2018
INTERIM REPORT

"Nichols plc has delivered a solid performance in the first half of 2018. The Group's revenue, profit before tax and earnings per share have all increased during the period."

UK SALES TOTALLED
£53.8m

VIMTO BRAND GREW BY
9.0%

OUT OF HOME REVENUE INCREASED
13.6%

Trading

Total Group revenue increased by 2.3% in the first six months of 2018, driven by a strong performance from the UK business.

UK sales totalled £53.8m in the period, an increase of 13.2% compared to the prior year. Within the UK business, the Vimto brand, which is 110 years old this year, continued to significantly outperform the market. Year to date sales of the Vimto brand are up 9.0% compared to the total UK market which increased by 3.7% (Nielsen YTD to 16 June 2018). Elsewhere in the UK, Out of Home revenue increased by 13.6%, with the growth coming from both dispense and frozen product sales. The UK growth was delivered in both the Still and Carbonate segments.

Total international sales were in line with our expectations at £11.2m, £4.8m lower than the same period in 2017. The majority of the reduction is a result of lower sales to the Middle East as anticipated in our 2017 Preliminary Results statement (1 March 2018). This is due to the ongoing conflict in Yemen and the timing of shipments to Saudi Arabia. Elsewhere in our international business, sales to Africa totalled £6.8m. Whilst this is 3.7% down at the half year point, the Board are confident that full year sales to this region will deliver year on year growth.

Dividend

Reflecting the Board's continued confidence in the outlook for the Group, we are pleased to announce an interim dividend of 11.3 pence per share, an increase of 11.9% compared to the prior year (2017: 10.1 pence). The interim dividend will be paid on 31 August 2018 to shareholders registered on 20 July 2018; the ex-dividend date is 19 July 2018.

Summary and Outlook

The Board is pleased with the Group's trading performance in the first half of 2018.

Supported by the new Vimto marketing campaign launched in May, we expect to maintain the positive UK sales performance into the second half of the year. Whilst we maintain our original guidance that full year sales to the Middle East will be lower when compared to the prior year, the Board anticipate a stronger second half year in our international business.

As a result, the Board are confident that full year earnings will be in line with expectations.

John Nichols
Non-Executive Chairman
18 July 2018

CONSOLIDATED INCOME STATEMENT

	Unaudited Half year ended 30-Jun-2018 £'000	Unaudited Half year ended 30-Jun-2017 £'000	Audited Full year ended 31-Dec-2017 £'000
Revenue	**64,989**	63,504	132,789
Operating profit	**13,058**	12,717	28,742
Finance income	**75**	74	134
Finance expense	**(60)**	(60)	(154)
Profit before taxation	**13,073**	12,731	28,722
Taxation	**(2,436)**	(2,534)	(5,548)
Profit for the financial period	**10,637**	10,197	23,174
Attributable to:			
Owners of the Parent	**10,617**	10,197	23,174
Non-controlling interest	**20**	-	-
Earnings per share (basic)	**28.81p**	27.67p	62.88p
Earnings per share (diluted) - all activities	**28.79p**	27.65p	62.81p
Dividends paid per share	**23.40p**	20.30p	30.40p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Half year ended 30-Jun-2018 £'000	Unaudited Half year ended 30-Jun-2017 £'000	Audited Full year ended 31-Dec-2017 £'000
Profit for the financial period	**10,637**	10,197	23,174
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability	**-**	-	1,140
Deferred taxation on pension obligations and employee benefits	**-**	-	(113)
Other comprehensive income for the period	**-**	-	1,027
Total comprehensive income for the period	**10,637**	10,197	24,201
Attributable to:			
Owners of the Parent	**10,617**	10,197	24,201
Non-controlling interest	**20**	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30-Jun-2018 £'000	Unaudited 30-Jun-2017 £'000	Audited 31-Dec-2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	**14,391**	9,924	12,059
Goodwill	**33,726**	29,415	30,666
Intangibles	**7,767**	6,006	7,993
Deferred tax assets	**1,065**	1,436	1,065
Total non-current assets	**56,949**	46,781	51,783
Current assets			
Inventories	**6,212**	6,036	4,815
Trade and other receivables	**34,120**	36,957	34,740
Cash and cash equivalents	**37,148**	29,276	36,058
Total current assets	**77,480**	72,269	75,613
Total assets	**134,429**	119,050	127,396
Liabilities			
Current liabilities			
Trade and other payables	**26,296**	20,624	21,031
Current tax liabilities	**2,479**	2,607	2,536
Total current liabilities	**28,775**	23,231	23,567
Non-current liabilities			
Pension obligations	**2,521**	5,954	2,921
Deferred tax liabilities	**1,602**	1,101	1,586
Total non-current liabilities	**4,123**	7,055	4,507
Total liabilities	**32,898**	30,286	28,074
Net assets	**101,531**	88,764	99,322
Equity			
Share capital	**3,697**	3,697	3,697
Share premium reserve	**3,255**	3,255	3,255
Capital redemption reserve	**1,209**	1,209	1,209
Other reserves	**157**	(268)	134
Retained earnings	**93,193**	80,871	91,027
Non-controlling interest	**20**	-	-
Total equity	**101,531**	88,764	99,322

CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Half year ended 30-Jun-2018		Unaudited Half year ended 30-Jun-2017		Audited Full year ended 31-Dec-2017
	£'000	**£'000**	£'000	£'000	£'000	£'000
Profit for the financial period		**10,637**		10,197		23,174
Cash flows from operating activities						
Adjustments for:						
Depreciation	**708**		362		1,018	
Amortisation	**226**		78		157	
Loss on sale of property, plant and equipment	**32**		15		40	
Finance income	**(75)**		(74)		(134)	
Finance expense	**60**		60		154	
Tax expense recognised in the income statement	**2,436**		2,534		5,548	
Change in inventories	**(1,321)**		536		1,878	
Change in trade and other receivables	**684**		(5,448)		(4,675)	
Change in trade and other payables	**3,079**		(859)		(1,810)	
Change in pension obligations	**(400)**		(441)		(2,334)	
		5,429		(3,237)		(158)
Cash generated from operating activities		**16,066**		6,960		23,016
Tax paid		**(2,555)**		(2,314)		(5,274)
Net cash generated from operating activities		**13,511**		4,646		17,742
Cash flows from investing activities						
Finance income	**75**		74		134	
Proceeds from sale of property, plant and equipment	**-**		3		4	
Acquisition of property, plant and equipment	**(2,314)**		(1,758)		(3,795)	
Acquisition of subsidiary	**(1,549)**		(6,040)		(6,568)	
Net cash used in investing activities		**(3,788)**		(7,721)		(10,225)
Cash flows from financing activities						
Funds from ESOT	**-**		84		-	
Dividends paid	**(8,633)**		(7,487)		(11,213)	
Net cash used in financing activities		**(8,633)**		(7,403)		(11,213)
Net increase/ (decrease) in cash and cash equivalents		**1,090**		(10,478)		(3,696)
Cash and cash equivalents at beginning of period		**36,058**		39,754		39,754
Cash and cash equivalents at end of period		**37,148**		29,276		36,058

NOTES

1. Basis of Preparation

The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and on the same basis and using the same accounting policies as used in the financial statements for the year ended 31 December 2017, aside from the fact that this is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied, the impact of which is detailed in section 2 below. The Interim Report has not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

2. New Accounting Standards

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 18, *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The standard establishes a new model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is effective for accounting periods beginning or after 1 January 2018; the Group has applied the standard from this date without using the practical expedient for completed contracts retrospectively.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

As a manufacturer and distributor, the Group earns its revenues from the sale of goods rather than services. The Group sells those goods to specific orders. The Group recognises revenue at a point in time, typically on despatch of the goods to customer's premises for UK sales or, for international sales, upon loading the goods onto the relevant carrier. The adoption of IFRS 15 has not affected the revenue recognition policy currently applied by the Group, with revenue recognised at a point in time, depending on when the specifics of a particular contract result in control of the goods being passed to the customer.

Although the majority of the Group's contracts with customers are not complex, with revenue being fixed for a specific quantity of goods, the Group has identified a number of contracts in which customers are given volume rebates and/ or other promotional rebates based on quantities purchased over a contractually agreed period of time.

Under the Group's previous policy under IAS 18, management made its best estimate of any rebates it had to give based on available information. Under IFRS 15, management have assumed that products sold by the balance sheet date attract a full rebate except to the extent that it was highly probable the full rebate had not been earned. Based on the timing of the agreements entered into with customers, the level of estimation in the accrual at each reporting date was insignificant, and as such, there has been no material impact on deductions to revenue under IFRS 15 as a result of rebate arrangements.

The Group does not incur material costs to obtain contracts with customers.

IFRS 9, *Financial Instruments*

IFRS 9, *Financial Instruments* replaces IAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has adopted IFRS 9 from 1 January 2018 and in accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

IFRS 9 largely retains the previous requirements in IAS 39 for the classification and measurement of financial liabilities and the accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

However, IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale, which has resulted in a change to the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECL's for all loans and other debt financial assets not held at FVPL. The Group's financial assets that are subject to IFRS 9's new expected credit loss model comprise trade receivables for sales of inventory.

ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECL's based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group has concluded that the expected loss allowance for trade receivables is not materially different from that previously recognised under IAS 39.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was again immaterial.

IFRS 16, *Leases*

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of £3.8m, the vast majority of which relate to property leases for operational sites. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

IFRS 16 becomes effective for accounting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3. Dividends

The interim dividend of 11.3 pence (2017: 10.1 pence) will be paid on 31 August 2018 to shareholders registered on 20 July 2018; the ex-dividend date is 19 July 2018.

4. Earnings Per Share

Basic earnings per share are based on the weighted average number of shares in issue in the six months to 30 June 2018 of 36,857,624 (six months to 30 June 2017 of 36,853,794 and 12 months to 31 December 2017 of 36,857,660).

Interim Report

The interim report will be available on the Group's website (www.nicholsplc.co.uk) on or around 19 July 2018.

Cautionary Statement

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Report should not be relied on by any other party or for any other purpose.

Nichols plc

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