





## Welcome to the Nichols plc Half Year Report 2021.

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

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

**VIMTO** *Loved* **SINCE 1908**

## HIGHLIGHTS

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Movement
Group Revenue	<b>67.4</b>	59.2	+13.8%
Adjusted Operating Profit <sup>1</sup>	<b>9.0</b>	6.8	+32.9%
Operating Profit	<b>8.8</b>	3.0	+195.1%
Adjusted Profit Before Tax (PBT) <sup>1</sup>	<b>8.9</b>	6.8	+31.6%
Profit Before Tax (PBT)	<b>8.6</b>	2.9	+193.4%
Adjusted PBT Margin <sup>1</sup>	<b>13.2%</b>	11.5%	+1.7ppts
PBT Margin	<b>12.8%</b>	4.9%	+7.9ppts
EBITDA <sup>2</sup>	<b>11.2</b>	9.3	+20.4%
Adjusted Earnings per Share (basic) <sup>1</sup>	<b>19.52p</b>	14.94p	+30.7%
Earnings per Share (basic)	<b>18.93p</b>	4.59p	+312.4%
Cash and Cash Equivalents <sup>3</sup>	<b>47.4</b>	47.3	+0.2%
Interim Dividend	<b>9.8p</b>	28.0p <sup>4</sup>	(65.0%)

- Vimto Brand Value in the UK +2.7% YTD with Vimto Dilutes significantly outperforming the market<sup>5</sup>
- UK revenue up +5.5% with Out of Home ("OoH") revenues broadly in line with prior year following encouraging Q2 performance
- Vimto international growth of +42.3% versus prior year
  - Vimto 'in market' Middle East volumes remained resilient through Ramadan with full year 'in market' volumes expected to remain in line with pre-Sweetened Beverage Tax levels
  - Vimto in Africa delivered strong revenue growth of +22.8%
  - Vimto continues to progress across the Rest of the World, delivering revenue growth of +49.3%
- The business continues to invest in UK operational change in order to ensure continued agility and growth given future prospects
- Strong cash and cash equivalents at £47.4m (31 December 2020: £47.3m)
- Interim dividend of 9.8p
- 2021 Financial Guidance remains unchanged<sup>6</sup>
- New long-term agreement signed with J & J Snack Foods Corp. to manufacture, manage, distribute and sell the SLUSH PUPPIE brand across the UK, Ireland and Europe

<sup>1</sup> Excluding Exceptional items of £0.3m (H1 2020: £3.8m)

<sup>2</sup> EBITDA is the statutory profit before tax, interest, depreciation and amortisation

<sup>3</sup> The comparison is to 31 December 2020. All other comparatives compare to the six months ending 30 June 2020 unless otherwise stated

<sup>4</sup> Final dividend FY19 (28.0p) withdrawn. Same value paid as interim dividend FY20

<sup>5</sup> Nielsen Total Coverage Year to Date, 19 June 2021

<sup>6</sup> FY21 Adjusted PBT of £18.9m (FY20 Actual £11.6m)



**Our first and most important objective through the Covid-19 pandemic has been the continued safety and wellbeing of our employees and customers. Throughout these challenging times, our colleagues have consistently demonstrated their commitment to our business and our customers, and I would again like to wholeheartedly thank everyone for their support.**

**The continued strong performance of the Vimto brand, the Group's robust balance sheet and our diversified business model has ensured a resilient financial performance in the period with growth across each of our reporting segments.**

**The UK Government's planned roadmap out of lockdown continues and although at a more cautious pace than originally planned, the Group's positive start to the year means that we remain confident that it will achieve the Board's expectations for the year. Longer term, the Board is currently assessing the impact of inflationary pressures affecting logistics, labour, plastics and costs associated with increasing environmental legislation.**



**John Nichols**  
Non-Executive Chairman  
21 July 2021

#### Executive Review

##### Revenue

Despite exceptionally tough trading conditions, particularly in the OoH route to market, and against very strong comparatives in packaged routes to market, the Board is pleased to report a strong half year performance with Group revenues of £67.4m, an increase of 13.8% compared to the prior year (H1 2020: £59.2m), and encouragingly with growth achieved across each of our reporting segments.

The Still and Carbonate product segments achieved revenue growth of 9.8% (to £35.6m) and 18.6% (to £31.8m) respectively, driven by both strong UK and International Packaged performance.

The Vimto brand continues to perform strongly in all of its markets. In the UK the Vimto brand value increased by 2.7%<sup>1</sup> according to Nielson. In Africa, the Middle East, Europe and the US we continued to see significant progress year on year, with international revenues increasing 42.3% versus the prior year.

Driven by continued progress within the UK packaged route to market, UK revenue increased by 5.5% to £48.4m (H1 2020: £45.9m). UK packaged revenues improved by 5.0%, underpinned by the strong performance of the Vimto brand, particularly within Dilutes, where the brand's squash products significantly outperformed the market<sup>1</sup>. Despite the strong H1 2020 comparative (which included a very warm Spring and significant increases in consumer buying as the UK

<sup>1</sup> Nielsen Total Coverage Year to Date 19 June 2021

entered its first lockdown), the Group saw revenues increase 5.0% within UK retailers. Revenues within Convenience, Delivered Wholesale and Cash and Carry channels were broadly flat year on year, with both current and prior year periods significantly subdued due to the impact of outlet closures.

Within our OoH route to market the Group has worked closely with its partners to support the re-opening of the sector. Pleasingly, we started to see significant numbers of outlets gradually open through Q2, resulting in half year revenues broadly in line with those of the prior year. Q2 revenues were 843.7% ahead of those in the same quarter last year, when the UK was in a period of national lockdown, and the Board believes there is a more stable outlook for H2 given the success of the UK vaccination programme. Given the break in the link between infection and hospitalisation, there is now significant confidence that the re-opening of outlets will be permanent.

Towards the end of the period, the Group was pleased to sign a significant new agreement with J & J Snack Foods Corp for Vimto Out of Home to revive the iconic SLUSH PUPPIE frozen drink brand in the UK. The long-term agreement gives Vimto Out of Home, part of Nichols plc, the rights to manufacture, manage, distribute and sell the SLUSH PUPPIE brand across the UK, Ireland, and Europe. Using its expertise as the UK's leading frozen beverage supplier, the Group plans to refresh and relaunch the brand.

Sales across our international markets were up 42.3% at £19.0m (H1 2020: £13.3m), with double digit growth in all markets. Despite the ongoing pandemic, Middle East volumes performed resiliently through Ramadan, and 'in market' volumes across the Middle East are expected to be broadly flat through 2021. The Group, alongside its local partner, continues to invest in offsetting some

of the pricing impact of the Sweetened Beverage Tax ("SBT"). In Africa, the strong growth seen in the prior year (7.4%) has continued at the start of this year with revenues improving by 22.8% to £10.2m (H1 2020: £8.3m). Rest of World revenues (largely Europe and the US) experienced growth of 49.3% to £3.7m (H1 2020: £2.5m).

The impact of movements in foreign exchange rates on revenue year on year was £0.2m adverse as Sterling strengthened against the Euro and US Dollar.

#### Gross Profit

Gross profit at £29.9m was £5.4m higher than H1 2020 (£24.6m) and 2.9 percentage points higher at 44.4% (H1 2020: 41.5%) with progress seen in both the Still and Carbonate segments.

Of the £5.4m improvement, approximately £2.7m is due to the volume effect of increased revenues from our Packaged routes to markets. Significant OoH stock write offs in H1 2020 provided an additional £0.7m of gross profit year on year whilst the balancing £2.0m is a net price/mix effect of improved contribution from revenues into the Middle East and Africa supported by a positive SBT comparison.

Across the Middle East, we remain very pleased with the results reported since the introduction of the SBT, with 'in market' volumes expected to be broadly in line with levels prior to the tax's introduction.

#### Distribution Expenses

Distribution expenses totalled £4.2m (H1 2020: £3.8m), an increase of 11.5% versus the same period last year.

Although a significant proportion of the increase is volume related, the Group experienced supply and price pressure across its supply chains. Container availability

for international shipments has driven up prices and created trading challenges. In the UK, Brexit and the tightening of IR35 legislation have created a shortage of drivers, which, when combined with increasing fuel costs, points to significant inflationary pressure over the coming months.

#### Administration Expenses

Administration expenses, excluding exceptional items, totalled £16.7m (H1 2020: £14.0m), an increase of £2.7m or 19.3%.

The Group has incurred a number of significant comparative movements year on year which are highlighted below.

The Group recommenced its investment in marketing spend with the TV and social media campaign 'Vimto, Find Your Different', increasing comparative costs by £1.2m year on year.

In both 2019 and 2020 the Group had administrative credits of £1.1m and £1.3m respectively following the release of unrealised deferred consideration initially recognised at the acquisition of both Adrian Mecklenburgh and Noisy North West. There have been no adjustments in 2021. Of the £1.3m from 2020, £1.1m was released in Q1 2020, therefore increasing comparative costs by a further £1.1m.

The Group incurred a foreign exchange loss in the first half year of £0.5m as a result of the strengthening of Sterling against both the Euro and the US Dollar. This compares with a £0.4m gain in H1 2020.

Throughout the pandemic the Group has placed a strong focus on controlling overhead costs whilst ensuring the business is able to 'Build Back Better' as restrictions ease. This focus on reducing discretionary

spend remained in place at the start of this year whilst recognising the changing environment and the increasing easing of restrictions across the UK, resulting in net comparative savings of £0.5m. This year on year saving largely relates to the organisational changes implemented in H2 2020.

#### Exceptional Costs

As noted in the 2020 Annual Report and Accounts, during Q4 2020 the Group commenced a review of its UK packaged supply chain in order to ensure continued agility and growth given future prospects. This review has continued during the first half year resulting in £0.3m of exceptional costs (project and contract development costs) during the period with further costs expected during the second half of 2021.

Exceptional costs in the first half of 2020 were £3.8m and related to the non-cash impairment of the Group's goodwill and intangible assets of its 'Feel Good' brand.

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.

#### Operating Profit

Adjusted Operating Profit of £9.0m was up £2.2m, a 32.9% increase on the prior year (H1 2020: £6.8m). Operating profit of £8.8m (H1 2020: £3.0m) is after charging exceptional items during the period.

The strengthening of Sterling against the Euro and the US Dollar during the period resulted in an overall foreign exchange loss to operating profit in the year of £0.5m (2020 H1: £0.4m gain).

**Finance Costs**

Net Finance costs of £0.1m (H1 2020: £nil) were broadly in the line with the prior year.

**Profit before tax and tax rate**

Adjusted profit before tax increased by 31.6% to £8.9m (H1 2020: £6.8m). The tax charge on adjusted profit before tax for the period of £1.7m (H1 2020: £1.2m) represents an effective tax rate of 19% (H1 2020: 18%). Reported profit before tax was £8.6m, an increase of 193.4% compared to the prior year (H1 2020: £2.9m).

**Balance Sheet and Cash and Cash Equivalents**

Despite the impact of the pandemic on trading, cash and cash equivalents at the end of the period remained strong at £47.4m (H1 2020: £46.8m), broadly in line with the 2020 year end position (£47.3m).

The continued strength of the Group's closing balance sheet reflects its diversified routes to market, and asset light model. These attributes enable the Group to continue supporting its stakeholders by:

- Replacing old stock with new (£0.3m), free of charge for its OoH customers following the second lockdown as well as providing enhanced credit terms;
- Continued full payment of taxes; and
- Not participating in Government loan or payment deferral opportunities.

As expected, following the gradual re-opening of outlets in the Q2, the Group has begun to see a re-investment into working capital as the Group's debtors and inventories begin to return to 2019 levels. The Group's debtors and inventories are £8.4m higher than at the year end, offset by an increase of £4.5m in creditors as volumes have increased. The Group continues to focus

on working capital management and has seen very low capital expenditure in the period of £0.6m (H1 2020: £1.9m). Increased investment is expected during the second half as OoH re-opens fully.

Despite this working capital outflow, the Group was pleased to generate Free Cash Flow of £3.4m (H1 2020: £6.7m).

**Earnings per share**

Total adjusted basic EPS increased to 19.52 pence (H1 2020: 14.94p) with basic EPS at 18.93 pence (H1 2020: 4.59p). On an adjusted basis, diluted EPS was 19.49 pence (H1 2020: 14.93p).

**Dividend**

As disclosed in the Group's 2020 Annual Report, the Board evolved the dividend policy to reflect the balance of shareholder needs and the clear opportunities for growth that will exist in the soft drinks market post the pandemic.

In line with the new policy, dividend cover is broadly 2x the adjusted earnings of the Group. As a result, the interim dividend for 2021 will be 9.8p per share to be paid on 10 September 2021 with a record date of 30 July 2021.

**Pensions**

The Group operates two employee benefit plans, a defined benefit plan that provides benefits based on final salary, which is now closed to new members, and a defined contribution group personal plan. At 30 June 2021, the Group recognised a surplus on its UK defined benefit scheme of £3.9m (31 December 2020: surplus £0.3m).

During the start of 2021, the Group has agreed with the Trustees a de-risking future funding plan for the defined

benefit scheme. The reinvestment to de-risked funds was largely completed in the first half of 2021.

**Outlook**

The UK Government's planned roadmap out of lockdown continues and although at a more cautious pace than originally planned, the Group's positive start to the year means that we remain confident that it will achieve the Board's expectations for the year. Longer term, the Board is currently assessing the impact of inflationary pressures affecting logistics, labour, plastics and costs associated with increasing environmental legislation.



**Andrew Milne**  
Chief Executive Officer



**David Rattigan**  
Chief Financial Officer

21 July 2021

## CONSOLIDATED INCOME STATEMENT

	Unaudited Half year to 30 June 2021 £'000	Unaudited Half year to 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
<b>Continuing operations</b>			
<b>Revenue</b>	<b>67,392</b>	59,213	118,657
Cost of sales	(37,448)	(34,641)	(69,021)
<b>Gross profit</b>	<b>29,944</b>	24,572	49,636
Distribution expenses	(4,244)	(3,806)	(7,979)
Administrative expenses	(16,945)	(17,799)	(35,077)
<b>Operating profit</b>	<b>8,755</b>	2,967	6,580
Finance income	24	113	150
Finance expenses	(149)	(139)	(190)
<b>Profit before taxation</b>	<b>8,630</b>	2,941	6,540
Taxation	(1,640)	(1,244)	(1,686)
<b>Profit for the period</b>	<b>6,990</b>	1,697	4,854
Earnings per share (basic)	<b>18.93p</b>	4.59p	13.14p
Earnings per share (diluted)	<b>18.91p</b>	4.59p	13.13p

### Adjusted for exceptional items

<b>Operating profit</b>	<b>8,755</b>	2,967	6,580
Exceptional items	267	3,820	5,074
<b>Adjusted operating profit</b>	<b>9,022</b>	6,787	11,654
<b>Profit before taxation</b>	<b>8,630</b>	2,941	6,540
Exceptional items	267	3,820	5,074
<b>Adjusted profit before taxation</b>	<b>8,897</b>	6,761	11,614
Adjusted earnings per share (basic)	<b>19.52p</b>	14.94p	25.56p
Adjusted earnings per share (diluted)	<b>19.49p</b>	14.93p	25.54p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited Half year to 30 June 2021 £'000	Unaudited Half year to 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
<b>Profit for the financial period</b>	<b>6,990</b>	1,697	4,854
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement of net defined benefit liability	<b>3,176</b>	(2,347)	(155)
Deferred taxation on pension obligations and employee benefits	<b>(603)</b>	295	32
<b>Other comprehensive income/(expense) for the period</b>	<b>2,573</b>	(2,052)	(123)
<b>Total comprehensive income/(expense) for the period</b>	<b>9,563</b>	(355)	4,731

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18,706	22,002	20,126
Goodwill	36,244	36,081	36,244
Intangibles	5,866	6,470	6,206
Deferred tax assets	-	578	-
Pension surplus	3,925	-	347
<b>Total non-current assets</b>	<b>64,741</b>	<b>65,131</b>	<b>62,923</b>
<b>Current assets</b>			
Inventories	6,563	6,787	5,921
Trade and other receivables	37,979	33,745	29,814
Cash and cash equivalents	47,427	46,781	47,294
<b>Total current assets</b>	<b>91,969</b>	<b>87,313</b>	<b>83,029</b>
<b>Total assets</b>	<b>156,710</b>	<b>152,444</b>	<b>145,952</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	25,860	20,746	21,669
<b>Total current liabilities</b>	<b>25,860</b>	<b>20,746</b>	<b>21,669</b>
<b>Non-current liabilities</b>			
Trade and other payables	2,724	3,073	2,922
Pension obligations and employee benefits	-	1,880	-
Deferred tax liabilities	2,024	1,701	1,485
<b>Total non-current liabilities</b>	<b>4,748</b>	<b>6,654</b>	<b>4,407</b>
<b>Total liabilities</b>	<b>30,608</b>	<b>27,400</b>	<b>26,076</b>
<b>Net assets</b>	<b>126,102</b>	<b>125,044</b>	<b>119,876</b>
<b>Equity</b>			
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	306	310	394
Retained earnings	117,635	116,573	111,321
<b>Total equity</b>	<b>126,102</b>	<b>125,044</b>	<b>119,876</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2020</b>	3,697	3,255	1,209	253	116,928	125,342
Dividends	-	-	-	-	-	-
Movement in ESOT	-	-	-	3	-	3
Credit to equity for equity-settled share based payments	-	-	-	54	-	54
<b>Transactions with owners</b>	-	-	-	57	-	57
Profit for the period	-	-	-	-	1,697	1,697
Other comprehensive expense	-	-	-	-	(2,052)	(2,052)
<b>Total comprehensive expense</b>	-	-	-	-	(355)	(355)
<b>At 30 June 2020</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>310</b>	<b>116,573</b>	<b>125,044</b>

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2021</b>	3,697	3,255	1,209	394	111,321	119,876
Dividends	-	-	-	-	(3,249)	(3,249)
Movement in ESOT	-	-	-	(2)	-	(2)
Debit to equity for equity-settled share based payments	-	-	-	(86)	-	(86)
<b>Transactions with owners</b>	-	-	-	(88)	(3,249)	(3,337)
Profit for the year	-	-	-	-	6,990	6,990
Other comprehensive income	-	-	-	-	2,573	2,573
<b>Total comprehensive income</b>	-	-	-	-	9,563	9,563
<b>At 30 June 2021</b>	<b>3,697</b>	<b>3,255</b>	<b>1,209</b>	<b>306</b>	<b>117,635</b>	<b>126,102</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Half year to 30 June 2021		Unaudited Half year to 30 June 2020		Audited Year ended 31 December 2020	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>						
<b>Profit for the financial period</b>		<b>6,990</b>		1,697		4,854
Adjustments for:						
Depreciation and amortisation	<b>2,464</b>		2,434		4,971	
Impairment losses on goodwill and intangible assets	-		3,820		3,820	
Impairment losses on property, plant and equipment	-		-		1,016	
Loss on sale of property, plant and equipment	<b>8</b>		58		71	
Finance income	<b>(24)</b>		(113)		(150)	
Finance expense	<b>149</b>		139		190	
Tax expense recognised in the income statement	<b>1,640</b>		1,244		1,686	
Change in inventories	<b>(642)</b>		1,574		2,440	
Change in trade and other receivables	<b>(7,774)</b>		4,659		9,220	
Change in trade and other payables	<b>4,457</b>		(1,677)		(838)	
Change in pension obligations	<b>(402)</b>		(720)		(755)	
		<b>(124)</b>		11,418		21,671
<b>Cash generated from operating activities</b>		<b>6,866</b>		13,115		26,525
Tax paid		<b>(2,094)</b>		(4,047)		(5,017)
<b>Net cash generated from operating activities</b>		<b>4,772</b>		9,068		21,508
<b>Cash flows from investing activities</b>						
Finance income	<b>24</b>		113		150	
Proceeds from sale of property, plant and equipment	-		-		35	
Acquisition of property, plant and equipment	<b>(632)</b>		(1,888)		(2,701)	
Acquisition of intangible assets	-		-		(170)	
Payment of contingent consideration (note 9)	<b>(67)</b>		(880)		(880)	
<b>Net cash used in investing activities</b>		<b>(675)</b>		(2,655)		(3,566)
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	<b>(715)</b>		(576)		(1,254)	
Dividends paid	<b>(3,249)</b>		-		(10,338)	
<b>Net cash used in financing activities</b>		<b>(3,964)</b>		(576)		(11,592)
<b>Net increase in cash and cash equivalents</b>		<b>133</b>		5,837		6,350
Cash and cash equivalents at beginning of period		<b>47,294</b>		40,944		40,944
<b>Cash and cash equivalents at end of period</b>		<b>47,427</b>		46,781		47,294

## 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 2020, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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.

These condensed consolidated interim financial statements for the half year reporting period ended 30 June 2021 have been prepared in accordance with IAS 34 'Interim financial reporting' and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. 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.

The interim financial statements were authorised for issue by the Board of Directors on 21 July 2021

### 2. Going Concern

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

The estimated impacts of COVID-19 restrictions are primarily based around our OoH market and the length of time that lockdown restrictions may be in place for the hospitality industry. Our modelling has sensitised trading within this market to reflect varying degrees of lockdowns with the most severe scenario assuming that some restrictions will persist throughout the remainder of 2021, with OoH performance only beginning to return to pre COVID-19 levels during the second half of 2022.

In addition to the continued impact of COVID-19, alternative scenarios, including the potential impact of key principal risks from a financial and operational perspective, have been modelled with the resulting implications considered. In all cases, the business model remained robust. The Group's diversified business model and strong balance sheet, combined with its strong cash generation all provide resilience against

these factors and the other principal risks that the Group is exposed to. At the 30 June 2021 the Group had cash and cash equivalents of £47.4m 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 this Interim Report and financial statements) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

### 3. Impact of COVID-19 on Financial Statements

In light of the effects of Covid-19 and social distancing measures on the Group's business and customers, the Directors have considered the impact on the accounting judgements and estimates within the financial statements. All commercial and operational impacts of Covid-19 have been treated within the underlying results and no Covid-19 impact has been treated as exceptional.

Expected credit loss provisions on the Group's trade receivables have been reviewed in light of potential increased risk of bad debt, particularly in relation to smaller independent customers.

The Group has accessed the funds made available by the Government under the Job Retention Scheme. This was used to partially offset the payroll expense incurred for employees who were furloughed. Through the first quarter of the year (Q1) continued customer outlet closures meant that a number of our OoH team were furloughed, all returning to work by the half year end. The business has paid furloughed employees at 100% of salary throughout the period and only furloughed employees where reductions in workload have been deemed temporary due to Government restrictions. The financial contribution made by the Government from the scheme to Nichols was £0.7m during the period.

Our offices and depots have remained open in a Covid secure manner throughout the year for wellbeing purposes or office critical activities, but the vast majority of office-based employees have worked effectively from home. High levels of service have continued to be provided to all of our customers.



#### 4. Segmental Reporting

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

	Still £'000	Carbonate £'000	Group £'000
<b>Half year to 30 June 2021</b>			
Revenue	35,558	31,834	<b>67,392</b>
Gross Profit	18,572	11,372	<b>29,944</b>
<b>Half year to 30 June 2020</b>			
Revenue	32,381	26,832	<b>59,213</b>
Gross Profit	16,391	8,181	<b>24,572</b>
<b>Year ended 31 December 2020</b>			
Revenue	65,688	52,969	<b>118,657</b>
Gross Profit	32,817	16,819	<b>49,636</b>

A geographical split of revenue is provided below:

	Half Year to 30 June 2021 £'000	Half Year to 30 June 2020 £'000	Year ended 31 December 2020 £'000
<b>Geographical split of revenue</b>			
Middle East	<b>5,126</b>	2,596	7,309
Africa	<b>10,164</b>	8,274	14,010
Rest of the World	<b>3,675</b>	2,462	5,712
United Kingdom	<b>48,427</b>	45,881	91,626
<b>Total revenue</b>	<b>67,392</b>	59,213	118,657

#### 5. Exceptional items

In order to allow a better understanding of the underlying trading performance of the Group, items which by virtue of their nature and size do not reflect the Group's underlying performance have been reported as exceptional items within administrative expenses. These items are as follows:

	Half Year to 30 June 2021 £'000	Half Year to 30 June 2020 £'000	Year ended 31 December 2020 £'000
Review of UK packaged supply chain	<b>267</b>	-	277
Impairment of goodwill and intangibles	-	3,820	3,820
Redundancy costs	-	-	723
Restructuring costs	-	-	254
	<b>267</b>	3,820	5,074

As noted in the 2020 Annual Report and Accounts, during Q4 2020 the Group commenced a review of its UK packaged supply chain in order to ensure continued agility and growth given future prospects. This review has continued during the first half year resulting in £0.3m of exceptional costs (project and contract development costs) during the period, with further costs expected during the second half of 2021.

For the prior period ended 30 June 2020, the Group recognised £3.8m of exceptional costs in relation to the non-cash impairment of the Group's goodwill and intangible assets of its 'Feel Good' brand.

#### 6. Earnings Per Share

Basic earnings per share is calculated by dividing the profit after tax for the period of the Group by the weighted average number of ordinary shares in issue during the period. 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.

The earnings per share calculations for the period are set out in the table below:

	Earnings £'000	Weighted average number of shares	Earnings per share
<b>30 June 2021</b>			
<b>Basic earnings per share</b>	<b>6,990</b>	<b>36,916,403</b>	<b>18.93p</b>
Dilutive effect of share options		48,035	
<b>Diluted earnings per share</b>	<b>6,990</b>	<b>36,964,438</b>	<b>18.91p</b>

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 Groups' operations. It can be reconciled from the basic earnings per share as follows:

	Earnings £'000	Weighted average number of shares	Earnings per share
<b>30 June 2021</b>			
<b>Basic earnings per share</b>	<b>6,990</b>	<b>36,916,403</b>	<b>18.93p</b>
Exceptional items after taxation	216		
<b>Adjusted basic earnings per share</b>	<b>7,206</b>	<b>36,916,403</b>	<b>19.52p</b>
Diluted effect of share options		48,035	
<b>Adjusted diluted earnings per share</b>	<b>7,206</b>	<b>36,964,438</b>	<b>19.49p</b>

**7. Non-current Assets**

	Property, Plant & Equipment £'000	Goodwill £'000	Intangibles £'000
<b>Cost</b>			
At 1 January 2021	35,932	36,244	9,760
Additions	712	-	-
Disposals	(123)	-	-
<b>At 30 June 2021</b>	<b>36,521</b>	<b>36,244</b>	<b>9,760</b>
<b>Depreciation and Amortisation</b>			
At 1 January 2021	15,806	-	3,554
Charge for the period	2,124	-	340
On disposals	(115)	-	-
<b>At 30 June 2021</b>	<b>17,815</b>	<b>-</b>	<b>3,894</b>
<b>Net book value</b>			
At 1 January 2021	<b>20,126</b>	<b>36,244</b>	<b>6,206</b>
<b>At 30 June 2021</b>	<b>18,706</b>	<b>36,244</b>	<b>5,866</b>

**8. Defined Benefit Pension Scheme**

The Group operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2020 and updated at 30 June 2021 by an independent qualified actuary.

A summary of the pension surplus position is provided below:

	£'000
<b>Pension surplus</b>	
At 1 January 2021	347
Current service cost	(15)
Net interest income	3
Actuarial gains	3,176
Contributions by employer	414
<b>At 30 June 2021</b>	<b>3,925</b>

**9. Contingent consideration**

Within the Statement of Cash Flows there is a £0.1m (H1 2020: £0.9m) cash outflow in the period in relation to the payment of contingent consideration. These payments relate to contingent consideration paid for acquisitions made in previous financial years.

**10. Contingent Liability**

The Group had previously entered into contracts with some of its senior management relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC have written to the Group with their initial view that the arrangements should have been taxed as employment income which the Group and its advisors dispute.

If HMRC pursues its current position and is successful in its argument, then the Group may have to pay up to £3.4m (H1 2020: £3.4m) in Income Tax and National Insurance. In addition, the Group may have to pay up to £0.7m of interest to HMRC.

The employees who are party to the contracts have formally indemnified the Group in relation to income tax and employees' National Insurance and an amount of up to £2.6m (H1 2020: £2.6m) can be requested from them.

The Directors have obtained external advice and on the basis of this do not believe that the Group has a liability for any additional tax or National Insurance.

The tribunal appeal was heard during Spring 2021. However, the outcome is currently pending and unknown. In common with such disputes with HMRC, it may take some time to settle and the Directors are unable to assess how long this will take and the timing of any potential settlement if required.

The likelihood and timing of any potential settlement remains unchanged from 31 December 2020.

**11. Dividends**

During the second half of last year the Board evolved the dividend policy to reflect the balance of shareholder needs and the clear opportunities for growth that will exist in the soft drinks market post the pandemic.

Dividend cover is broadly 2x adjusted earnings of the Group. As a result, the interim dividend for 2021 will be 9.8p per share to be paid on 10 September 2021 with a record date of 30 July 2021.

**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.

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