



Interim Report 2024

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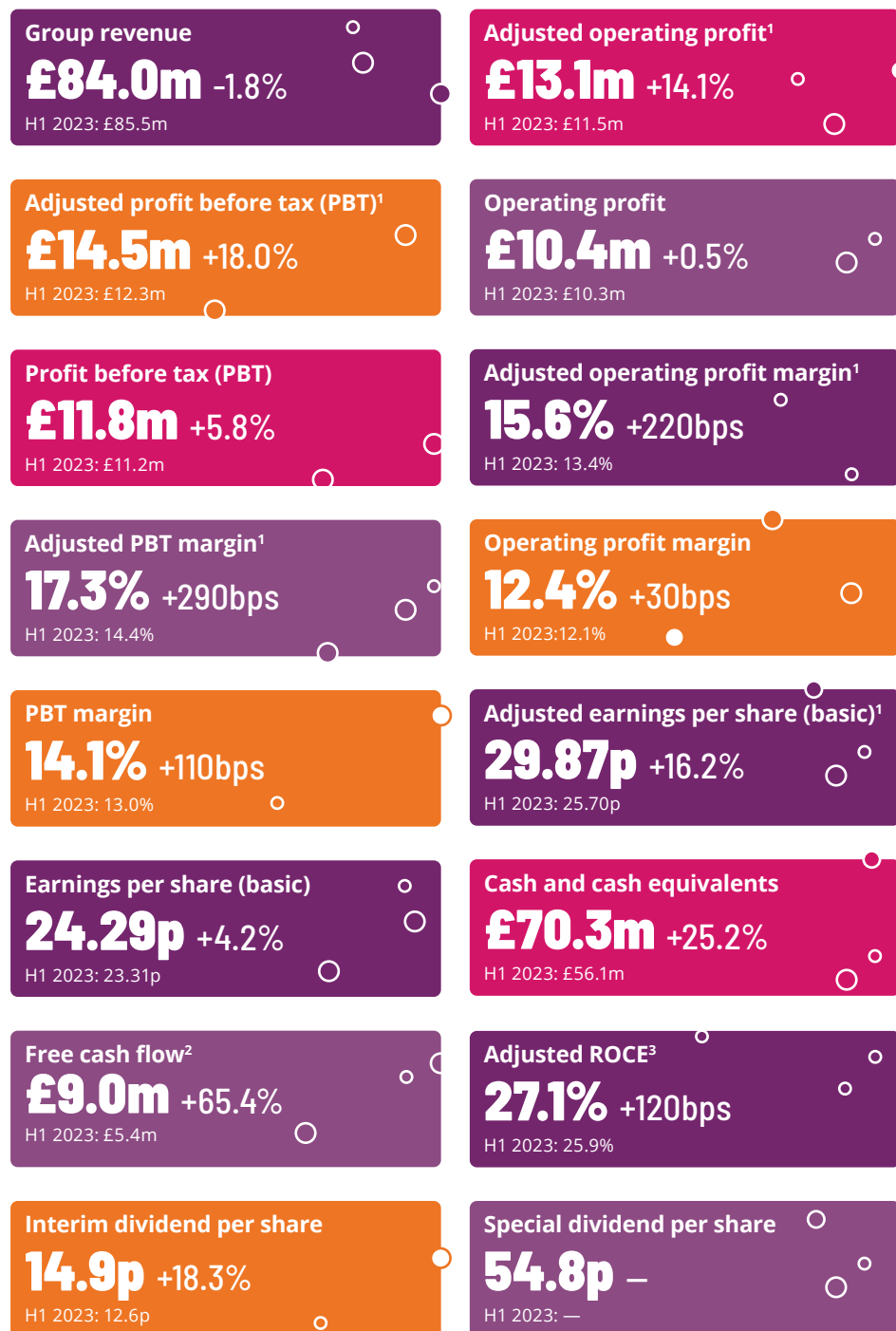


Welcome to our Interim Report

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.

Highlights



Strategic highlights

UK Packaged

- Strong market share growth in the UK driven by both squash and carbonate categories
- The Vimto brand achieved its highest ever UK annual retail sales value of £109m⁴ reflecting increased marketing investment and growth from innovation and distribution gains

International Packaged

- Strong in-market execution across the Middle East during the key Ramadan trading period
- Commenced phased can production in Senegal, enabling us to better serve this key market in West Africa by bringing production closer to the end consumer, with benefits expected to be delivered in H2

Out of Home

- Implementation of the Out of Home (OoH) Strategic Review was largely concluded in the period, delivering significant improvements in profitability

Financial highlights

- UK Packaged revenues +5.3% to £45.4m (H1 2023: £43.1m)
 - Underpinned by volume growth of 4.9%, reflecting product innovation, distribution gains and increased marketing investment
- International Packaged revenues -6.9% to £20.0m (H1 2023: £21.5m)
 - As expected, due to the timing of shipments into the Middle East and reduced volumes in Africa, given the impact of one-off launch volumes last year
 - Strong performance forecast in H2
- OoH revenues -11.3% to £18.6m (H1 2023: £21.0m)
 - Reflecting the planned reduction in activity having exited several unprofitable accounts, identified as part of the OoH Strategic Review
- Group revenue declined by -1.8% to £84.0m (H1 2023: £85.5m)
- Gross margin increased by +2.9ppt to 44.0% (H1 2023: 41.1%)
 - Absolute gross margin increased by £1.8m reflecting UK volume growth and pricing actions taken in FY23 to mitigate significant inflationary pressures over the last 18 months
- Adjusted profit before tax growth of +18.0% to £14.5m and adjusted operating profit growth of +14.1% to £13.1m
 - Improved gross margin together with a reduction in administrative costs as a result of implementing the OoH strategic plan
- Exceptional costs of £2.7m
 - £2.7m charge relating to investment in the Group's new ERP system, which is progressing well
 - £0.2m charge relating to the implementation of the OoH review, that will conclude in H2
 - £0.2m credit relating to the recovery of costs relating to Group's historical incentive scheme
- Strong cash and cash equivalents at £70.3m (H1 2023: £56.1m, 31 December 2023: £67.0m)
 - Increased net interest receipts of £1.4m (H1 2023: £0.8m)
- Interim dividend increased to 14.9p (H1 2023: 12.6p)
- Special dividend of 54.8p per share equating to an aggregate of £20m to be paid with the interim dividend

1. Excluding exceptional items.

2. Free cash flow is the net increase in cash and cash equivalents before acquisition funding and dividends.

3. Adjusted return on capital employed (ROCE) is the rolling twelve months' adjusted operating profit divided by the average period-end capital employed.

4. Nielsen IQ RMS data for the Squash, Flavoured Carbonates, RTD Stills, Flavoured Water and Energy categories YTD to 15 June 2024 for the GB Total Coverage market.

Executive Review



ANDREW MILNE
Chief Executive Officer



I am pleased to report further strategic progress in the first half, resulting in strong double-digit increases in adjusted profit before tax and adjusted earnings per share. As a result of our progress, the Board's high levels of confidence in the outlook and the strength of our balance sheet, we are pleased to announce a special dividend of 54.8p per share – which equates to a total of £20m – alongside an 18% increase in the interim dividend to 14.9p per share. This reflects a long history of strong cash flow generation and the Board's commitment to delivering attractive shareholder returns.

Positive trading momentum in our UK Packaged business reflected further market share gains in squash and carbonates, driven by increased marketing investment, growth from innovation, and distribution gains.

Our biggest ever UK promotional campaign was launched towards the end of the period, and we are confident this will support the continued growth of the Vimto brand over the summer.

Whilst mindful of continued pressure on consumer spending, despite levels of inflation stabilising, our diversified business model and the enduring strength of the Vimto brand have enabled us to deliver a strong performance. As a result, we now expect full-year profitability to be slightly ahead of current market expectations and we remain confident that Nichols is well placed to deliver its strategic growth ambitions.



Revenue

The Board is pleased to report an encouraging half year performance as Packaged revenues increased by 1.3% to £65.4m (H1 2023: £64.5m) while overall Group revenues declined by 1.8% to £84.0m (H1 2023: £85.5m), reflecting the expected rationalisation of the OoH business.

Encouragingly, UK Packaged revenues increased by 5.3% to £45.4m (H1 2023: £43.1m) underpinned by volume growth of 4.9% reflecting new product innovation, expanding distribution and increased marketing investment. Growth from innovation includes a strong performance from Vimto Energy, which launched in 2023, together with an expanded range of core Vimto products including flavour extensions and a new children's range of smaller format packs. Distribution gains have been achieved across a number of convenience format stores, for core products within the 'ready to drink' portfolio. The Group's biggest ever promotional campaign ('Love the Taste') was launched towards the end of the period that will support growth of the Vimto brand over the summer months.

International Packaged revenues declined by 6.9% to £20.0m (H1 2023: £21.5m). The significant growth seen within Africa in previous years reversed in the first half with revenues down 10.1% to £11.8m (H1 2023: £13.1m), due to the strong comparator as a result of significant launch volumes into Ivory Coast during the first half of 2023. Production of canned products commenced in Senegal on a phased basis late in the period, which will bring benefits in the second half of the year as the Group transfers increasing volumes to a local concentrate model rather than a finished product export model. As a result, revenues will reduce although margins will improve.

Middle East revenues in the period also declined by 29.3%, reflecting the timing of shipments related to Vimto's typically strong trading period of Ramadan which will see stronger volumes in Q4 as the date moves forward each year. The Group's Rest of World markets saw strong revenue growth of 37.1%, with the US and Europe continuing to perform well building on increased brand awareness and strong in-market execution.

OoH revenues declined by 11.3% to £18.6m (H1 2023: £21.0m), reflecting the planned reduction in activity having exited several unprofitable accounts and product offerings, identified as part of the OoH Strategic Review.

As anticipated, the absolute profitability of the business has improved significantly as a consequence of reducing the cost base and focusing resources more efficiently within OoH.

The impact of movements in foreign exchange rates on revenue year-on-year was immaterial, at approximately -£0.2m adverse.

Gross profit

Gross profit of £37.0m was £1.8m higher than H1 2023 (£35.2m) and 2.9 percentage points higher at 44.0%.

The cost of goods inflation experienced in 2022 and 2023 stabilised into the first half of the year, although underlying costs remain significantly higher than two years ago. The Group has been able to fully mitigate cumulative cost increases by working with its customers and suppliers across the whole of its supply chain, identifying the optimal balance of mitigating actions and price recovery. The impact of movements in foreign exchange rates on gross profit was -£0.1m adverse.

Distribution expenses

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

Distribution expenses increased by 3.2% to £5.2m (H1 2023: £5.0m), largely reflecting increased volumes in the UK business. Inflationary pressures around increased fuel prices were reduced.

Administrative expenses

Administrative expenses, excluding exceptional items, totalled £18.7m (H1 2023: £18.7m). Additional costs incurred in the period largely relate to payroll and staff-related costs in response to cost-of-living pressures, alongside further investment in marketing spend to drive brand equity within the Packaged business. These additional expenses have been offset by a significant reduction in overhead costs related to the OoH business following implementation of the actions identified through the strategic review process.

Exceptional costs

The Group incurred £2.7m of exceptional costs during the period (H1 2023: £1.1m).

Business change programme and systems development

The Group has continued to build a new enterprise resource planning (ERP) system, focused on driving business transformation. The design phase of the project has concluded with the system architecture currently being built ahead of an extensive testing period during H2. The new system is expected to be operational in Q1 2025. Costs of £2.7m were incurred in the period.

Out of Home strategic review and restructuring

In 2022, the Group completed a strategic review into its OoH route to market, assessing customer and product mix as well as reviewing ways to enhance net margin and profitability going forward. The Group incurred £0.2m of costs in the period, with most recommendations having been implemented.

Historic incentive scheme

During 2022, the Group settled with HMRC a £4.3m tax and interest charge relating to an historic incentive scheme and has now achieved a significant recovery of debts from current and previous employees who had indemnified the Company. Provisions relating to the recovery of these amounts have been reduced by £0.2m, with full cost recovery now expected by early 2025.

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

Finance income

Net finance income of £1.4m (H1 2023: £0.8m) was significantly up on the prior year, as the Group ensured the best return for its increasing deposits given higher interest rate rises over the period.

Adjusted operating profit and operating profit

Adjusted operating profit, excluding exceptional items, increased by 14.1% to £13.1m reflecting volume growth in the UK, improving margins and tight controls of the overall cost base whilst maintaining investment in our brands.

Adjusted profit before tax, profit before tax and tax rate

Adjusted profit before tax, excluding exceptional items, increased by 18.0% to £14.5m (H1 2023: £12.3m). The tax charge on adjusted profit before tax for the period of £3.6m (H1 2023: £2.9m) represents an effective tax rate of 24.8% (H1 2023: 23.8%). The increase in the effective rate is consistent with published rates. Profit before tax was £11.8m, an improvement of 5.8% compared to the prior year (H1 2023: £11.2m) reflecting the increased operating profits and interest income, partially offset by the increased exceptional costs largely relating to investment in the Group's new ERP system.

Balance sheet and cash and cash equivalents

The continued strength of the Group's closing balance sheet reflects its diversified routes to market and asset-light model. Cash and cash equivalents at the end of the Period remained strong at £70.3m (H1 2023: £56.1m, 31 December 2023: £67.0m).

The Group has seen its working capital marginally increase since the start of the year (+£0.1m), principally driven by debtors and strong Q2 sales. Capital expenditure in the period was £0.1m (H1 2023: £0.1m) and was historically weighted towards our OoH business where a re-focus on capital allocation and spend has been actioned following the strategic review. The Group's current return on capital employed is 27.1% (H1 2023: 25.9%).

Earnings per share

Adjusted basic earnings per share (EPS) increased to 29.87p (H1 2023: 25.70p) with basic EPS at 24.29p (H1 2023: 23.31p). On an adjusted basis, diluted EPS was 29.86p (H1 2023: 25.68p).

Dividend and capital allocation

In line with the Group's dividend policy, dividend cover is broadly 2x the adjusted earnings of the Group. As a result, the interim dividend for 2024 will be 14.9p per share, to be paid on 6 September 2024 with a record date of 2 August 2024 and an ex-dividend date of 1 August 2024.

In the Group's preliminary results statement, the Board set out its approach to capital allocation and committed to identifying surplus cash reserves for distribution to shareholders.

Having considered the investment needs and capital structure of the business, the Board has approved a special dividend of 54.8p per share, equivalent to an aggregate distribution of £20m. This payment reflects a long history of strong cash flow generation by the Company and the Board's confidence in its future prospects. We will continue to keep our capital allocation policy under review, ensuring we maintain sufficient resources to fund future growth opportunities, whilst balancing shareholder returns.

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 2024, the Group recognised a surplus on its UK defined benefit scheme of £3.7m (31 December 2023: surplus £4.0m).

Outlook

The Board is pleased with the Group's trading performance and strategic progress in the first half of 2024. Consumer spending is still under pressure despite levels of inflation stabilising.

However, we exit the first half with strong momentum and we remain confident that the Group, underpinned by its diversified business model and the enduring strength of the Vimto brand, is well placed to achieve its long-term strategic ambitions and deliver strong returns for our shareholders.

The Company has begun trading in Q3 positively and in line with management expectations. Reflecting the progress made in H1 and underpinned by the Group's ongoing focus on driving margin improvement, the Board now expects to report full-year adjusted profit before tax¹ slightly ahead of current market expectations².



Andrew Milne
Chief Executive Officer



Richard Newman
Chief Financial Officer

24 July 2024

1. Excluding exceptional items.

2. FY24 expectations refers to Group compiled market consensus for FY24 adjusted PBT of £28.8m at 23 July 2024.



Consolidated Income Statement

Half year to 30 June 2024

	Unaudited Half year to 30 June 2024 £'000	Unaudited Half year to 30 June 2023 £'000	Audited Year ended 31 December 2023 £'000
Continuing operations			
Revenue	83,976	85,546	170,741
Cost of sales	(47,021)	(50,356)	(98,565)
Gross profit	36,955	35,190	72,176
Distribution expenses	(5,171)	(5,009)	(9,567)
Administrative expenses	(21,402)	(19,846)	(40,323)
Operating profit	10,382	10,335	22,286
Finance income	1,458	866	2,095
Finance expenses	(37)	(48)	(123)
Profit before taxation	11,803	11,153	24,258
Taxation	(2,927)	(2,649)	(5,896)
Profit for the period	8,876	8,504	18,362
Earnings per share (basic)	24.29p	23.31p	50.34p
Earnings per share (diluted)	24.28p	23.29p	50.32p

Adjusted for exceptional items			
Operating profit	10,382	10,335	22,286
Exceptional items	2,713	1,144	2,907
Adjusted operating profit	13,095	11,479	25,193
Profit before taxation	11,803	11,153	24,258
Exceptional items	2,713	1,144	2,907
Adjusted profit before taxation	14,516	12,297	27,165
Adjusted earnings per share (basic)	29.87p	25.70p	56.41p
Adjusted earnings per share (diluted)	29.86p	25.68p	56.39p

Consolidated Statement of Comprehensive Income

Half year to 30 June 2024

	Unaudited Half year to 30 June 2024 £'000	Unaudited Half year to 30 June 2023 £'000	Audited Year ended 31 December 2023 £'000
Profit for the financial period	8,876	8,504	18,362
Items that will not be classified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	(360)	69	(192)
Deferred taxation on pension obligations and employee benefits	90	(17)	48
Other comprehensive (expense)/income for the period	(270)	52	(144)
Total comprehensive income for the period	8,606	8,556	18,218

Consolidated Statement of Financial Position

As at 30 June 2024

	Unaudited 30 June 2024 £'000	Unaudited 30 June 2023 £'000	Audited 31 December 2023 £'000
Assets			
Non-current assets			
Property, plant and equipment	8,773	10,247	9,457
Intangibles	215	297	256
Pension surplus	3,715	4,257	4,014
Total non-current assets	12,703	14,801	13,727
Current assets			
Inventories	10,491	10,595	8,809
Trade and other receivables	42,205	42,001	41,393
Corporation tax receivable	—	986	—
Cash and cash equivalents	70,291	56,128	67,030
Total current assets	122,987	109,710	117,232
Total assets	135,690	124,511	130,959
Liabilities			
Current liabilities			
Trade and other payables	32,899	29,533	30,719
Corporation tax payable	74	—	318
Total current liabilities	32,973	29,533	31,037
Non-current liabilities			
Other payables	1,801	2,378	1,865
Deferred tax liabilities	626	687	715
Total non-current liabilities	2,427	3,065	2,580
Total liabilities	35,400	32,598	33,617
Net assets	100,290	91,913	97,342
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	2,151	1,481	1,845
Retained earnings	89,978	82,271	87,336
Total equity	100,290	91,913	97,342

Consolidated Statement of Cash Flows

Half year to 30 June 2024

	Unaudited Half year to 30 June 2024 £'000		Unaudited Half year to 30 June 2023 £'000		Audited Year ended 31 December 2023 £'000	
Cash flows from operating activities						
Profit for the financial period	8,876		8,504		18,362	
Adjustments for:						
Depreciation and amortisation	975		1,193		2,343	
Loss on sale of property, plant and equipment	56		74		67	
Finance income	(1,458)		(866)		(2,095)	
Finance expense	37		48		123	
Tax expense recognised in the income statement	2,927		2,649		5,896	
(Increase)/decrease in inventories	(1,682)		(163)		1,623	
Increase in trade and other receivables	(405)		(2,096)		(1,549)	
Increase/(decrease) in trade and other payables	1,971		(928)		384	
Change in pension obligations	(61)		(63)		(81)	
Fair value gain on derivative financial instruments	(30)		(344)		(285)	
	2,330		(496)		6,426	
Cash generated from operating activities	11,206		8,008		24,788	
Tax paid	(3,171)		(2,939)		(4,776)	
Net cash generated from operating activities	8,035		5,069		20,012	
Cash flows from investing activities						
Finance income	1,458		866		2,095	
Acquisition of property, plant and equipment	(146)		(138)		(479)	
Proceeds from sale of property, plant and equipment	15		—		192	
Net cash from investing activities	1,327		728		1,808	
Cash flows from financing activities						
Payment of lease liabilities	(409)		(385)		(909)	
Dividends paid	(5,692)		(5,580)		(10,177)	
Net cash used in financing activities	(6,101)		(5,965)		(11,086)	
Net increase/(decrease) in cash and cash equivalents	3,261		(168)		10,734	
Cash and cash equivalents at start of period	67,030		56,296		56,296	
Cash and cash equivalents at end of period	70,291		56,128		67,030	

Consolidated Statement of Changes in Equity

Half year to 30 June 2024

	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 2023	3,697	3,255	1,209	1,280	79,295	88,736
Dividends	—	—	—	—	(5,580)	(5,580)
Movement in ESOT	—	—	—	(2)	—	(2)
Credit to equity for equity-settled share-based payments	—	—	—	203	—	203
Transactions with owners	—	—	—	201	(5,580)	(5,379)
Profit for the period	—	—	—	—	8,504	8,504
Other comprehensive income	—	—	—	—	52	52
Total comprehensive income	—	—	—	—	8,556	8,556
At 30 June 2023	3,697	3,255	1,209	1,481	82,271	91,913

	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 2024	3,697	3,255	1,209	1,845	87,336	97,342
Dividends	—	—	—	—	(5,692)	(5,692)
Movement in ESOT	—	—	—	4	—	4
Share option exercise	—	—	—	—	(272)	(272)
Credit to equity for equity-settled share-based payments	—	—	—	302	—	302
Transactions with owners	—	—	—	306	(5,964)	(5,658)
Profit for the period	—	—	—	—	8,876	8,876
Other comprehensive income	—	—	—	—	(270)	(270)
Total comprehensive income	—	—	—	—	8,606	8,606
At 30 June 2024	3,697	3,255	1,209	2,151	89,978	100,290

Treasury shares used for share option exercises are held within retained earnings.

Notes to the Financial Statements

Half year to 30 June 2024

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 2023, 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 2024 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 24 July 2024.

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 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 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 30 June 2024 the Group had cash and cash equivalents of £70.3m with no external bank borrowings.

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

3. Segmental reporting

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.

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.

Notes to the Financial Statements continued

Half year to 30 June 2024

3. Segmental reporting continued

Half year to 30 June 2024	Revenue £'000	Adjusted operating profit £'000	Net finance income £'000	Adjusted profit before tax £'000	Exceptional items £'000	Profit before tax £'000
Packaged						
UK	45,386					
Middle East	3,466					
Africa	11,754					
Rest of World	4,752					
Total Packaged	65,358	18,779				
Out of Home	18,618	2,964				
Total segments	83,976	21,743				
Central ¹	—	(8,648)				
Total Group	83,976	13,095	1,421	14,516	(2,713)	11,803

Half year to 30 June 2023	Revenue £'000	Adjusted operating profit £'000	Net finance income £'000	Adjusted profit before tax £'000	Exceptional items £'000	Profit before tax £'000
Packaged						
UK	43,097					
Middle East	4,905					
Africa	13,081					
Rest of World	3,466					
Total Packaged	64,549	17,988				
Out of Home	20,997	1,352				
Total segments	85,546	19,340				
Central ¹	—	(7,861)				
Total Group	85,546	11,479	818	12,297	(1,144)	11,153

Year ended 31 December 2023	Revenue £'000	Adjusted operating profit £'000	Net finance income £'000	Adjusted profit before tax £'000	Exceptional items £'000	Profit before tax £'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

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.

A geographical split of revenue is provided below:

	Half year to 30 June 2024 £'000	Half year to 30 June 2023 £'000	Year ended 31 December 2023 £'000
Geographical split of revenue			
Middle East	3,466	4,905	12,963
Africa	11,754	13,081	22,184
Rest of World	4,852	3,301	8,518
Total exports	20,072	21,287	43,665
United Kingdom	63,904	64,259	127,076
Total revenue	83,976	85,546	170,741

4. Exceptional items

	Half year to 30 June 2024 £'000	Half year to 30 June 2023 £'000	Year ended 31 December 2023 £'000
Business Change Programme and Systems Development	2,733	519	1,722
Out of Home Strategic Review and Restructuring	179	569	1,784
Historic incentive scheme	(199)	56	(599)
	2,713	1,144	2,907

The Group incurred £2.7m of exceptional costs during the period (H1 2023: £1.1m).

Business change programme and systems development

The Group has continued to build a new enterprise resource planning (ERP) system, focused on driving business transformation. The design phase of the project has concluded with the system architecture currently being built ahead of an extensive testing period during H2. The new system is expected to be operational in Q1 2025. Costs of £2.7m were incurred in the period.

Out of Home strategic review and restructuring

In 2022 the Group completed a strategic review into its OoH route to market, assessing customer and product mix as well as reviewing ways to enhance net margin and profitability going forward. The Group incurred £0.2m of costs in the period with most recommendations having been implemented.

Historic incentive scheme

During 2022 the Group settled with HMRC a £4.3m tax and interest charge relating to an historic incentive scheme and has now achieved a significant recovery of debts from current and previous employees who had indemnified the Company. Provisions relating to the recovery of these amounts have been reduced by £0.2m, with full cost recovery now expected by early 2025.

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.

Notes to the Financial Statements continued

Half year to 30 June 2024

5. 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. 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.

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
30 June 2024			
Basic earnings per share	8,876	36,544,818	24.29p
Dilutive effect of share options		6,448	
Diluted earnings per share	8,876	36,551,266	24.28p

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

	Earnings £'000	Weighted average number of shares	Earnings per share
30 June 2024			
Basic earnings per share	8,876	36,544,818	24.29p
Exceptional items after taxation	2,040		
Adjusted basic earnings per share	10,916	36,544,818	29.87p
Diluted effect of share options		6,448	
Adjusted diluted earnings per share	10,916	36,551,266	29.86p

6. Non-current assets

	Property, plant and equipment £'000	Intangibles £'000
Cost		
At 1 January 2024	31,674	9,998
Additions	321	—
Disposals	(2,966)	—
At 30 June 2024	29,029	9,998
Depreciation and amortisation		
At 1 January 2024	22,217	9,742
Charge for the period	934	41
On disposals	(2,895)	—
At 30 June 2024	20,256	9,783
Net book value		
At 1 January 2024	9,457	256
At 30 June 2024	8,773	215

7. Defined benefit pension scheme

The Group operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2023 and updated at 30 June 2024 by an independent qualified actuary.

A summary of the pension surplus position is provided below:

	£'000
Pension surplus	
At 1 January 2024	4,014
Current service cost	(6)
Scheme administrative expenses	(34)
Net interest income	89
Actuarial gains	(360)
Contributions by employer	12
At 30 June 2024	3,715

8. Dividends

Dividend cover is broadly 2x adjusted earnings of the Group. As a result, the interim dividend for 2024 will be 14.9p per share to be paid on 6 September 2024 with a record date of 2 August 2024.

In the Group's preliminary results statement, the Board set out its approach to capital allocation and committed to identifying surplus cash reserves for distribution to shareholders. Having considered the investment needs and capital structure of the business, the Board has approved a special dividend of 54.8p per share, equivalent to an aggregate distribution of £20m. This payment reflects a long history of strong cash flow generation by the Company and the Board's confidence in its future prospects. We will continue to keep our capital allocation policy under review, ensuring we maintain sufficient resources to fund future growth opportunities, whilst balancing shareholder returns.

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.

