awards in respect of Executive Directors serving during 2023:

| Award | Grant date | Date from which exercisable | Recipient | Exercise price | Number of shares outstanding |
|------------------------------|---------------|-----------------------------|-----------------------------|----------------|------------------------------|
| 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 ¹ | £0 | 9,829 |
| 2023 SAYE | 26 April 2023 | 26 April 2026 | Andrew Milne | £8.96 | 1,205 |
| 2022 Hybrid Incentive Scheme | 16 May 2023 | 16 May 2025 | Andrew Milne | £0 | 27,572 |

1. Award is shown post application of pro-rating and dividends earned during time served.

Implementation of Remuneration Policy in 2024

In 2024, the Hybrid Incentive Plan will again 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 incentive outcome will range from zero at a threshold performance, up to 100% for maximum performance.

The maximum opportunity for the Executive Directors will remain at 250% of base salary with 70% of the award being based upon financial performance and 30% being based on performance against personal objectives. 60% of any incentive earned will be deferred into shares to be paid out three 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.

Nichols plc (the 'Company') is a public limited company, registered in England, and is listed on the London Stock Exchange AIM. The Directors present their report for the year ended 31 December 2023 in accordance with section 415 of the Companies Act 2006. The Corporate Governance Statement set out on pages 87 to 93 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 30 to 71. 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 page 116.

Principal activities

Nichols plc is an international soft drinks business with sales in over 60 countries. 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 SLUSH PUPPIE, Starslush, ICEE, Levi Roots and Sunkist.

Financial results and dividends

The Group's profit before taxation from continuing operations for the year ended 31 December 2023 amounted to £24.3m (2022: £13.8m). The Directors will recommend a dividend of 15.6p at the 2024 Annual General Meeting to be held on 24 April 2024 (the '2024 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 2023 and to the date of this report are as follows:

Executive Directors

Andrew Milne

David Rattigan (Chief Financial Officer, resigned on 25 April 2023)

David Taylor (Interim Chief Financial Officer, appointed on 21 June 2023)

Richard Newman joined the Board as an Executive Director on 29 January 2024. David Taylor will resign as Interim Chief Financial Officer and Secretary in March 2024, at which time Richard will be appointed as Chief Financial Officer and Secretary.

Non-Executive Directors

Liz McMeikan (appointed as Non-Executive Director on 1 February 2023 and Chair on 26 April 2023)

John Nichols

John Gittins

Helen Keays

James Nichols (resigned on 24 October 2023)

Matthew Nichols (appointed 10 January 2024)

The roles and biographies of the Directors in office as at the date of this report are set out on pages 84 to 86. Details of their interests in ordinary shares of the Company as at 31 December 2023 are shown in the table below.

Directors' Report continued

Summary of Directors' interests in the Company

| Director | Shares held as at 1 January 2023 or date of appointment if later | 2023 movement | Shares held as at 31 December 2023 or date of departure if earlier |
|-------------------------|---|---------------|---|
| L McMeikan | — | 3,000 | 3,000 |
| A P Milne | 15,598 | — | 15,598 |
| D J S Taylor | — | — | — |
| D Rattigan ¹ | 5,465 | — | 5,465 |
| J A Gittins | 1,280 | — | 1,280 |
| H M Keays | — | — | — |
| P J Nichols | 2,000,000 | — | 2,000,000 |
| M J Nichols | 844,838 | — | 844,838 |

1. Mr D Rattigan resigned as a Director and Chief Financial Officer on 25 April 2023.

Details of Directors' remuneration, including pension arrangements, service agreements and long-term incentive plan awards are provided in the Directors' Remuneration Report on pages 100 to 108.

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 36.0% 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% 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% 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 and Matthew Nichols, both Non-Executive Directors, are the Family Representative Directors.

Financial risk management objectives and policies

Business risks and uncertainties are included within the Risk Management section on pages 75 to 81 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 66.

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 pages 42 to 49 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 67.

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 26 to the accounts. As at 31 December 2023, the Company's share capital consisted of 36,968,772 ordinary shares of ten pence each, of which 473,150 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 26 April 2023, 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 3,647,562 of its ordinary shares.

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 2023, the ESOT held 6,145 Nichols plc ordinary 10 pence shares (2022: 4,101).

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 (2022: £0.2m).

Directors' Report **continued**

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 and Carbon Reporting (SECR Report) for the financial year of 2023. More information is provided on pages 60 and 61 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 Statement on pages 72 to 74.

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, and its principal risks and uncertainties. The review performed considers severe but plausible downside scenarios that could reasonably arise within the period.

Our modelling has sensitised the impacts of Russia's continued invasion of Ukraine and the recent conflict in Yemen; in particular their impact on global supply chains and macroeconomic inflationary factors. 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 31 December 2023 the Group had cash and cash equivalents of £67.0m 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, accordingly, consider it appropriate to adopt the going concern basis in preparing the accounts.

Information to the independent auditor

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 reappoint independent auditor

In accordance with section 489 of the Companies Act 2006, a resolution will be proposed at the 2024 AGM that BDO LLP be reappointed auditors.

Website publication

The Directors are responsible for ensuring the Annual Report and Accounts are made available on a website. Accounts are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of accounts, 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 accounts contained therein.

Directors' indemnity

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

Annual General Meeting

The 2024 AGM of the Company will be held at Nichols plc, Laurel House, 5 Woodlands Park, Ashton Road, Newton-le-Willows, Merseyside, WA12 0HH on 24 April 2024 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 175. 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 2024 AGM will be via a poll and not on a show of hands. This is a much fairer way of voting and is in accordance with best practice.

Approved on behalf of the Board



David Taylor

Secretary
5 March 2024

Laurel House, 5 Woodlands Park, Ashton Road,
Newton-le-Willows, Merseyside, WA12 0HH.

Registered in England and Wales No. 00238303

Financial Statements

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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
5 March 2024



David Taylor
Interim Chief Financial Officer
5 March 2024

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 2023 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 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Parent Company statements of financial position, the consolidated statement of cash flows, the Group and Parent statements of changes in equity and notes to the financial statements, including a summary of material 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 Company's 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 twelve months from the date of sign off of the financial statements;
- considering the appropriateness and accuracy of these forecasts and challenging their inputs using our knowledge of the business and the sector together with wider commentary available from competitors and peers;
- 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 might take under these scenarios;
- ensuring that the inputs to the forecasts and the stress-testing adequately reflected key challenges encountered by the business during the financial year; and
- reviewing the going concern disclosures in the financial statements and assessing their consistency with the Directors' 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.

Independent Auditor's Report continued to the members of Nichols plc

Overview

Coverage

100% (2022: 100%) of Group profit before tax
100% (2022: 100%) of Group revenue
100% (2022: 99%) of Group total assets

Key audit matters

| | 2023 | 2022 |
|--|------|------|
| Discounts, Rebates, Promotional costs and Brand Support Arrangements | ✓ | ✓ |
| Impairment – Brands with indefinite lives and Out of Home assets | ✗ | ✓ |

The impairment of brands with indefinite life and Out of Home assets is no longer considered to be a key audit matter as there was no impairment in the current year.

Materiality

Group financial statements as a whole

£1.35m (2022: £1.1m) based on approximately 5% of profit before tax after adjusting for exceptional items (2022: approximately 5% of profit 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.

The 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.

Key audit matter

Discounts, Rebates, Promotional Costs and Brand Support Arrangements
(accounting policy in Note 2.6)

Consistent with industry practice, the Group incurs significant 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 2023, 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 Discounts, Rebates, Promotional Costs and 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 discounts, rebates, promotional costs and 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 and agreeing back to supporting contractual terms and performing a calculation 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 year under audit, 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.

Independent Auditor's Report continued to the members of Nichols plc

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 | |
|---|---|--|--|--|
| | 2023 | 2022 | 2023 | 2022 |
| Materiality | £1,350,000 | £1,100,000 | £650,000 | £430,000 |
| Basis for determining materiality | Approximately 5% of profit before tax after adjusting for exceptional items. | Approximately 5% of profit 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 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. | 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 | £1,012,500 | £825,000 | £487,500 | £322,000 |
| Basis for determining performance materiality | 75% of materiality | | 75% of materiality | |
| Rationale for the percentage applied for performance 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. | | This was considered appropriate based on audit knowledge of the control environment and historic misstatement levels. | |

Component materiality

Apart from the Parent Company whose materiality is set out above, the Group has one significant component, subsidiary entity Vimto Out of Home Limited. We set materiality for this component at 77% (2022: 65%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality was £1,045,000 (2022: £720,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £27,000 (2022: £22,000). 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.

Independent Auditor's Report **continued** to the members of Nichols plc

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.

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework (UK adopted international accounting standards and the Companies Act 2006), UK tax legislation and AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be those relating to food safety, environmental, occupational health and safety, export duties and data protection.

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation; and
- involvement of tax specialists in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
 - detecting and responding to the risks of fraud; and
 - internal controls established to mitigate risks related to fraud.

- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, manual adjustments to revenue, revenue recognition in relation to the cut off of sales and a deficiency in the IT environment.

Our procedures in respect of the above included:

- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- testing a sample of goods despatched in a specified window pre-year end to supporting documentation to check the revenue was recognised in the correct period;
- assessing significant estimates made by management for bias (see key audit matter regarding brand support arrangements); and
- testing a sample of changes made to standing data to check that the appropriate authorisation had taken place.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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

Stuart Wood

(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor Manchester, UK

5 March 2024

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

Consolidated Income Statement

Year ended 31 December 2023

| | Notes | 2023 | | | 2022 | | |
|---|-------|-----------------------------------|--|----------------|-----------------------------------|--|----------------|
| | | Before exceptional items £'000 | Exceptional items (note 4) £'000 | Total £'000 | Before exceptional items £'000 | Exceptional items (note 4) £'000 | Total £'000 |
| Revenue | 3 | 170,741 | — | 170,741 | 164,926 | — | 164,926 |
| Cost of sales | | (98,565) | — | (98,565) | (93,905) | — | (93,905) |
| Gross profit | | 72,176 | — | 72,176 | 71,021 | — | 71,021 |
| Distribution expenses | | (9,567) | — | (9,567) | (10,677) | — | (10,677) |
| Administrative expenses | | (37,416) | (2,907) | (40,323) | (35,742) | (11,146) | (46,888) |
| Operating profit | 5 | 25,193 | (2,907) | 22,286 | 24,602 | (11,146) | 13,456 |
| Finance income | 6 | 2,095 | — | 2,095 | 514 | — | 514 |
| Finance expense | 6 | (123) | — | (123) | (134) | — | (134) |
| Profit before taxation | | 27,165 | (2,907) | 24,258 | 24,982 | (11,146) | 13,836 |
| Taxation | 8 | (6,586) | 690 | (5,896) | (4,757) | 2,556 | (2,201) |
| Profit for the year attributable to equity shareholders | | 20,579 | (2,217) | 18,362 | 20,225 | (8,590) | 11,635 |
| Earnings per share attributable to the equity shareholders | | | | | | | |
| Earnings per share (basic) | 10 | 56.41p | | 50.34p | 55.38p | | 31.86p |
| Earnings per share (diluted) | 10 | 56.39p | | 50.32p | 55.32p | | 31.82p |

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

| | Notes | 2023 Total £'000 | 2022 Total £'000 |
|---|-------|------------------------|------------------------|
| Profit for the year | | 18,362 | 11,635 |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurement of net defined benefit surplus | 24 | (192) | (2,071) |
| Deferred taxation on pension obligations and employee benefits | 14 | 48 | 459 |
| Other comprehensive expense for the year | | (144) | (1,612) |
| Total comprehensive income for the year | | 18,218 | 10,023 |

Statement of Financial Position

As at 31 December 2023

| | Notes | Group | | Parent | |
|--------------------------------------|-------|----------------|---------------|----------------|---------------|
| | | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 9,457 | 10,958 | 5,237 | 5,755 |
| Investments | 12 | — | — | 16,566 | 16,566 |
| Intangibles | 13 | 256 | 88 | 256 | 88 |
| Pension surplus | 24 | 4,014 | 4,125 | 4,014 | 4,125 |
| Total non-current assets | | 13,727 | 15,171 | 26,073 | 26,534 |
| Current assets | | | | | |
| Inventories | 15 | 8,809 | 10,432 | 5,407 | 5,868 |
| Trade and other receivables | 16 | 41,393 | 39,561 | 50,853 | 45,373 |
| Corporation tax recoverable | | — | 695 | — | 708 |
| Cash and cash equivalents | 17 | 67,030 | 56,296 | 58,123 | 48,248 |
| Total current assets | | 117,232 | 106,984 | 114,383 | 100,197 |
| Total assets | | 130,959 | 122,155 | 140,456 | 126,731 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 18 | 30,719 | 30,711 | 91,078 | 75,414 |
| Corporation tax payable | | 318 | — | 288 | — |
| Total current liabilities | | 31,037 | 30,711 | 91,366 | 75,414 |
| Non-current liabilities | | | | | |
| Other payables | 18 | 1,865 | 2,038 | 1,517 | 1,553 |
| Deferred tax liabilities | 14 | 715 | 670 | 970 | 1,000 |
| Total non-current liabilities | | 2,580 | 2,708 | 2,487 | 2,553 |
| Total liabilities | | 33,617 | 33,419 | 93,853 | 77,967 |
| Net assets | | 97,342 | 88,736 | 46,603 | 48,764 |
| Equity | | | | | |
| Share capital | 26 | 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 | | 1,845 | 1,280 | 2,620 | 2,055 |
| Retained earnings | | 87,336 | 79,295 | 35,822 | 38,548 |
| Total equity | | 97,342 | 88,736 | 46,603 | 48,764 |

The Parent Company reported a profit after tax for the year ended 31 December 2023 of £7,595,000 (2022: £7,245,000).

The financial statements on pages 124 to 168 were approved by the Board of Directors on 5 March 2024 and were signed on its behalf by:



Andrew Milne
Chief Executive Officer
Registered number 00238303



David Taylor
Interim Chief Financial Officer

Consolidated Statement of Cash Flows

Year ended 31 December 2023

| Group | Notes | 2023 | | 2022 | |
|---|-------|----------|----------|---------|----------|
| | | £'000 | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | | | |
| Profit for the financial year | | | | | |
| | | | 18,362 | | 11,635 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | | 2,343 | | 4,521 | |
| Impairment losses on intangible and fixed assets | 4 | — | | 8,714 | |
| Loss on sale of property, plant and equipment | | 67 | | 186 | |
| Finance income | 6 | (2,095) | | (514) | |
| Finance expense | 6 | 123 | | 134 | |
| Taxation expense recognised in the income statement | | 5,896 | | 2,201 | |
| Decrease/(increase) in inventories | | 1,623 | | (726) | |
| Increase in trade and other receivables | | (1,549) | | (4,100) | |
| Increase in trade and other payables | | 384 | | 2,963 | |
| Decrease in provisions | 19 | — | | (4,242) | |
| Change in pension obligations and employee benefits | | (81) | | (920) | |
| Fair value (gain)/loss on derivative financial instruments | 20 | (285) | | 662 | |
| | | | 6,426 | | 8,879 |
| Cash generated from operating activities | | | | | |
| | | | 24,788 | | 20,514 |
| Taxation paid | | | (4,776) | | (4,178) |
| Net cash generated from operating activities | | | | | |
| | | | 20,012 | | 16,336 |
| Cash flows from investing activities | | | | | |
| Finance income | | 2,095 | | 514 | |
| Proceeds from sale of property, plant and equipment | | 192 | | — | |
| Acquisition of property, plant and equipment | | (479) | | (1,245) | |
| Payment of contingent consideration | | — | | (71) | |
| Net cash from/(used in) investing activities | | | | | |
| | | | 1,808 | | (802) |
| Cash flows from financing activities | | | | | |
| Payment of lease liabilities | 22 | (909) | | (995) | |
| Purchase of own shares | | — | | (5,534) | |
| Dividends paid | 9 | (10,177) | | (9,383) | |
| Net cash used in financing activities | | | | | |
| | | | (11,086) | | (15,912) |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | | 10,734 | | (378) |
| Cash and cash equivalents at 1 January | | | 56,296 | | 56,674 |
| Cash and cash equivalents at 31 December | | | | | |
| | 17 | | 67,030 | | 56,296 |

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

| 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 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 1 January 2023 | 3,697 | 3,255 | 1,209 | 1,280 | 79,295 | 88,736 |
| Dividends | — | — | — | — | (10,177) | (10,177) |
| Movement in ESOT | — | — | — | (2) | — | (2) |
| Credit to equity for equity-settled share-based payments | — | — | — | 567 | — | 567 |
| Total transactions with owners | — | — | — | 565 | (10,177) | (9,612) |
| Profit for the year | — | — | — | — | 18,362 | 18,362 |
| Other comprehensive expense | — | — | — | — | (144) | (144) |
| Total comprehensive income | — | — | — | — | 18,218 | 18,218 |
| At 31 December 2023 | 3,697 | 3,255 | 1,209 | 1,845 | 87,336 | 97,342 |

Parent Company Statement of Changes in Equity

Year ended 31 December 2023

| 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 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 1 January 2023 | 3,697 | 3,255 | 1,209 | 2,055 | 38,548 | 48,764 |
| Dividends | — | — | — | — | (10,177) | (10,177) |
| Movement in ESOT | — | — | — | (2) | — | (2) |
| Credit to equity for equity-settled share-based payments | — | — | — | 567 | — | 567 |
| Total transactions with owners | — | — | — | 565 | (10,177) | (9,612) |
| Profit for the year | — | — | — | — | 7,595 | 7,595 |
| Other comprehensive expense | — | — | — | — | (144) | (144) |
| Total comprehensive income | — | — | — | — | 7,451 | 7,451 |
| At 31 December 2023 | 3,697 | 3,255 | 1,209 | 2,620 | 35,822 | 46,603 |

Notes to the Financial Statements

Year ended 31 December 2023

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 2023 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

2.1 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.

2.2 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 review performed considers severe but plausible downside scenarios that could reasonably arise within the period.

Our modelling has sensitised the impacts of Russia's invasion of Ukraine and the conflict within Yemen, in particular their impact on global supply chains and macroeconomic inflationary factors. 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 31 December 2023 the Group had cash and cash equivalents of £67.0m 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, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

2.3 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.

2.4 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.

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 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 intangible assets with indefinite lives

Determining whether 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. In 2022, based on the annual impairment review, it was concluded that the carrying value of the assets was not supported by the value in use calculated. As a result of this analysis, management recognised an impairment charge of £8.7m in the prior year, £4.8m in relation to the intangible assets and £3.9m relating to a proportion of the fixed assets. The impairment charge was recognised as an exceptional item.

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 2023, 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.

Bad debt provision

The Group has traded with Yemen and certain African markets for many years but following increased uncertainty in the business climate of these markets, and delays in payment of outstanding debt, the Group has made additional bad debt provisions at the year end. A provision has been made in full against debts due from Yemen and partially against amounts due from certain Africa markets. The level of provision in each case involves estimation and reflects management's judgement over the recoverability of each debt.

Notes to the Financial Statements **continued**

Year ended 31 December 2023

2. Accounting policies continued

2.5 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 2023.

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

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

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.

2.6 Revenue recognition

Revenue is recognised when control of the goods has 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 terms 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.

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 expected from customers.

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.

Discounts fall into three main categories:

- **Fixed** – a defined amount over a period of time
- **Pence per case** – a pence per case rebate, based upon volumes sold
- **Percentage of net revenue** – a percentage of net revenue, which may have associated hurdle rates

Where the consideration the Group is entitled to will vary because of a rebate or discount to a customer, the amount payable is deemed to be variable consideration. The rebate or discounts are calculated based on the expected amounts necessary to meet the claims of the Group's customers using the expected value method. 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.

2.7 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. Management identify the Group's Packaged and Out of Home businesses and its Central division as distinct 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 adjusted operating 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

Notes to the Financial Statements **continued**

Year ended 31 December 2023

2. Accounting policies **continued**

2.11 Taxation **continued**

Deferred tax **continued**

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.

2.12 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.

2.13 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 and 15 years.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

The 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.

2.20 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.

2.21 Leased assets

All leases are accounted for under IFRS 16 – Leases 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.

Notes to the Financial Statements **continued**

Year ended 31 December 2023

2. Accounting policies **continued**

2.21 Leased assets **continued**

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 reassesses 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 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 2023 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 £459,000 (2022: £775,000) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

2.22 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.

2.23 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 Hybrid Incentive Plan 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 2023.

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 27.

2.24 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.

2.25 Finance income and costs

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

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.

Notes to the Financial Statements *continued*

Year ended 31 December 2023

2. Accounting policies *continued*

2.26 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 2023, the ESOT holds 6,145 shares in the Company (2022: 4,101 shares).

2.27 Investments in subsidiaries

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

2.28 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 2024:

- Amendments to IFRS 16 – Lease 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
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

The following amendments are effective for the period beginning 1 January 2025:

- Amendments to IAS 21 – Lack of Exchangeability

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.

3. Segmental information

a. Key operating segments

The Board, as the entity's chief operating decision-maker, analyses the Group's internal reports to enable an assessment of performance and allocation of resources. The operating segments are based on these reports.

During the year, the Group changed its reportable segments to ensure the appropriate strategic focus across the business given the differing strategic challenges between its Packaged and Out of Home routes to market. The Group is now segmented into the operating segments Packaged, Out of Home and Central. This replaces the operating segments Stills and Carbonates used in the 2022 Annual Report and Accounts.

The new segmental reporting allows the Group to deliver on its strategic ambitions of accelerated growth across the Packaged business, both in the UK and Internationally, and maximise value within the Out of Home business, whilst providing oversight to manage central overheads from a total Group perspective.

This is the first time results have been presented in these segments within the Group's year-end financial statements and thus the results reported for the previous financial year to 31 December 2022 have been re-presented for comparison purposes.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment performance is evaluated based on adjusted operating profit (excluding exceptional items), finance income and exceptional items. This is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

| Year ended 31 December 2023 | Revenue £'000 | Adjusted operating profit £'000 | Net finance income £'000 | Adjusted profit before taxation £'000 | Exceptional items £'000 | Profit before taxation £'000 |
|-----------------------------|------------------|------------------------------------|-----------------------------|--|----------------------------|---------------------------------|
| Packaged | | | | | | |
| UK | 83,914 | | | | | |
| Middle East | 12,963 | | | | | |
| Africa | 22,184 | | | | | |
| Rest of World | 8,122 | | | | | |
| Total Packaged | 127,183 | 36,317 | | | | |
| Out of Home | 43,558 | 5,063 | | | | |
| Total segments | 170,741 | 41,380 | | | | |
| Central ¹ | — | (16,187) | | | | |
| Total Group | 170,741 | 25,193 | 1,972 | 27,165 | (2,907) | 24,258 |

| Year ended 31 December 2022 | Revenue £'000 | Adjusted operating profit £'000 | Net finance income £'000 | Adjusted profit before taxation £'000 | Exceptional items £'000 | Profit before taxation £'000 |
|-----------------------------|------------------|------------------------------------|-----------------------------|--|----------------------------|---------------------------------|
| Packaged | | | | | | |
| UK | 82,813 | | | | | |
| Middle East | 11,752 | | | | | |
| Africa | 18,870 | | | | | |
| Rest of World | 6,420 | | | | | |
| Total Packaged | 119,855 | 34,338 | | | | |
| Out of Home | 45,071 | 3,537 | | | | |
| Total segments | 164,926 | 37,875 | | | | |
| Central ¹ | — | (13,273) | | | | |
| Total Group | 164,926 | 24,602 | 380 | 24,982 | (11,146) | 13,836 |

1. Central includes the Group's central and corporate costs, which relate to salaries and head office overheads such as rent and rates, insurance and IT maintenance as well as the costs associated with the Board and Executive Leadership Team, governance and Listed Company costs.

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.

Notes to the Financial Statements **continued**

Year ended 31 December 2023

3. Segmental information **continued**

a. Key operating segments **continued**

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Capital expenditure | 479 | 1,245 |
| IFRS 16 lease additions | 790 | 577 |
| Depreciation | 2,273 | 3,881 |
| Amortisation | 70 | 640 |
| Impairment losses on goodwill and intangible assets | — | 8,714 |

b. Reporting by geographic area

Revenue by geographic destination

| | 2023 £'000 | 2023 % | 2022 £'000 | 2022 % |
|----------------------|---------------|-----------|---------------|-----------|
| Middle East | 12,963 | 8 | 11,752 | 7 |
| Africa | 22,184 | 13 | 18,870 | 11 |
| Rest of the World | 8,518 | 5 | 7,350 | 5 |
| Total exports | 43,665 | 26 | 37,972 | 23 |
| United Kingdom | 127,076 | 74 | 126,954 | 77 |
| | 170,741 | 100 | 164,926 | 100 |

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

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

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

No individual customer accounts for 10% or more of the Group's revenue in either 2023 or 2022.

Total assets

The assets of the Group at 31 December 2023 and 31 December 2022 are located within the United Kingdom and Europe.

Capital expenditure

The capital expenditure of the Group for the years ended 31 December 2023 and 31 December 2022 was made within the United Kingdom and Europe.

IFRS 16 lease additions

The IFRS 16 lease additions of the Group for the years ended 31 December 2023 and 31 December 2022 were made within the United Kingdom and Europe.

Depreciation

The Group's depreciation charges for the years ended 31 December 2023 and 31 December 2022 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 2023 and 31 December 2022 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:

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Out of Home strategic review and restructuring | 1,784 | 518 |
| Business change programme and systems development | 1,722 | 316 |
| Historic incentive scheme | (599) | 134 |
| Impairment of intangible and fixed assets | — | 8,714 |
| Review of UK Packaged supply chain | — | 1,464 |
| | 2,907 | 11,146 |

2023 exceptional items

The Group incurred £2.9m of exceptional costs during the year (2022: £11.1m).

Out of Home strategic review and restructuring

In 2022 the Group completed a strategic review into its OoH business following a number of changes to the market it serves. This review included an assessment of customer and product profitability and the identification of opportunities to raise operating margins. As the changes arising from this review have been implemented during 2023, costs of £1.8m have been incurred to restructure the operations of the business. These additional restructuring costs are one-off in nature and will be treated as exceptional.

Business change programme and systems development

The Group commenced a project in 2022 to identify the potential benefits from replacing current operational and IT processes and systems, which are reaching the end of their planned life, with an integrated Enterprise Resource Planning (ERP) solution. During 2023 this project has progressed well and a number of operational benefits have been identified. Costs of £1.7m (2022: £0.3m) have been incurred in completing the review, vendor selection and business design phases of the programme. Further costs will be incurred on the development of new systems and processes during 2024 and the project is expected to be completed in 2025. Due to the nature of these charges, the Group is treating the costs as exceptional.

Historic incentive scheme

During 2022 the Group finalised the treatment of an historic incentive scheme with HM Revenue and Customs and agreed to pay a sum in settlement of additional tax and interest liabilities. The Group also commenced the process of the recovery of debts from current and former employees who had indemnified the Company. A reserve was put in place to provide against the potential irrecoverability of some of these debts. Given the progress made in the collection of outstanding amounts this provision has been reduced during 2023 giving a net exceptional credit to profit after further legal fees of £0.6m (2022: cost £0.1m).

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.

2022 exceptional items

In the previous period, the Group incurred £11.1m of exceptional costs, £8.7m of which was non-cash.

Management recognised a non-cash impairment charge of £8.7m impairing all the remaining intangible assets (£4.8m) within our Out of Home route to market and a proportion of its fixed assets (£3.9m).

The Group commenced a strategic review of its Out of Home route to market and incurred £0.5m of costs to prepare its recommendations for implementation. The Group also commenced its project to implement a new Enterprise Resource Planning (ERP) system and incurred initial review costs of £0.3m.

The Group completed its review of UK Packaged supply chains, which resulted in £1.5m of exceptional costs.

Legal costs in relation to an historic incentive scheme totalling £0.1m were also incurred.

Notes to the Financial Statements *continued*

Year ended 31 December 2023

5. Operating profit

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Operating profit is stated after charging/(crediting): | | |
| Inventory amounts charged to cost of sales | 98,565 | 93,905 |
| BDO LLP remuneration: | | |
| Audit services of the Group's annual accounts | 190 | 162 |
| Depreciation of property, plant and equipment | 2,273 | 3,881 |
| Impairment of property, plant and equipment | — | 3,896 |
| Amortisation of intangible assets | 70 | 640 |
| Short-term lease rental payments | 416 | 349 |
| Charge for equity-settled share-based payments | 567 | 599 |
| Loss/(gain) on foreign exchange differences | 303 | (588) |
| Fair value (gain)/loss on derivative financial instruments (note 20) | (285) | 662 |
| Loss on sale of property, plant and equipment | 67 | 186 |
| Release of contingent consideration on acquisition | — | 3 |
| Bad debt and expected credit loss provision charge/(release) (note 16) | 1,508 | (365) |

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

6. Finance income and expense

| | Notes | 2023 £'000 | 2022 £'000 |
|---|-------|---------------|---------------|
| Finance income comprises: | | | |
| Bank interest receivable | | 1,901 | 409 |
| Net interest income on defined benefit pension scheme surplus | 24 | 194 | 105 |
| Finance income | | 2,095 | 514 |
| Finance expense comprises: | | | |
| IFRS 16 lease interest charge | 22 | (123) | (134) |
| Finance expense | | (123) | (134) |

7. Directors and employees

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

| | 2023 Number | 2022 Number |
|----------------|----------------|----------------|
| Group | 307 | 325 |
| Parent Company | 264 | 282 |

b. Group employment costs were as follows:

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Wages and salaries | 14,968 | 13,693 |
| Social security costs | 1,634 | 1,813 |
| Pension costs – defined contribution scheme | 780 | 838 |
| Pension costs – defined benefit scheme (see note 24) | 135 | 94 |
| Equity-settled share-based payments credit | 567 | 599 |
| | 18,084 | 17,037 |

c. Parent Company employment costs were as follows:

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Wages and salaries | 14,077 | 13,693 |
| Social security costs | 1,094 | 1,813 |
| Pension costs – defined contribution scheme | 691 | 838 |
| Pension costs – defined benefit scheme (see note 24) | 135 | 94 |
| Equity-settled share-based payments charge | 567 | 599 |
| | 16,564 | 17,037 |

A charge of £567,000 (2022: £599,000) was recognised during the year in relation to benefits accruing under the Group's Save As You Earn schemes, Hybrid Incentive Plan and Executive share award scheme.

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 pages 84 to 86.

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Wages and salaries | 1,960 | 1,571 |
| Social security costs | 240 | 175 |
| Pension costs – defined contribution scheme | 20 | 48 |
| | 2,250 | 1,794 |

The highest paid Director has received £1,324,000 (2022: £811,000) excluding pension contributions.

Benefits are accruing to three Directors (2022: two Directors) under a defined contribution scheme; the highest paid Director has received contributions of £34,000 in the year (2022: £30,000).

Aggregate amounts for loss of office totalled £235,000 (2022: £nil).

There is a share-based payment charge of £64,000 in the year (2022: £98,000) in relation to executive matching share awards made to two Directors.

Further information regarding Directors' remuneration and the Hybrid Incentive Plan is provided in the Remuneration Committee Report on pages 106 to 108.

Notes to the Financial Statements continued

Year ended 31 December 2023

8. Taxation

a. Analysis of expense recognised in the consolidated income statement

| | 2023 £'000 | 2022 £'000 |
|---|---------------|----------------|
| Current taxation: | | |
| UK corporation tax on income for the year | 5,699 | 4,403 |
| Adjustments in respect of prior years | 104 | (177) |
| Total current tax charge for the year | 5,803 | 4,226 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 99 | (2,072) |
| Adjustments in respect of prior years | (6) | 47 |
| Total deferred tax charge for the year | 93 | (2,025) |
| Total tax expense in the consolidated income statement | 5,896 | 2,201 |

b. Tax reconciliation

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Profit before taxation | 24,258 | 13,836 |
| Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 23.52% (2022: 19.00%) | 5,705 | 2,629 |
| Effect of: | | |
| Non-deductible expenses | 32 | 297 |
| Other tax adjustments, reliefs and transfers | (29) | 65 |
| Other timing differences | 84 | 38 |
| Adjustments to the tax charge in respect of prior years | 98 | (130) |
| Impact on deferred tax due to rate change | 6 | (698) |
| Total tax expense in the consolidated income statement | 5,896 | 2,201 |

c. The effective rate of tax

The effective rate of tax on adjusted profit before tax is 24.2% (2022: 19.04%) which is higher than the standard rate of corporation tax in the United Kingdom 23.52%. The effective rate of tax on profit before tax is 24.3% (2022: 15.9%) 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 2023 have been recognised at 25% (2022: 25%).

d. Tax on items recognised in other comprehensive income/(expense)

In addition to the amount charged to the consolidated income statement, a credit of £48,000 (2022: £459,000 credit) 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

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Interim dividend 12.6p (2022: 12.4p) paid 8 September 2023 | 4,597 | 4,523 |
| Final dividend for 2022 15.3p (2021: 13.3p) paid 4 May 2023 | 5,580 | 4,860 |
| | 10,177 | 9,383 |

The interim dividend for the prior year of £4,523,000 was paid on 9 September 2022.

The 2023 final proposed dividend of 15.6p per share has not been accrued as it had not been approved by the year end.

10. Earnings per share

| | 2023 | 2022 |
|--|--------|--------|
| Earnings per share (basic) | 50.34p | 31.86p |
| Earnings per share (diluted) | 50.32p | 31.82p |
| Adjusted earnings per share (basic) – before exceptional items | 56.41p | 55.38p |
| Adjusted earnings per share (diluted) – before exceptional items | 56.39p | 55.32p |

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.

| | 2023 | | | 2022 | | |
|----------------------------------|-------------------|--|-----------------------|-------------------|--|-----------------------|
| | Earnings £'000 | Weighted average number of shares | Earnings per share | Earnings £'000 | Weighted average number of shares | Earnings per share |
| Basic earnings per share | 18,362 | 36,477,926 | 50.34p | 11,635 | 36,522,645 | 31.86p |
| Dilutive effect of share options | | 14,995 | | | 39,639 | |
| Diluted earnings per share | 18,362 | 36,492,921 | 50.32p | 11,635 | 36,562,284 | 31.82p |

Notes to the Financial Statements *continued*

Year ended 31 December 2023

10. Earnings per share *continued*

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:

| | 2023 | | | 2022 | | |
|--|-------------------|--|-----------------------|-------------------|--|-----------------------|
| | Earnings £'000 | Weighted average number of shares | Earnings per share | Earnings £'000 | Weighted average number of shares | Earnings per share |
| Basic earnings per share | 18,362 | 36,477,926 | 50.34p | 11,635 | 36,522,645 | 31.86p |
| Exceptional items after taxation | 2,217 | | | 8,590 | | |
| Adjusted earnings per share (basic) – before exceptional items | 20,579 | 36,477,926 | 56.41p | 20,225 | 36,522,645 | 55.38p |
| Dilutive effect of share options | | 14,995 | | | 39,639 | |
| Adjusted earnings per share (diluted) – before exceptional items | 20,579 | 36,492,921 | 56.39p | 20,225 | 36,562,284 | 55.32p |

11. Property, plant and equipment

| Group | Land and buildings £'000 | Plant, machinery, fixtures and fittings £'000 | Right-of-use assets; Motor Vehicles (note 22) £'000 | Right-of-use assets; Property (note 22) £'000 | Total £'000 |
|---|--------------------------------|---|--|---|----------------|
| Cost | | | | | |
| 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 1 January 2023 | 3,444 | 25,421 | 3,119 | 3,327 | 35,311 |
| Additions | — | 479 | 337 | 453 | 1,269 |
| Disposals | — | (4,629) | — | (39) | (4,668) |
| Transfers out | — | (238) | — | — | (238) |
| At 31 December 2023 | 3,444 | 21,033 | 3,456 | 3,741 | 31,674 |
| Depreciation | | | | | |
| 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 | — | 3,896 | — | — | 3,896 |
| At 1 January 2023 | 592 | 19,603 | 2,643 | 1,515 | 24,353 |
| Charge for the year | 69 | 1,378 | 358 | 468 | 2,273 |
| On disposals | — | (4,388) | — | (21) | (4,409) |
| At 31 December 2023 | 661 | 16,593 | 3,001 | 1,962 | 22,217 |
| Net book value at 31 December 2023 | 2,783 | 4,440 | 455 | 1,779 | 9,457 |
| Net book value at 31 December 2022 | 2,852 | 5,818 | 476 | 1,812 | 10,958 |

| Parent | Land and buildings £'000 | Plant, machinery, fixtures and fittings £'000 | Right-of-use assets; Motor Vehicles (note 22) £'000 | Right-of-use assets; Property (note 22) £'000 | Total £'000 |
|---|--------------------------------|---|--|---|----------------|
| Cost | | | | | |
| At 1 January 2022 | 3,444 | 5,646 | 3,005 | 1,916 | 14,011 |
| Additions | — | 185 | 114 | 463 | 762 |
| At 1 January 2023 | 3,444 | 5,831 | 3,119 | 2,379 | 14,773 |
| Additions | — | 151 | 337 | 453 | 941 |
| Disposals | — | (46) | — | (39) | (85) |
| Transfers out | — | (238) | — | — | (238) |
| At 31 December 2023 | 3,444 | 5,698 | 3,456 | 2,793 | 15,391 |
| Depreciation | | | | | |
| At 1 January 2022 | 523 | 4,244 | 2,097 | 820 | 7,684 |
| Charge for the year | 69 | 445 | 546 | 274 | 1,334 |
| At 1 January 2023 | 592 | 4,689 | 2,643 | 1,094 | 9,018 |
| Charge for the year | 69 | 369 | 358 | 361 | 1,157 |
| On disposals | — | — | — | (21) | (21) |
| At 31 December 2023 | 661 | 5,058 | 3,001 | 1,434 | 10,154 |
| Net book value at 31 December 2023 | 2,783 | 640 | 455 | 1,359 | 5,237 |
| Net book value at 31 December 2022 | 2,852 | 1,142 | 476 | 1,285 | 5,755 |

Group impairment losses in the prior year of £3,896,000 were within the Out of Home route to market.

Notes to the Financial Statements *continued*

Year ended 31 December 2023

12. Investments: shares in Group undertakings

| Parent | £'000 |
|---|---------------|
| Cost and net book amount | |
| At 1 January 2022, 1 January 2023 and 31 December 2023 | 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 ¹ | 100 |
| Dayla Liquid Packing Limited ¹ | 100 |
| Vimto (Out of Home) Limited ¹ | 100 |
| Adrian Mecklenburgh Limited ² | 100 |
| Beacon Drinks Limited ² | 100 |
| Cabana Soft Drinks Limited ² | 100 |
| DJ Drink Solutions Limited ² | 100 |
| Festival Drinks Limited ² | 100 |
| Nichols Dispense (S.W.) Limited ² | 100 |
| The Noisy Drinks Co. Limited ² | 100 |
| Dispense Solutions (Wales) Limited ³ | 100 |
| The Noisy Drink Company North West Limited ⁴ | 100 |
| Nichols Senegal SUARL ⁵ | 100 |

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

2. Directly owned by Vimto (Out of Home) Limited.

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

4. The shareholding in The Noisy Drink Company North West Limited is directly owned by Vimto (Out of Home) Limited.

5. The shareholding in Nichols Senegal SUARL is directly owned by Nichols International (Holdco) Limited.

All Group undertakings are consolidated.

The above companies, excluding Nichols Senegal SUARL, and the Parent Company were all incorporated and operate in the United Kingdom. Particulars of UK non-trading companies are filed with the annual confirmation statement.

All companies, excluding Nichols Senegal SUARL, 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.

Nichols Senegal SUARL is a subsidiary incorporated in Senegal and is directly owned by Nichols International (Holdco) Limited, a holding company 100% owned by the Parent Company. Nichols Senegal SUARL is a company engaged in the supply of marketing support services to businesses selling soft drinks and other beverages.

13. Intangibles

| Group | Contractual agreement £'000 | Customer lists £'000 | Brand name £'000 | Computer software £'000 | Total £'000 |
|---|--------------------------------|-------------------------|---------------------|----------------------------|----------------|
| Cost | | | | | |
| At 1 January 2022 and 1 January 2023 | 180 | 5,521 | 3,889 | 170 | 9,760 |
| Transfers in | — | — | — | 238 | 238 |
| Disposals | — | — | — | — | — |
| At 31 December 2023 | 180 | 5,521 | 3,889 | 408 | 9,998 |
| Amortisation | | | | | |
| At 1 January 2022 | 105 | 2,745 | 1,316 | 48 | 4,214 |
| Charge for the year | 36 | 570 | — | 34 | 640 |
| Impairment (see below) | 39 | 2,206 | 2,573 | — | 4,818 |
| At 1 January 2023 | 180 | 5,521 | 3,889 | 82 | 9,672 |
| Charge for the year | — | — | — | 70 | 70 |
| At 31 December 2023 | 180 | 5,521 | 3,889 | 152 | 9,742 |
| Net book value at 31 December 2023 | — | — | — | 256 | 256 |
| Net book value at 31 December 2022 | — | — | — | 88 | 88 |

| Parent | Brand name £'000 | Computer software £'000 | Total £'000 |
|---|---------------------|----------------------------|----------------|
| Cost | | | |
| At 1 January 2022 and 1 January 2023 | 1,316 | 170 | 1,486 |
| Additions | — | 238 | 238 |
| Disposals | — | — | — |
| At 31 December 2023 | 1,316 | 408 | 1,724 |
| Amortisation | | | |
| At 1 January 2022 | 1,316 | 48 | 1,364 |
| Charge for the year | — | 34 | 34 |
| At 1 January 2023 | 1,316 | 82 | 1,398 |
| Charge for the year | — | 70 | 70 |
| At 31 December 2023 | 1,316 | 152 | 1,468 |
| Net book value at 31 December 2023 | — | 256 | 256 |
| Net book value at 31 December 2022 | — | 88 | 88 |

2023 Impairment

As at 31 December 2023 the Group does not hold any intangible assets with indefinite lives. There have been no indications of impairment during the year and as such no adjustments have been made to the carrying value of the intangible assets held.

Notes to the Financial Statements **continued**

Year ended 31 December 2023

13. Intangibles continued

2022 impairment

An annual impairment review was performed in the previous year on the intangible assets with indefinite lives, all of which related to the Group's OoH route to market.

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 recognised an impairment charge of £8.7m in the prior year, £4.8m in relation to the intangible assets and £3.9m relating to a proportion of the fixed assets. The impairment charge was recognised as an exceptional item.

14. Deferred tax assets and liabilities

Movement in temporary differences during the year

The UK deferred tax balances are measured at 25% (2022: 25%).

| | Net balance at 1 January 2023 £'000 | Recognised in income £'000 | Recognised in other comprehensive expense £'000 | Net balance at 31 December 2023 £'000 |
|-------------------------------|--|-------------------------------|--|--|
| Group | | | | |
| Property, plant and equipment | 72 | (60) | — | 12 |
| Goodwill and intangibles | 167 | (30) | — | 137 |
| Employee benefits | (951) | (12) | 48 | (915) |
| Provisions | 42 | 9 | — | 51 |
| | (670) | (93) | 48 | (715) |

| | Net balance at 1 January 2022 £'000 | Recognised in income £'000 | Recognised in other comprehensive expense £'000 | Net balance at 31 December 2022 £'000 |
|-------------------------------|--|-------------------------------|--|--|
| Group | | | | |
| 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) |

| | Net balance at 1 January 2023 £'000 | Recognised in income £'000 | Recognised in other comprehensive expense £'000 | Net balance at 31 December 2023 £'000 |
|-------------------------------|--|-------------------------------|--|--|
| Parent | | | | |
| Property, plant and equipment | (258) | 15 | — | (243) |
| Intangibles | 167 | (30) | — | 137 |
| Employee benefits | (951) | (12) | 48 | (915) |
| Provisions | 42 | 9 | — | 51 |
| | (1,000) | (18) | 48 | (970) |

| | Net balance at 1 January 2022 £'000 | Recognised in income £'000 | Recognised in other comprehensive income £'000 | Net balance at 31 December 2022 £'000 |
|-------------------------------|--|-------------------------------|---|--|
| Parent | | | | |
| Property, plant and equipment | (138) | (120) | — | (258) |
| Intangibles | 167 | — | — | 167 |
| Employee benefits | (1,200) | (210) | 459 | (951) |
| Provisions | 33 | 9 | — | 42 |
| | (1,138) | (321) | 459 | (1,000) |

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Group | | | | | | |
| Property, plant and equipment | 12 | 72 | — | — | 12 | 72 |
| Goodwill and intangibles | 137 | 167 | — | — | 137 | 167 |
| Employee benefits | — | — | (915) | (951) | (915) | (951) |
| Provisions | 51 | 42 | — | — | 51 | 42 |
| | 200 | 281 | (915) | (951) | (715) | (670) |

| | Assets | | Liabilities | | Net | |
|-------------------------------|---------------|---------------|----------------|----------------|---------------|----------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Parent | | | | | | |
| Property, plant and equipment | — | — | (243) | (258) | (243) | (258) |
| Goodwill and intangibles | 137 | 167 | — | — | 137 | 167 |
| Employee benefits | — | — | (915) | (951) | (915) | (951) |
| Provisions | 51 | 42 | — | — | 51 | 42 |
| | 188 | 209 | (1,158) | (1,209) | (970) | (1,000) |

15. Inventories

| | Group | | Parent | |
|----------------|---------------|---------------|---------------|---------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Finished goods | 7,867 | 8,997 | 5,167 | 5,270 |
| Raw materials | 942 | 1,435 | 240 | 598 |
| | 8,809 | 10,432 | 5,407 | 5,868 |

At the year end, the Group provision for the write-down of inventories to net realisable value amounted to £460,000 (2022: £306,000).

Notes to the Financial Statements *continued*

Year ended 31 December 2023

16. Trade and other receivables

| | Group | | Parent | |
|--|---------------|---------------|---------------|---------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Trade receivables | 39,238 | 35,483 | 31,364 | 28,705 |
| Less: provision for impairment of trade receivables | (2,063) | (555) | (219) | (204) |
| Trade receivables – net | 37,175 | 34,928 | 31,145 | 28,501 |
| Amounts owed by Group undertakings | — | — | 15,619 | 12,805 |
| Other receivables | 2,218 | 2,788 | 2,220 | 2,345 |
| Derivative financial instruments – forward contracts (note 20) | 69 | — | 69 | — |
| Prepayments | 1,931 | 1,845 | 1,800 | 1,722 |
| | 41,393 | 39,561 | 50,853 | 45,373 |

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.

A total provision for the impairment of trade receivables of £2,063,000 (2022: £555,000) has been recorded as at 31 December 2023.

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 or amounts specifically provided for. 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 macroeconomic factors affecting the Group's customers, such as inflation, interest rates and economic growth rates. The total credit loss allowance was £767,000 (2022: £555,000) and management made specific provisions totalling £1,296,000 within International reflecting a more uncertain business climate in the Yemen and other markets.

An impairment assessment of amounts owed by Group undertakings as at 31 December 2023 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 (2022: £nil).

The Group's expected credit loss provision was determined as follows:

| 31 December 2023 | Current | Less than | More than | More than | More than | Total |
|-----------------------|---------|-----------|-----------|-----------|-----------|--------|
| | | 30 days | 30 days | 60 days | 90 days | |
| | | past due | past due | past due | past due | |
| Expected loss rate | 1.2% | 4.5% | 1.5% | 0.4% | 32.8% | |
| Gross carrying amount | 34,145 | 3,023 | 1,248 | 249 | 573 | 39,238 |
| Credit loss allowance | 423 | 136 | 19 | 1 | 188 | 766 |

| 31 December 2022 | Current | Less than | More than | More than | More than | Total |
|-----------------------|---------|-----------|-----------|-----------|-----------|--------|
| | | 30 days | 30 days | 60 days | 90 days | |
| | | past due | past due | past due | past due | |
| 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 |

Movements in the expected credit loss allowance were as follows:

| Group | At | Charge in | Realised in | Utilised | At |
|--------------------------------|-----------|-----------|-------------|----------|----------|
| | 1 January | | | | the year |
| | 2023 | £'000 | £'000 | £'000 | 2023 |
| | £'000 | | | | £'000 |
| Expected credit loss provision | 555 | 246 | (34) | — | 767 |

| Group | At | Charge in | Realised in | Utilised | At |
|--------------------------------|-----------|-----------|-------------|----------|----------|
| | 1 January | | | | the year |
| | 2022 | £'000 | £'000 | £'000 | 2022 |
| | £'000 | | | | £'000 |
| Expected credit loss provision | 956 | 62 | (365) | (98) | 555 |

| Parent | At | Charge in | Realised in | Utilised | At |
|--------------------------------|-----------|-----------|-------------|----------|----------|
| | 1 January | | | | the year |
| | 2023 | £'000 | £'000 | £'000 | 2023 |
| | £'000 | | | | £'000 |
| Expected credit loss provision | 184 | 35 | — | — | 219 |

| Parent | At | Charge in | Realised in | Utilised | At |
|--------------------------------|-----------|-----------|-------------|----------|----------|
| | 1 January | | | | the year |
| | 2022 | £'000 | £'000 | £'000 | 2022 |
| | £'000 | | | | £'000 |
| Expected credit loss provision | 204 | — | (20) | — | 184 |

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.

17. Cash and cash equivalents

| Group | At | Cash flow | At |
|--------------------------|-----------|-----------|-------------|
| | 1 January | | 31 December |
| | 2023 | £'000 | 2023 |
| | £'000 | | £'000 |
| Cash at bank and in hand | 56,296 | 10,734 | 67,030 |

| Parent | At | Cash flow | At |
|--------------------------|-----------|-----------|-------------|
| | 1 January | | 31 December |
| | 2023 | £'000 | 2023 |
| | £'000 | | £'000 |
| Cash at bank and in hand | 48,248 | 9,875 | 58,123 |

Included within cash at bank and in hand are short-term deposits that are readily convertible to known amounts of cash.

The Group did not have a bank overdraft during the current and previous years. The Group operates set off arrangements between accounts held with Royal Bank of Scotland PLC.

Notes to the Financial Statements *continued*

Year ended 31 December 2023

18. Trade and other payables

Current liabilities

| | Group | | Parent | |
|--|---------------|---------------|---------------|---------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Trade payables | 9,484 | 11,115 | 8,183 | 8,925 |
| Amounts owed to Group undertakings | — | — | 66,264 | 50,264 |
| Other taxes and social security | 1,389 | 1,635 | 431 | 382 |
| Other payables | 15 | 18 | 15 | 19 |
| Derivative financial instruments – forward contracts (note 20) | — | 151 | — | 151 |
| Accruals | 19,153 | 17,291 | 15,643 | 15,274 |
| IFRS 16 lease liabilities (note 22) | 678 | 501 | 542 | 399 |
| | 30,719 | 30,711 | 91,078 | 75,414 |

Non-current liabilities

| | Group | | Parent | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| IFRS 16 lease liabilities (note 22) | 1,865 | 2,038 | 1,517 | 1,553 |
| | 1,865 | 2,038 | 1,517 | 1,553 |

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.

19. Provisions

| Group and Parent | Historic incentive scheme | Total |
|---|---------------------------------|----------|
| | £'000 | £'000 |
| At 1 January 2022 | 4,242 | 4,242 |
| Utilised | (4,242) | (4,242) |
| At 1 January 2023 and 31 December 2023 | — | — |

In the prior year, the Group settled with HMRC the tax and interest charges regarding the historic incentive scheme provided for in the 2021 Annual Report (£4.2m).

Recovery of debts from current and previous management who had indemnified the Company commenced during 2023. Included within other receivables is a reimbursement asset in respect of these historic contracts.

20. 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 2023 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.

| | 2023 £'000 | 2022 £'000 |
|-------------------------|---------------|---------------|
| Foreign currency assets | | |
| US Dollar | 3,931 | 3,267 |
| Euro | 5,727 | 1,773 |
| | 9,658 | 5,040 |

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% (2022: 5%), then this would have had the following impact:

| | 2023 | | | 2022 | | |
|-------------------------|--------------|---------------|----------------|--------------|---------------|----------------|
| | USD £'000 | Euro £'000 | Total £'000 | USD £'000 | Euro £'000 | Total £'000 |
| Net result for the year | (187) | (273) | (460) | (156) | (84) | (240) |

Notes to the Financial Statements *continued*

Year ended 31 December 2023

20. Financial instruments *continued*

Foreign currency sensitivity *continued*

If Sterling had weakened against the US Dollar and Euro by 5% (2022: 5%), then this would have had the following impact:

| | 2023 | | | 2022 | | |
|-------------------------|--------------|---------------|----------------|--------------|---------------|----------------|
| | USD £'000 | Euro £'000 | Total £'000 | USD £'000 | Euro £'000 | Total £'000 |
| Net result for the year | 207 | 301 | 508 | 172 | 93 | 265 |

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

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Derivative financial assets/(liabilities) | | |
| Foreign currency forward contracts carried at fair value | 69 | (151) |

In December 2023, the Group entered into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated cash inflows in 2024.

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 liability £'000 |
|--------------------------------|--------------|---|---|--|
| Sell EUR – less than 12 months | 1.1565 | 3,000 | 2,594 | (10) |
| Sell USD – less than 12 months | 1.2160 | 2,000 | 1,645 | 75 |
| Sell EUR – less than 12 months | 1.1525 | 750 | 651 | (0) |
| Sell USD – less than 12 months | 1.2160 | 500 | 411 | 19 |
| Sell EUR – less than 12 months | 1.1690 | 750 | 642 | (10) |
| Sell EUR – less than 12 months | 1.1557 | 500 | 433 | (1) |
| Sell EUR – less than 12 months | 1.1575 | 2,000 | 1,728 | (7) |
| Sell USD – less than 12 months | 1.2759 | 2,500 | 1,959 | 3 |

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 2022.

At 31 December 2023, 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.

21. 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 | |
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Financial assets | | | | | | | | |
| Trade receivables and other receivables | 69 | — | 39,393 | 37,716 | 69 | — | 48,984 | 43,651 |
| Cash and cash equivalents | — | — | 67,030 | 56,296 | — | — | 58,123 | 48,248 |
| Total financial assets | 69 | — | 106,423 | 94,012 | 69 | — | 107,107 | 91,899 |

The IFRS 9 categories of financial liabilities 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 | |
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Financial liabilities | | | | | | | | |
| Trade and other payables | — | 3 | 9,499 | 11,130 | — | — | 74,462 | 59,208 |
| IFRS 16 lease liabilities | — | — | 2,543 | 2,539 | — | — | 2,059 | 1,952 |
| Total financial liabilities | — | 3 | 12,042 | 13,669 | — | — | 76,521 | 61,160 |

The following table sets out the Group contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| | 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 |
|--------------------------|-------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|
| 31 December 2023 | | | | | |
| Trade and other payables | 9,499 | — | — | — | — |
| Total | 9,499 | — | — | — | — |

| | 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 |
|--------------------------|-------------------------|----------------------------------|--------------------------------|--------------------------------|-----------------------|
| 31 December 2022 | | | | | |
| Trade and other payables | 11,133 | — | — | — | — |
| Total | 11,133 | — | — | — | — |

The contractual maturities of IFRS 16 lease liabilities are disclosed in note 22.

Notes to the Financial Statements *continued*

Year ended 31 December 2023

22. 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 2023:

| | Group | | | Parent | | |
|----------------------------|-------------------|----------------------------|----------------|-------------------|----------------------------|----------------|
| | Property £'000 | Motor vehicles £'000 | Total £'000 | Property £'000 | Motor vehicles £'000 | Total £'000 |
| Right-of-use assets | | | | | | |
| 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 1 January 2023 | 1,812 | 476 | 2,288 | 1,285 | 476 | 1,761 |
| Additions | 453 | 337 | 790 | 453 | 337 | 790 |
| Disposals | (18) | — | (18) | (18) | — | (18) |
| Depreciation | (468) | (358) | (826) | (361) | (358) | (719) |
| At 31 December 2023 | 1,779 | 455 | 2,234 | 1,359 | 455 | 1,814 |

| | Group | | | Parent | | |
|----------------------------|-------------------|----------------------------|----------------|-------------------|----------------------------|----------------|
| | Property £'000 | Motor vehicles £'000 | Total £'000 | Property £'000 | Motor vehicles £'000 | Total £'000 |
| Lease liabilities | | | | | | |
| 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 1 January 2023 | 2,000 | 539 | 2,539 | 1,413 | 539 | 1,952 |
| Additions | 453 | 337 | 790 | 453 | 337 | 790 |
| Interest expense | 88 | 35 | 123 | 66 | 35 | 101 |
| Lease payments | (530) | (379) | (909) | (405) | (379) | (784) |
| At 31 December 2023 | 2,011 | 532 | 2,543 | 1,527 | 532 | 2,059 |

The following table sets out the Group maturities of IFRS 16 lease liabilities based on the contractual undiscounted cash flows:

| Group | 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 |
|----------------------------|----------------------------|--|-----------------------------------|--------------------------------------|--------------------------|
| At 31 December 2023 | | | | | |
| Lease liabilities | 220 | 521 | 507 | 995 | 480 |
| At 31 December 2022 | | | | | |
| Lease liabilities | 229 | 570 | 559 | 1,118 | 220 |

| Parent | 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 |
|----------------------------|----------------------------|--|-----------------------------------|--------------------------------------|--------------------------|
| At 31 December 2023 | | | | | |
| Lease liabilities | 187 | 421 | 375 | 729 | 480 |
| At 31 December 2022 | | | | | |
| Lease liabilities | 198 | 477 | 426 | 720 | 220 |

The following table reconciles the changes in IFRS 16 lease liabilities from financing activities during the year to 31 December 2023:

| | Group | | | Parent | | |
|----------------------------|--|--|----------------|--|--|----------------|
| | Current loans and borrowings (note 18) £'000 | Non-current loans and borrowings (note 18) £'000 | Total £'000 | Current loans and borrowings (note 18) £'000 | Non-current loans and borrowings (note 18) £'000 | Total £'000 |
| 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 1 January 2023 | 501 | 2,038 | 2,539 | 398 | 1,554 | 1,952 |
| Cash flows | (909) | — | (909) | (784) | — | (784) |
| Non-cash flows | | | | | | |
| - interest paid | 123 | — | 123 | 101 | — | 101 |
| - lease additions | 305 | 485 | 790 | 305 | 485 | 790 |
| - transfers | 658 | (658) | — | 522 | (522) | — |
| At 31 December 2023 | 678 | 1,865 | 2,543 | 542 | 1,517 | 2,059 |

Notes to the Financial Statements **continued**

Year ended 31 December 2023

22. Leases continued

Lease payments incurred for short-term leases not included in the measurement of lease liabilities under IFRS 16 were as follows:

| | 2023 | | 2022 | |
|--------------------------|----------------|-----------------|----------------|-----------------|
| | Group £'000 | Parent £'000 | Group £'000 | Parent £'000 |
| Short-term lease expense | 416 | 416 | 349 | 349 |

23. Related party transactions

Parent Company

The Parent Company entered into the following transactions with subsidiaries during the year:

| | Transaction value | | Balance outstanding | |
|---|--|--|---------------------------------------|---------------------------------------|
| | Year ended 31 December 2023 £'000 | Year ended 31 December 2022 £'000 | As at 31 December 2023 £'000 | As at 31 December 2022 £'000 |
| Sale of goods (including recharge of costs) | 1,520 | 1,403 | (51) | (37) |

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.

During the year, two family members of the former Non-Executive Chairman were employed in management roles within the business. The total remuneration paid in the year was £317,000 (2022: £258,000).

24. 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 £780,000 (2022: £838,000).

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 2023 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 2023 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 2023 and 2022 is shown below:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Present value of funded obligations | (18,892) | (18,688) |
| Fair value of plan assets | 22,906 | 22,813 |
| Surplus in the plan | 4,014 | 4,125 |
| Related deferred tax (liability)/asset | (1,004) | (1,031) |
| Net surplus recognised | 3,010 | 3,094 |

The Trust Deed provides Nichols plc with an unconditional right to a refund of surplus assets assuming IFRIC 14 paragraph b. Furthermore, in the ordinary course of business, the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits, due to members of the scheme. Based on these rights, the net surplus has been recognised in full as at 31 December 2023.

Defined benefit obligation

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Opening defined benefit obligation | 18,688 | 27,620 |
| Current service cost (Company only) | 11 | 25 |
| Interest cost | 861 | 502 |
| Actual contributions paid by plan participants | 3 | 3 |
| Experience adjustment | 146 | 320 |
| Actuarial losses/(gains) from changes in financial assumptions | 486 | (8,951) |
| Actuarial (gains)/losses from changes in demographic assumptions | (176) | 159 |
| Benefits paid - including insurance premiums | (1,127) | (990) |
| Closing defined benefit obligation | 18,892 | 18,688 |

Notes to the Financial Statements continued

Year ended 31 December 2023

24. Pension obligations and employee benefits continued

Plan assets

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Fair value of plan assets at start of accounting period | 22,813 | 32,896 |
| Interest income | 1,055 | 607 |
| Return on plan assets (excluding amounts included in net interest) | 264 | (10,543) |
| Contributions paid by the employer | 22 | 909 |
| Actual contributions paid by plan participants | 3 | 3 |
| Benefits paid | (1,127) | (990) |
| Expenses paid | (124) | (69) |
| Fair value of plan assets at end of accounting period | 22,906 | 22,813 |

The actual return on plan assets was a gain of £1,319,000 (2022: loss of £9,936,000).

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 2023 £'000 | 31 December 2022 £'000 |
|------------------------------|------------------------------|------------------------------|
| Credit | 14,499 | 13,592 |
| Liability driven investments | 7,122 | 6,749 |
| Absolute return bonds | — | 1,031 |
| Other, including cash | 135 | 166 |
| | 21,756 | 21,538 |

Assets included which do not have a quoted market value:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|----------|------------------------------|------------------------------|
| Property | 1,150 | 1,275 |
| | 1,150 | 1,275 |

The fair value of the property was revalued as at 31 December 2023, in line with the standards of IFRS 13, by Jones Lang LaSalle who are independent RICS accredited valuers.

Assumptions

The significant actuarial assumptions used for the valuations are as follows:

| | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Future salary increases | 3.15% | 3.25% |
| Rate of increase in (post 1997) pensions in payment ¹ | 3.55% | 3.60% |
| Discount rate | 4.50% | 4.75% |
| Expected rate of inflation – RPI | 3.15% | 3.25% |

1. 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%.

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 87 years for men (2022: 88 years) and 90 years for women (2022: 90 years). For pensioners currently aged 65, life expectancies have been estimated as 86 years for men (2022: 86 years) and 89 years for women (2022: 88 years).

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 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Current service cost (Company) | 11 | 25 |
| Net interest (on net defined benefit surplus) | (194) | (105) |
| Scheme administration expenses | 124 | 69 |
| Total amount recognised in the consolidated income statement | (59) | (11) |

The current cost is included in employee benefits expense and the net interest credit is included within interest receivable.

Remeasurements recognised in other comprehensive income/(expense) relating to the Group's defined benefit plan are as follows:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Actuarial gains/(losses) on assets | 264 | (10,543) |
| Experience adjustment | (146) | (320) |
| Actuarial (losses)/gains from changes in financial assumptions | (486) | 8,951 |
| Changes in demographic assumptions | 176 | (159) |
| Total loss recognised in other comprehensive income/(expense) | (192) | (2,071) |

Notes to the Financial Statements **continued**

Year ended 31 December 2023

24. Pension obligations and employee benefits **continued**

Other defined benefit plan information

Participating 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 2024.

The weighted average duration of the defined benefit scheme at 31 December 2023 is 12 years (2022: 13 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 2023 | | 31 December 2022 | |
|--|------------------|--------|------------------|--------|
| | £'000 | % | £'000 | % |
| Increase in discount rate by 0.5% | (951) | (5.03) | (1,128) | (6.04) |
| Increase in price inflation adjustment by 0.5% | 215 | 1.14 | 324 | 1.73 |
| 1 year increase in life expectancy | 769 | 4.07 | 761 | 4.07 |

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.

25. Audit exemption and Parental Guarantee 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 2023 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 2023) | 08671127 |
| DJ Drink Solutions Limited (year ended 31 May 2023) | 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 |
| Nichols International (Holdco) Limited | 14872239 |

26. Share capital

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Allotted, issued and fully paid 36,968,772 (2022: 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 2023 and 31 December 2022.

The total number of shares held in treasury as at 31 December 2023 is 473,150 (2022: 493,150).

At the Group's 2023 AGM, 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. This replaced a similar authority granted in 2022 and is due to be renewed at the AGM to be held on 24 April 2024.

No repurchases of ordinary shares were made in the year (2022: the Group repurchased 385,486 ordinary shares). The Group, therefore, has an unexpired authority to purchase up to 3,696,877 ordinary shares with a nominal value of £369,688 (2022: 3,175,391 ordinary shares with a nominal value of £317,539).

27. 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; 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.

Hybrid incentive plan

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 two-year vesting period following the award. Awards made under the Hybrid Incentive Plan have a £nil exercise price.

The weighted average fair values of Hybrid Incentive Plan 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 £ |
|----------------------------|--------|--------------------------------|-------------------------|----------------|------------|---------------------------|
| 2021 Hybrid Incentive Plan | 58,550 | 13.63 | 1.50% | 1.30% | 49.10% | 13.22 |
| 2022 Hybrid Incentive Plan | 40,016 | 10.80 | 2.60% | 3.80% | 38.10% | 10.25 |

The movement of outstanding awards during the year is also set out below:

| | Awards outstanding at 1 January 2023 | Granted | Exercised | Lapsed | Awards outstanding at 31 December 2023 |
|----------------------------|--------------------------------------|---------|-----------|----------|--|
| 2021 Hybrid Incentive Plan | 54,377 | — | — | (11,124) | 43,253 |
| 2022 Hybrid Incentive Plan | — | 40,016 | — | — | 40,016 |

Of the total number of options outstanding at 31 December 2023, nil had vested and were exercisable.

Notes to the Financial Statements *continued*

Year ended 31 December 2023

27. Employee share schemes *continued*

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 values of SAYE options at their grant date in previous years are set out below. The fair value is calculated using the Black-Scholes valuation model.

| | Awards | Exercise price per option £ | Share price on grant date £ | Expected dividend yield % | Risk-free rate % | Volatility % | Fair value per option £ |
|------------------|---------|--------------------------------|--------------------------------|------------------------------|---------------------|-----------------|----------------------------|
| 2018 5 year SAYE | 4,035 | 12.25 | 14.28 | 1.87 | 1.12 | 23.40 | 2.86 |
| 2019 5 year SAYE | 6,304 | 12.84 | 16.90 | 1.87 | 0.91 | 25.40 | 2.19 |
| 2020 3 year SAYE | 103,095 | 7.93 | 11.35 | 1.87 | 0.09 | 31.30 | 3.33 |
| 2020 5 year SAYE | 15,014 | 7.93 | 11.35 | 1.87 | 0.09 | 31.30 | 4.14 |
| 2021 3 year SAYE | 29,098 | 10.15 | 13.95 | 2.70 | 0.19 | 44.60 | 4.50 |
| 2021 5 year SAYE | 5,967 | 10.15 | 13.95 | 2.70 | 0.40 | 37.50 | 4.33 |
| 2022 3 year SAYE | 33,545 | 10.79 | 13.70 | 1.50 | 1.54 | 47.66 | 4.76 |
| 2022 5 year SAYE | 4,197 | 10.79 | 13.70 | 1.50 | 1.58 | 41.00 | 4.96 |
| 2023 3 year SAYE | 59,870 | 8.96 | 11.40 | 2.60 | 3.68 | 43.74 | 3.75 |
| 2023 5 year SAYE | 4,351 | 8.96 | 11.40 | 2.60 | 3.24 | 42.19 | 4.07 |

The movement of outstanding SAYE options during the year is also set out below:

| | Options outstanding at 1 January 2023 | Granted | Exercised | Lapsed | Options outstanding at 31 December 2023 |
|------------------|---------------------------------------|---------|-----------|----------|---|
| 2018 5 year SAYE | 1,393 | — | — | (1,393) | — |
| 2019 5 year SAYE | 1,446 | — | — | (746) | 700 |
| 2020 3 year SAYE | 82,905 | — | (77,120) | (5,785) | — |
| 2020 5 year SAYE | 15,014 | — | — | (4,539) | 10,475 |
| 2021 3 year SAYE | 23,028 | — | — | (6,416) | 16,612 |
| 2021 5 year SAYE | 5,376 | — | — | (4,432) | 944 |
| 2022 3 year SAYE | 29,819 | — | — | (11,567) | 18,252 |
| 2022 5 year SAYE | 1,668 | — | — | — | 1,668 |
| 2023 3 year SAYE | — | 59,870 | — | (5,880) | 53,990 |
| 2023 5 year SAYE | — | 4,351 | — | — | 4,351 |

The weighted average remaining life of SAYE awards at 31 December 2023 is two years.

Volatility has been determined using statistical analysis of the Group's share price over a three or five-year period preceding the grant date.

The share price on the vesting date of the awards vested in the year was £9.70.

Executive share awards

On 18 December 2020 the Group made awards of 17,402 share options to the Chief Executive Officer and former Chief Financial Officer. The awards, equal to 50% of their annual salaries at the date of award, vested on their third anniversary. The awards vested was based on the number of ordinary shares purchased and retained by the Directors over the vesting period of the award. As at 31 December 2023 the options had vested but had not been allotted. The awards will be matched on a 1:1 basis for every ordinary share purchased. No other performance conditions applied.

| | 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 2023 | Exercised | Lapsed | Awards outstanding at 31 December 2023 |
|-----------------------------|--------------------------------------|-----------|--------|--|
| 2020 Executive share awards | 17,402 | — | (923) | 16,479 |

The remaining life of Executive share awards at 31 December 2023 is nil years.

Volatility has been determined using statistical analysis of the Group's share price over a three-year period preceding the grant date.

The equity-settled share-based payment charge recognised within the Consolidated Statement of Changes in Equity in the year is as follows:

| | 2023 £'000 | 2022 £'000 |
|------------------------|---------------|---------------|
| SAYE | 104 | 194 |
| Executive share awards | 64 | 98 |
| Hybrid Incentive Plan | 399 | 307 |
| Total charge | 567 | 599 |

Notes to the Financial Statements *continued*

Year ended 31 December 2023

28. Alternative performance measures

The Group uses a number of alternative performance measures (APMs) to assess business performance and provide additional useful information to shareholders about the underlying performance of the Group.

Reconciliation from GAAP-defined reporting measures to the Group's APMs

Consolidated income statement

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Adjusted profit before taxation | | |
| Profit before taxation | 24,258 | 13,836 |
| Adjusted for: | | |
| Exceptional items (note 4) | 2,907 | 11,146 |
| Adjusted profit before taxation | 27,165 | 24,982 |

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|----------------------------------|------------------------------|------------------------------|
| Adjusted operating profit | | |
| Operating profit | 22,286 | 13,456 |
| Adjusted for: | | |
| Exceptional items (note 4) | 2,907 | 11,146 |
| Adjusted operating profit | 25,193 | 24,602 |

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| EBITDA | | |
| Operating profit | 22,286 | 13,456 |
| Adjusted for: | | |
| Depreciation | 2,273 | 3,881 |
| Amortisation | 70 | 640 |
| Loss on disposal of fixed assets | 67 | 186 |
| Impairment losses on intangible and fixed assets | — | 8,714 |
| EBITDA | 24,696 | 26,877 |

Unaudited Five-Year Summary

Years ended 31 December

| | 2023 £'000 | 2022 £'000 | 2021 £'000 | 2020 £'000 | 2019 £'000 |
|--|----------------|---------------|---------------|---------------|---------------|
| Revenue | 170,741 | 164,926 | 144,328 | 118,657 | 146,985 |
| Adjusted operating profit | 25,193 | 24,602 | 21,922 | 11,654 | 32,259 |
| Exceptional items | (2,907) | (11,146) | (39,477) | (5,074) | — |
| Operating profit/(loss) | 22,286 | 13,456 | (17,555) | 6,580 | 32,259 |
| Net finance income/(expense) | 1,972 | 380 | (101) | (40) | (17) |
| Adjusted profit/(loss) before taxation | 27,165 | 24,982 | 21,821 | 11,614 | 34,422 |
| Profit/(loss) before taxation | 51,423 | 13,836 | (17,656) | 6,540 | 32,242 |
| Taxation | (5,896) | (2,201) | (4,512) | (1,686) | (5,587) |
| Profit/(loss) after taxation | 45,527 | 11,635 | (22,168) | 4,854 | 26,655 |
| Dividends paid | (10,177) | (9,383) | (6,868) | (10,338) | (14,466) |
| Retained earnings movement | 35,350 | 2,252 | (29,036) | (5,484) | 12,189 |
| Earnings/(loss) per share (basic) | 50.34p | 31.86p | (60.04p) | 13.14p | 72.81p |
| Earnings/(loss) per share (diluted) | 50.32p | 31.82p | (60.04p) | 13.13p | 72.77p |
| Earnings per share – (basic) before exceptional items | 56.41p | 55.38p | 46.15p | 25.56p | 72.81p |
| Earnings per share – (diluted) before exceptional items | 56.39p | 55.32p | 46.09p | 25.54p | 72.77p |
| Total dividend declared per share | 28.20p | 25.70p | 13.30p | 28.00p | 39.20p |

Notice of 2024 Annual General Meeting

Notice is hereby given that the thirty-second 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 24 April 2024 at 11.00am for the following purposes:

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

- To receive the Company's annual accounts, Strategic Report and Directors' and Auditor's reports for the year ended 31 December 2023.
- To declare a final dividend for the year ended 31 December 2023 of 15.6p per ordinary share of £0.10 in the capital of the Company, to be paid on 2 May 2024 to shareholders whose names appear on the register of members at the close of business on 22 March 2024.
- To elect Richard Newman as a Director of the Company.
- To elect Matthew Nichols as a Director of the Company.
- To re-elect Elizabeth McMeikan as a Director of the Company.
- To re-elect Andrew Milne as a Director of the Company.
- To re-elect John Gittins as a Director of the Company.
- To re-elect Helen Keays as a Director of the Company.
- To re-elect John Nichols as a Director of the Company.
- To reappoint BDO LLP as auditor of the Company.
- To authorise the Directors to determine the remuneration of the auditor.
- That, pursuant to section 551 of the Companies Act 2006 (the '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 £1,216,520.70 (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 24 July 2025

(whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

- That, subject to the passing of resolution 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:
 - to allotments for rights issues and other pre-emptive issues; and
 - to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount of £364,956.20,

this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 24 July 2025 (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).

- That, if resolution 12 is passed, the Directors be authorised 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 £364,956.20, such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within twelve 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 24 July 2025 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.

- That, pursuant to section 701 of the Companies Act 2006 (the 'Act'), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ('Shares'), provided that:
 - the maximum aggregate number of Shares which may be purchased is 3,649,562;
 - the minimum price (excluding expenses) which may be paid for a Share is 10p; and
 - the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105% 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 24 July 2025 (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



Richard Newman

Secretary

11 March 2024

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

Registered in England and Wales No. 00238303

Notice of 2024 Annual General Meeting **continued**

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 2023

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 2023 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 15.6p per ordinary share in respect of the year ended 31 December 2023. If approved at the AGM, the dividend will be paid on 2 May 2024 to shareholders who are on the register of members at the close of business on 22 March 2024.

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 5 to 9 seek approval for the re-election of those Directors who were in office during the year ended 31 December 2023. Resolutions 3 and 4 deal with the election of Richard Newman and Matthew Nichols who were appointed as Directors of the Company during the year. Biographical information is provided in the Annual Report and Accounts for the year ended 31 December 2023 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 reappointed at each general meeting at which the accounts are laid before shareholders. Resolution 10 seeks approval to reappoint 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 £1,216,520.70, which is approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 8 March 2024, 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 24 July 2025. 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.

Special resolutions

Disapplication 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 3,649,562 ordinary shares, being approximately 10% of the issued ordinary share capital of the Company as at 8 March 2024, excluding those shares held in treasury.

The Pre-Emption Group's 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 £364,956.20, being approximately 10% of the total issued ordinary share capital of the Company as at 8 March 2024, 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 next AGM or at close of business on 24 July 2025, 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 3,649,562 ordinary shares, representing approximately 10% of the issued ordinary share capital at 8 March 2024. The authority requested would replace a similar authority granted last year and would expire at the end of the next AGM, or if earlier, at close of business on 24 July 2025. 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.

Notice of 2024 Annual General Meeting **continued**

General Notes

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 22 April 2024 (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 emailing the Company's registrar, Link Group ('Link') at

shareholderenquiries@linkgroup.co.uk or calling them on 0371 664 0391. 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 09.00am – 5.30pm, 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 11.00am on Monday 22 April 2024 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 need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at shareholderenquiries@linkgroup.co.uk, or you may call Link on 0371 664 0391. 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. We are open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.

All proxy appointments, whether electronic or hard copy, must be received by the Company's registrar no later than 11.00am on Monday 22 April 2024 (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 22 April 2024 (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 a 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 2024 (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 10p each. As the Company holds 473,150 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 8 March 2024 are 36,495,622.
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.

Advisers

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Woodlands Park
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WA12 0HH

Registered number 00238303

Auditors

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Spinningfields
Manchester
M3 3AT

Solicitors

DLA Piper UK LLP

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Manchester
M2 3DE

Bankers

The Royal Bank of Scotland plc

1 Spinningfields Square
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Registrars

Link Group

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