

HIGHLIGHTS

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Movement
Group Revenue	80.2	67.4	+19.1%
Adjusted Operating Profit ¹	11.2	9.0	+24.2%
Operating Profit	10.0	8.8	+14.6%
Adjusted Profit Before Tax (PBT) ¹	11.3	8.9	+26.7%
Profit Before Tax (PBT)	10.1	8.6	+17.0%
Adjusted PBT Margin ¹	14.0%	13.2%	+0.8ppts
PBT Margin	12.6%	12.8%	(0.2ppts)
EBITDA ²	12.4	11.2	+10.6%
Adjusted Earnings per Share (basic) ¹	24.80p	19.52p	+27.0%
Earnings per Share (basic)	22.22p	18.93p	+17.4%
Cash and Cash Equivalents ³	49.2	56.7	(13.2%)
Return on Capital Employed ⁴	25.2%	14.6%	+10.6%
Interim Dividend	12.4p	9.8p	+26.5%

- Vimto Brand value in the UK +5.7%⁵
 - Vimto continues to outperform the dilutes market, by +9.1%⁵
- UK revenues increased by 29.3% to £62.6m (H1 2021: £48.4m)
 - UK Packaged route to market volume flat versus UK soft drinks down 4.3%⁵ as consumer spending slows
 - Out of Home (OoH) continues to recover from the pandemic, with revenues +131.9%
 - Strategic review of OoH progressing
- International revenues -7.2% to £17.6m (H1 2021: £19.0m), (Q2 +4%)
 - Middle East phasing of shipments largely weighted to H2
 - 'In-market' volume of cordial Oct to Apr, +10%, post completion of marketing investment
 - Continued progress in Africa, +2.0%
 - Q2 +11%, Q1 -4% impacted by national driver industrial action in Spain
 - US shipments constrained through 2022 due to ongoing container shortages
- Gross margin 42.8% (H1 2021: 44.4%)
 - Higher proportion of lower margin UK carbonate revenues as OoH recovers
- Exceptional charge of £1.2m largely relating to Operational Change Programme
 - Transfer of Dilutes contract manufacturing successfully completed
- Strong cash and cash equivalents at £49.2m (31 December 2021: £56.7m)
 - Completion of the Group's treasury share buyback programme (H1 2022 spend £5.5m)
 - Facilitates the Group's SAYE Option Scheme and/or Long-Term Incentive Plan
 - Renewed post pandemic working capital investment, net £5.9m outflow
- Interim dividend of 12.4p, +26.5% (H1 2021: 9.8p)
- 2022 Group expectations⁶ remain unchanged
 - Significant and accelerating inflationary pressures, particularly ingredient and packaging costs
 - Customer, supplier and operational mitigation actions underway

1 Excluding Exceptional items of £1.2m (H1 2021: £0.3m)

2 EBITDA is the statutory profit before tax, interest, depreciation, and amortisation

3 The comparison is to 31 December 2021. All other comparatives compare to the six months ending 30 June 2021 unless otherwise stated

4 Return on Capital Employed is the rolling 12 months adjusted operating profit as a percentage of the average period-end capital employed, excluding the effect of Goodwill impairment

5 Source: Nielsen IQ RMS data for the Total Soft Drinks category for the YTD ending 18 June 2022 for the GB Total Coverage market

6 FY22 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m

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

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

Welcome to the 2022 Nichols plc Interim Report



I'm pleased to report an encouraging financial performance in the first half of the year with 27% increases to both Adjusted PBT¹ and the half year dividend. In the UK, the Vimto brand continues to outperform the broader squash market, and the Group's Out of Home route to market experienced good growth as the wider leisure sector continues to recover from the impact of the pandemic. After some disruption to shipments affecting our International business in Q1, I am pleased to report a recovery in Q2 which has so far continued into the second half of the year.

Whilst the Group is not immune to the significant and accelerating inflationary pressures impacting the consumer and the soft drinks market, we have taken swift mitigating actions where possible and the Group's Adjusted PBT¹ expectations² for the full year remain unchanged. The Board remains mindful of the potential earnings impact of continued inflation into FY23 and beyond. We have a long-term track record of growth, a proven, diversified strategy, and a quality range of brands. All of this is underpinned by a strong balance sheet. As a result, the Board remains confident that the Group is well positioned to deliver its long-term growth plans.

P. J. Neel

John Nichols

Non-Executive Chairman
27 July 2022

¹ Excluding Exceptional items of £1.2m (H1 2021: £0.3m)

² FY22 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m



Revenue

The Board is pleased to report an encouraging half year performance with Group revenues of £80.2m, an increase of 19.1% compared to the prior year (H1 2021: £67.4m).

The Still and Carbonate product segments achieved revenue growth of 4.9% (to £37.3m) and 34.9% (to £42.9m) respectively, driven largely by a strong UK OoH recovery.

UK revenues increased by 29.3% to £62.6m (H1 2021: £48.4m).

Within the UK Packaged route to market, revenues increased by 5.1%.

The UK soft drinks industry is experiencing a period of significant and accelerating ingredient, packaging, and distribution inflation and overall market volumes are down 4.3%¹. Our UK Packaged volumes were largely flat in the period versus last year, driven by the market out performance of the Vimto brand (in both value and volume terms) across both the Dilutes and Ready to Drink ("RTD") subcategories, as well as strong growth for both our Levi Roots and Feel Good brands.

Our UK OoH route to market continues to recover from the two-year pandemic, and experienced significant

growth of 131.9% versus the prior period, which was impacted by lockdown restrictions. H1 2022 revenues are now ahead of those experienced in H1 2019, although 2019 revenues exclude the full roll out of the ICEE brand into cinemas (through Q4 2019 and Q1 2020). As previously advised, the Board commenced a strategic review of the Group's OoH route to market. The review is progressing and the Board expects to report on its findings at the end of this financial year.

International revenues fell by 7.2% to £17.6m (H1 2021: £19.0m), as various markets were impacted by logistics challenges, particularly in Q1, and the phasing of shipments between the first and second half of the year.

Middle East revenues in the period fell by 18.5% to £4.2m (H1 2021: £5.1m) primarily due to the phasing of shipments between the first and second half of the year. The underlying performance in the Middle East remains very encouraging with in-market volumes of cordial up 10% for the period from October 2021 to April 2022. African revenue growth was up 2.0% to £10.4m (H1 2021: £10.2m) for the period, recovering strongly in Q2 (+11%) from the challenges experienced in Q1 (-4%) when shipment timings were severely impacted towards the end of the quarter by national driver industrial

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action in Spain. Rest of World sales (largely Europe and the US) fell by 16.8% to £3.1m (H1 2021 £3.7m). Whilst the Group continued to see progress across Europe (+18.6%), its US sales remain severely constrained (-54.1%) by a shortage of shipping containers available for trans-Atlantic routes and this situation is expected to continue for the remainder of this year.

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

Gross Profit

Gross profit of £34.4m was £4.5m higher than H1 2021 (£29.9m) and 1.6 percentage points lower at 42.8%. The reduction in gross margin percentage was largely a result of increased lower margin carbonate revenues in H1 2022 versus H1 2021, as OoH opened up fully post the pandemic.

Of the £4.5m improvement, approximately £4.2m is due to the net volume effect of increased revenues versus the prior period. The remaining £0.3m is the year-on-year effect of the marketing investment in the Middle East.

The Group is experiencing significant ingredient and packaging inflation and, whilst ongoing mitigation actions have provided relief in the first half of the year, inflationary pressures continue to accelerate. The Group continues to work with its customers and suppliers across the whole of the supply chain to identify the optimal balance of mitigation actions and price recovery.

Distribution Expenses

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

Distribution expenses increased by 9.6% to £4.7m (H1 2021: £4.2m) due to a combination of higher trading volumes, in particular OoH, and significant inflationary pressure experienced in H2 2021. The Group entered into a new 5-year distribution arrangement in H2 2021 that built significant additional capacity, given the Group's growth plans, and also provided a platform for future efficiency opportunities. Service levels have now stabilised following the significant supply chain disruption experienced in H2 2021 across the wider UK supply chain.

Administrative Expenses

Administrative Expenses, excluding exceptional items, totalled £18.5m (H1 2021: £16.7m), an increase of £1.8m or 10.9%.

Following the pandemic, the Group's investment in OoH support teams returned to more normalised levels, increasing by £0.9m versus the prior period. Given the growth opportunities in-situ, the Group has also increased investment in its International and UK Packaged commercial and operational capabilities by £0.5m.

The Group continued to further invest in marketing following the significant increase in spend through 2021, with costs up £0.2m versus the prior period (full year +£1.9m versus 2020, H1 2021 +£1.2m versus H1 2020), building successfully on its 'Find Your Different' campaign.

The Group reward system incorporates retention levers and these along with this year's accrued bonus charge increased costs by £0.6m versus H1 2021. Additionally the Group had a positive foreign exchange movement year-on-year of £0.5m (H1 2022: £nil net of forward currency contracts, H1 2021: £0.5m loss).

Exceptional Costs

The Group has incurred £1.2m of exceptional costs during the year (H1 2021: £0.3m).

In Q4 2020, the Group commenced a review of its UK operational supply chain. As a result of the review, a strategic decision was taken to move Dilutes production to a new contract manufacturer, which was successfully completed in the period. This decision was taken in order to provide additional manufacturing capacity, whilst taking advantage of higher speed lines and more efficient bottling processes. Significant costs were incurred during H1 in making this change, including additional storage capacity, new systems, restructuring costs and legal fees. Given the exceptional nature and scale of this change, the costs incurred have been treated as exceptional within these financial statements in order to provide a better understanding of the Group's underlying trading performance.

In previous annual reports, the Group reported a contingent liability in respect of historic contracts with some of its senior management, relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC were of the view that the arrangements should have been taxed as employment income, which the Group and its advisors had previously disputed. During FY21, a tribunal was convened to consider the dispute of the Group's scheme as well as similar schemes operated by other

companies. The tribunal found that the arrangements should have been taxed as employment income. As at 31 December 2021, the Group recognised a net liability of £2.6m in relation to this ruling, being a reasonable estimate of the final outcome, including the Group's additional tax liability, interest costs and amounts expected to be recovered. There has been no update or change to this key judgement as at the half year. During the period, there have been legal costs of £54k incurred in relation to this matter.

As signalled in the latest Annual Report, the Group commenced its full strategic review into the OoH route to market during the period. During H1, there have been costs of £48k incurred in relation to this review, with further costs expected in H2 2022. The review is progressing and the Board expects to report on its findings at the end of this financial year.

Operating Profit

Adjusted Operating Profit of £11.2m, pre-exceptional items, was up £2.2m, a 24.2% increase on the prior year (H1 2021: £9.0m). Operating profit of £10.0m (H1 2021: £8.8m) is after charging exceptional items during the period.



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The Group has a number of forward currency contracts in place to mitigate the impact of fluctuations in the Euro and Dollar. The foreign exchange impact, net of forward currency contracts, during the current year is £nil (2021 H1: £0.5m loss).

Finance Costs

Net finance income of £0.1m (H1 2021 net finance cost: £0.1m) largely as a result of a strengthening of the Group's pension surplus during the year.

Profit before tax and tax rate

Adjusted profit before tax, pre-exceptional items, increased by 26.7% to £11.3m (H1 2021: £8.9m). The tax charge on adjusted profit before tax for the period of £2.2m (H1 2021: £1.7m) represents an effective tax rate of 19.5% (H1 2021: 19%). Reported profit before tax was £10.1m, an increase of 17.0% compared to the prior year (H1 2021: £8.6m).

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 £49.2m (31 December 2021: £56.7m, H1 2021: £47.4m).

The Group completed the treasury share buyback programme in H1, spending £5.5m in order to facilitate future servicing of the Group's SAYE Option Scheme and/or Long-Term Incentive Plan.

As expected, following the full re-opening of OoH outlets this year, the Group has seen a re-investment into working capital. The Group's debtors and inventories are £8.0m higher than at the year end, offset by an increase of £2.1m in creditors as OoH volumes in particular increased. Capital expenditure in the period is £0.9m (H1 2021: £0.6m).

Inventory levels have also been impacted by both higher ingredient and packaging costs and the additional stock holding introduced as contingency for the transfer of Dilutes contract manufacturing, which was successfully completed in the first half of the year.

The Group's current Return on Capital Employed is 25.2%¹ (H1 2021: 14.6%).

Earnings per share

Total adjusted basic EPS increased to 24.80 pence (H1 2021: 19.52p) with basic EPS at 22.22 pence (H1 2021: 18.93p). On an adjusted basis, diluted EPS was 24.77 pence (H1 2021: 19.49p).

Dividend

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 2022 will be 12.4p per share, to be paid on 9 September 2022 with a record date of 5 August 2022.

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 2022, the Group recognised a surplus on its UK defined benefit scheme of £6.6m (31 December 2021: surplus £5.3m).

¹ Return on Capital Employed is the rolling 12 months adjusted operating profit as a percentage of the average period-end capital employed, excluding the effect of Goodwill impairment

Outlook

Whilst the Group is not immune to the significant and accelerating inflationary pressures impacting the consumer and the soft drinks market, we have taken swift mitigating actions where possible and the Group's Adjusted PBT expectations for the full year remain unchanged. The Board remains mindful of the potential earnings impact of continued inflation into FY23 and beyond. We have a long-term track record of growth, a proven, diversified strategy, and a quality range of brands. All of this is underpinned by a strong balance sheet. As a result, the Board remains confident that the Group is well positioned to deliver its long-term growth plans.



Andrew Milne
Chief Executive Officer

27 July 2022



David Rattigan
Chief Financial Officer

27 July 2022



CONSOLIDATED INCOME STATEMENT

	Unaudited Half year to 30 June 2022 £'000	Unaudited Half year to 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Continuing operations			
Revenue	80,232	67,392	144,328
Cost of sales	(45,880)	(37,448)	(79,153)
Gross profit	34,352	29,944	65,175
Distribution expenses	(4,651)	(4,244)	(9,129)
Administrative expenses	(19,667)	(16,945)	(73,601)
Operating profit/ (loss)	10,034	8,755	(17,555)
Finance income	126	24	57
Finance expenses	(63)	(149)	(158)
Profit/ (loss) before taxation	10,097	8,630	(17,656)
Taxation	(1,969)	(1,640)	(4,512)
Profit/ (loss) for the period	8,128	6,990	(22,168)
Earnings/ (loss) per share (basic)	22.22p	18.93p	(60.04p)
Earnings/ (loss) per share (diluted)	22.19p	18.91p	(60.04p)

Adjusted for exceptional items			
Operating profit/ (loss)	10,034	8,755	(17,555)
Exceptional items	1,173	267	39,477
Adjusted operating profit	11,207	9,022	21,922
Profit/ (loss) before taxation	10,097	8,630	(17,656)
Exceptional items	1,173	267	39,477
Adjusted profit before taxation	11,270	8,897	21,821
Adjusted earnings per share (basic)	24.80p	19.52p	46.15p
Adjusted earnings per share (diluted)	24.77p	19.49p	46.09p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited Half year to 30 June 2022 £'000	Unaudited Half year to 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Profit/ (loss) for the financial period	8,128	6,990	(22,168)
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability	910	3,176	4,083
Deferred taxation on pension obligations and employee benefits	(228)	(603)	(962)
Other comprehensive income for the period	682	2,573	3,121
Total comprehensive income/(expense) for the period	8,810	9,563	(19,047)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	16,073	18,706	17,099
Goodwill	-	36,244	-
Intangibles	5,226	5,866	5,546
Pension surplus	6,621	3,925	5,276
Total non-current assets	27,920	64,741	27,921
Current assets			
Inventories	14,751	6,563	9,706
Trade and other receivables	38,548	36,917	36,124
Corporation tax receivable	1,017	1,062	743
Cash and cash equivalents	49,167	47,427	56,674
Total current assets	103,483	91,969	103,247
Total assets	131,403	156,710	131,168
Liabilities			
Current liabilities			
Trade and other payables	30,193	25,860	28,791
Provisions	4,242	-	4,242
Total current liabilities	34,435	25,860	33,033
Non-current liabilities			
Other payables	1,953	2,724	1,954
Deferred tax liabilities	3,307	2,024	3,155
Total non-current liabilities	5,260	4,748	5,109
Total liabilities	39,695	30,608	38,142
Net assets	91,708	126,102	93,026
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	943	306	676
Retained earnings	82,604	117,635	84,189
Total equity	91,708	126,102	93,026

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
At 1 January 2021	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)
Transactions with owners	-	-	-	(88)	(3,249)	(3,337)
Profit for the period	-	-	-	-	6,990	6,990
Other comprehensive income	-	-	-	-	2,573	2,573
Total comprehensive income	-	-	-	-	9,563	9,563
At 30 June 2021	3,697	3,255	1,209	306	117,635	126,102
At 1 January 2022	3,697	3,255	1,209	676	84,189	93,026
Dividends	-	-	-	-	(4,861)	(4,861)
Movement in ESOT	-	-	-	(2)	-	(2)
Credit to equity for equity-settled share-based payments	-	-	-	269	-	269
Purchase of own shares	-	-	-	-	(5,534)	(5,534)
Transactions with owners	-	-	-	267	(10,395)	(10,128)
Profit for the year	-	-	-	-	8,128	8,128
Other comprehensive income	-	-	-	-	682	682
Total comprehensive income	-	-	-	-	8,810	8,810
At 30 June 2022	3,697	3,255	1,209	943	82,604	91,708

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Half year to 30 June 2022	Unaudited Half year to 30 June 2021	Audited Year ended 31 December 2021
	£'000	£'000	£'000
Cash flows from operating activities			
Profit/(loss) for the financial period	8,128	6,990	(22,168)
Adjustments for:			
Depreciation and amortisation	2,318	2,464	4,969
Impairment losses on goodwill and intangible assets	-	-	36,244
Loss on sale of property, plant and equipment	61	8	63
Finance income	(126)	(24)	(57)
Finance expense	63	149	158
Tax expense recognised in the income statement	1,969	1,640	4,512
Increase in inventories	(5,045)	(642)	(3,785)
Increase in trade and other receivables	(2,939)	(7,774)	(6,804)
Increase in trade and other payables	2,110	4,457	7,429
Increase in provisions	-	-	4,242
Change in pension obligations	(435)	(402)	(846)
Fair value loss/(gain) on derivative financial instruments	515	-	(178)
	(1,509)	(124)	45,947
Cash generated from operating activities	6,619	6,866	23,779
Tax paid	(2,319)	(2,094)	(3,878)
Net cash generated from operating activities	4,300	4,772	19,901
Cash flows from investing activities			
Finance income	126	24	57
Proceeds from sale of property, plant and equipment	-	-	2
Acquisition of property, plant and equipment	(913)	(632)	(1,239)
Payment of contingent consideration (note 8)	(71)	(67)	(67)
Net cash used in investing activities	(858)	(675)	(1,247)
Cash flows from financing activities			
Payment of lease liabilities	(554)	(715)	(1,189)
Purchase of own shares	(5,534)	-	(1,217)
Dividends paid	(4,861)	(3,249)	(6,868)
Net cash used in financing activities	(10,949)	(3,964)	(9,274)
Net (decrease)/increase in cash and cash equivalents	(7,507)	133	9,380
Cash and cash equivalents at start of period	56,674	47,294	47,294
Cash and cash equivalents at end of period	49,167	47,427	56,674

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 2021, 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 2022 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 27 July 2022.

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 any 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 Out of Home market and the potential for future lockdowns within the hospitality industry. Our modelling has sensitised trading within this market to reflect varying degrees of lockdowns with the most severe scenario assuming that some restrictions will return in the second half of 2022 and into 2023.

During Q4 2021 and Q1 2022 the Group experienced a period of significant inflation against which a number of mitigation actions were introduced. These are largely evidenced in the H1 results announced. Our modelling has sensitised the impacts of Russia's invasion of Ukraine in February, in particular their impact on global supply chains and macroeconomic inflationary factors.

In addition to the further impacts of Covid-19, alternative scenarios, including the potential impact of key principal risks from a financial and operational perspective, have been modelled with the resulting implications considered. In all cases, the business model remained robust. The Group's diversified business model and strong balance sheet provide resilience against these factors and the other principal risks that the Group is exposed to. At the 30 June 2022 the Group had cash and cash equivalents of £49.2m 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 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
Half year to 30 June 2022			
Revenue	37,303	42,929	80,232
Gross Profit	18,679	15,673	34,352
Half year to 30 June 2021			
Revenue	35,558	31,834	67,392
Gross Profit	18,572	11,372	29,944
Year ended 31 December 2021			
Revenue	72,393	71,935	144,328
Gross Profit	37,980	27,195	65,175

A geographical split of revenue is provided below:

	Half Year to 30 June 2022 £'000	Half Year to 30 June 2021 £'000	Year ended 31 December 2021 £'000
Geographical split of revenue			
Middle East	4,176	5,126	9,765
Africa	10,372	10,164	16,410
Rest of the World	3,059	3,675	6,523
Total Exports	17,607	18,965	32,698
United Kingdom	62,625	48,427	111,630
Total revenue	80,232	67,392	144,328

4. Exceptional items

	Half Year to 30 June 2022 £'000	Half Year to 30 June 2021 £'000	Year ended 31 December 2021 £'000
Review of UK packaged supply chain	1,071	267	620
Historic incentive scheme	54	-	2,613
Strategic review of Out of Home business	48	-	-
Impairment of goodwill and intangibles	-	-	36,244
	1,173	267	39,477

In Q4 2020, the Group commenced a review of its UK operational supply chain. As a result of the review, a strategic decision was taken to move Dilutes production to a new contract manufacturer, which was successfully completed in the period. This decision was taken in order to provide additional manufacturing capacity, whilst taking advantage of higher speed lines and more efficient bottling processes. Significant costs were incurred during H1 in making this change, including additional storage capacity, new systems, restructuring costs and legal fees. Given the exceptional nature and scale of this change, the costs incurred have been treated as exceptional within these financial statements in order to provide a better understanding of the Group's underlying trading performance.

In previous annual reports, the Group reported a contingent liability in respect of historic contracts with some of its senior management, relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC were of the view that the arrangements should have been taxed as employment income, which the Group and its advisors had previously disputed. During FY21, a tribunal was convened to consider the dispute of the Group's scheme as well as similar schemes operated by other companies. The tribunal found that the arrangements should have been taxed as employment income. As at 31 December 2021, the Group recognised a net liability of £2.6m in relation to this ruling, being a reasonable estimate of the final outcome, including the Group's additional tax liability, interest costs and amounts expected to be recovered. There has been no update or change to this key judgement as at the half year. During the period, there have been legal costs of £54k incurred in relation to this matter.

As signalled in the latest Annual Report, the Group commenced its full strategic review into the OoH route to market during the period. During H1, there have been costs of £48k incurred in relation to this review, with further costs expected in H2 2022. The review is progressing and the Board expects to report on its findings at the end of this financial year.

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.

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. 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 2022			
Basic earnings per share	8,128	36,576,987	22.22p
Dilutive effect of share options		48,451	
Diluted earnings per share	8,128	36,625,438	22.19p

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 2022			
Basic earnings per share	8,128	36,576,987	22.22p
Exceptional items after taxation	944		
Adjusted basic earnings per share	9,072	36,576,987	24.80p
Diluted effect of share options		48,451	
Adjusted diluted earnings per share	9,072	36,625,438	24.77p

6. Non-current Assets

	Property, Plant & Equipment £'000	Intangibles £'000
Cost		
At 1 January 2022	34,088	9,760
Additions	1,033	-
Disposals	(219)	-
At 30 June 2022	34,902	9,760
Depreciation and Amortisation		
At 1 January 2022	16,989	4,214
Charge for the period	1,998	320
On disposals	(158)	-
At 30 June 2022	18,829	4,534
Net book value		
At 1 January 2022	17,099	5,546
At 30 June 2022	16,073	5,226

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 2020 and updated at 30 June 2022 by an independent qualified actuary.

A summary of the pension surplus position is provided below:

	£'000
Pension surplus	
At 1 January 2022	5,276
Current service cost	(26)
Net interest income	50
Actuarial gains	910
Contributions by employer	411
At 30 June 2022	6,621

8. Contingent consideration

Within the Statement of Cash Flows there is a £0.1m (H1 2021: £0.1m) 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.

NOTES

9. Provisions

In previous annual reports, the Group reported a contingent liability in respect of historic contracts with some of its senior management relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC were of the view that the arrangements should have been taxed as employment income, which the Group and its advisors had previously disputed. During the previous year, a tribunal was convened to consider the dispute of the Group's scheme as well as similar schemes operated by other companies. The tribunal found that the arrangements should have been taxed as employment income.

Accordingly, as at 30 June 2022, the Group has recognised a provision of £4.2m (31 December 2021: £4.2m, 30 June 2021: nil) in relation to this ruling, being the Group's additional tax liability and interest costs.

Included within other receivables is a reimbursement asset in respect of these historic contracts.

There has been no update or change to this key judgement as at the half year.

10. Dividends

Dividend cover is broadly 2x adjusted earnings of the Group. As a result, the interim dividend for 2022 will be 12.4p per share to be paid on 9 September 2022 with a record date of 5 August 2022.

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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