Loved since 1908

VIMTO®

NICHOLS PLC 2018 ANNUAL REPORT

Hello, WE'VE BEEN MAKING THE WORLD *smile* BY BEING *refreshingly* DIFFERENT SINCE *1908.*

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, FRYST, ICEE, Levi Roots & Sunkist.

Welcome TO THE 2018 NICHOLS PLC *annual* REPORT.

2018 was the year of Vimto's 110th birthday and as you will see in the report, a very *successful* one. I am very proud of our brand and in particular its *heritage*, but it's our people who bring Vimto to life with passion and ambition year after year. They really have made *the world smile by being refreshingly different.*

So on behalf of the Board I would like to say a massive *thank you* to all my colleagues at Nichols.

Marnie.

MARNIE MILLARD OBE - CHIEF EXECUTIVE OFFICER

One STRATEGIC REPORT

Two GOVERNANCE

Three FINANCIAL STATEMENTS

Vimto BRAND VALUE IS NOW *worth* £87M, ITS *highest* EVER VALUE.

STRATEGIC REPORT

The HIGHLIGHTS

	2017	2018	Change
GROUP REVENUE	£132.8m	£142.0m	+7.0%
OPERATING PROFIT*	£30.5m	£31.6m	+3.6%
OPERATING PROFIT	£28.7m	£31.6m	+10.1%
PROFIT BEFORE TAX*	£30.5m	£31.8m	+4.0%
EPS (BASIC)*	62.88p	69.23p	+10.1%
NET CASH	£36.1m	£38.9m	+7.9%

*Pre-exceptional items. Exceptional items are explained in note 4 of the financial statements.

Chairman's STATEMENT

2018 MARKED *110 years* **SINCE MY GRANDFATHER** *invented* **THE DRINK THAT TODAY IS STILL** *enjoyed* **IN THE UK AND AROUND THE** *world!*

John Nichols

Chairman's STATEMENT

John Nichols

NON-EXECUTIVE CHAIRMAN

2018 was a significant year for the Vimto brand, marking 110 years since my grandfather invented the drink that today is still enjoyed in the UK and around the world.

I am pleased therefore, to announce another strong performance from Nichols plc during this special year. In 2018, Group revenue grew by 7.0%, Profit Before Tax was up 4.0% and we are proposing a 14.5% increase in the final dividend.

GROUP REVENUE INCREASED BY
7.0%

VIMTO BRAND SALES GREW BY
12.9%

PROFIT BEFORE TAX INCREASED BY
4.0%

STRATEGIC REPORT

Trading

Group revenue in the year was £142.0m, £9.2m ahead of 2017.

Total sales in the UK business increased by 12.7% to £114.6m (2017: £101.7m).

In its 110th year, sales of the Vimto brand grew by 12.9%, gaining market share and significantly outperforming the UK soft drinks category which grew at +7.8% (Nielsen MAT 29 December 2018).

Elsewhere in the UK, sales in the Out of Home channel increased by 15.2% compared to the prior year. This strong performance was driven by sales of both our dispensed soft drinks and frozen beverage products which reflects the significant investment in this part of our business over recent years.

In the international business, a strong sales performance in Africa during the second half of the year delivered full year growth of 6.5% in this region.

As anticipated in our 2017 Preliminary Results Statement (1 March 2018), sales to the Middle East were down on the prior year due to the ongoing conflict in Yemen and the timing of shipments to Saudi Arabia. As a result, sales to the Middle East region totalled £9.6m (2017: £13.0m). The Group's total international sales were £27.4m (2017: £31.0m).

Dividend

Reflecting the Board's ongoing confidence in the Group's financial position, we are pleased to recommend a final dividend of 26.8 pence per share (2017: 23.4 pence).

If accepted by our shareholders, the total dividend for 2018 will be 38.1 pence (2017: 33.5 pence), an increase of 13.7% on the prior year. Subject to shareholder approval, the final dividend will be paid on 3 May 2019 to shareholders registered on 22 March 2019; the ex-dividend date is 21 March 2019.

Post Balance Sheet Acquisition

Alongside the continued investment in the Vimto brand, our strategy identifies acquisition as a key driver of the Group's future growth plans. Therefore, we are delighted to announce the acquisition of 100% of the shares in Adrian Mecklenburgh Limited (AML) on 1 February 2019. AML is currently one of our Out of Home soft drinks dispense distributors covering the Kent region. This acquisition is consistent with a number of recent successful investments in our Out of Home business and consolidates the route to market in the region.

Outlook

We are well positioned with a diversified business model, a strong balance sheet and remain highly profitable. We continue to monitor the ongoing Brexit process, taking all possible actions to reduce the risk and we are confident that the Group can maintain its forward momentum in 2019 and beyond.

In 2019, we expect our UK business to maintain its positive performance driven by the strength of the Vimto brand and the increasing opportunities in the Out of Home sector.

In our international business, we are confident that the long term prospects in the Middle East and Africa remain strong, although the ongoing conflict in Yemen continues to create uncertainty for 2019.

In Summary, the Board is pleased with Nichols plc's performance during 2018. The Vimto brand marked its 110th year with a 12.9% increase in sales, the Group has delivered further profit growth and the Board is proposing a 14.5% uplift in the final dividend.

John Nichols
Non-Executive Chairman
26 February 2019

Our BUSINESS MODEL

STRATEGIC REPORT

Our BRANDS

Our PARTNERS

Outsourced Vimto production

In the UK, we outsource production of our Still and Carbonate Vimto products across various production partners. Internationally, we use a combination of export and in-country bottling partners.

In-house production

We produce bag-in-box syrups and juices for our frozen and dispense drink brands at our manufacturing facility in Ross-on-Wye.

Brand Licensing

We work with a variety of licensees to extend the Vimto offering across a range of confectionery products.

Our DISTRIBUTION

We use third party distributors as well as our own fleet to deliver products to customers, as appropriate to each market.

Our CUSTOMERS

Our customers are specific to each distribution channel and range from UK grocers to wholesalers, leisure and entertainment groups to independent pubs, as well as overseas distributors to in-country bottlers.

Our CONSUMERS

We've been making our consumers smile by being refreshingly different since 1908.

Chief EXECUTIVE OFFICER'S REPORT

IT IS PARTICULARLY *pleasing* TO NOTE THE PERFORMANCE OF *Nichols plc* IN 2018, THE YEAR WHEN *Vimto* REACHED ITS 110TH *anniversary!*

Marnie Millard OBE

Chief EXECUTIVE OFFICER'S REPORT

Marnie Millard OBE

CHIEF EXECUTIVE OFFICER

IT IS *great* TO SEE THE NEW *marketing* CAMPAIGN DELIVER *outstanding* RESULTS FOR THE VIMTO *brand* IN 2018, WHILST MAINTAINING THE TRADITIONAL *quirkiness* WE HAVE SEEN FROM THE BRAND OVER THE LAST *110 years!*

It is particularly pleasing to note the performance of Nichols plc in 2018, the year when Vimto reached its 110th anniversary. The Group delivered excellent revenue growth of 7.0% to reach sales of £142.0m. Sales of Carbonate products grew by 12.7% and the Still portfolio increased by 0.8%. The Still category performance was attributable to the reduced level of trading within the Middle East.

The Group revenue was driven by our UK business where sales increased by 12.7% to £114.6m, whilst international sales declined in the year to £27.4m, as we anticipated as we went into 2018. Despite experiencing a decline within the Middle East, the Group maintained its strong gross margin of 45.7% and the growth in gross profit was consistent with our revenue growth at 7.0%, as a result of the continued success of our value over volume strategy.

Financial Highlights

- Revenue
  +7.0% to £142.0m (2017: £132.8m)
- Profit Before Tax*
  +4.0% to £31.8m (2017: £30.5m)
- Gross profit
  +7.0% to £64.9m (2017: £60.6m)
- EPS (basic)
  +10.1% to 69.23p (2017: 62.88p)
- Strong balance sheet
  £38.9m free cash (2017: £36.1m)
- Final dividend
  +14.5% to 26.8p (2017: 23.4p)

* pre-exceptional items

These results were despite a challenging global market place and the expected reduced trading position within the Middle East.

In April 2018, the UK government implemented the Soft Drinks Industry Levy on drinks containing sugar of more than 4.9g per 100ml. We have been working on our sugar reduction programme for the last six years and as a result, our total UK product portfolio was sugar levy exempt as we went into 2018.

The impressive performance of the Vimto brand in the UK indicates the continued consumer love for Vimto and the successful evolution of the brand. We experienced a highly competitive UK market place with lots of change taking place in packaging, pricing and promotional strategies along with consolidation within the markets we operate. However, we had one of the finest summers for many years in the UK and despite an industry wide shortage of CO2, Vimto performed extremely well. I would like to thank all of our supply partners for their continued collaboration and support.

The UK Soft Drinks Market

(As measured by Nielsen year to date 29 December 2018)

In 2018, volumes in the UK soft drinks market grew at 3.0%. Value sales were higher showing growth of 7.8%, with the market size reaching £8.4 billion. Within the total soft drinks market, with the exception of fruit drinks and breakfast drinks, all sectors delivered value growth.

In the last twelve months, Vimto's brand value increased by an impressive £10.6m (Nielsen data) and is now worth £87m, an increase of 13.9%. This market outperformance has resulted in Vimto gaining market share in both the Still and Carbonate categories.

In spite of the market remaining highly competitive and promotionally driven, we continue with our focus of adding value to the category. Our product innovation, under the sub brand Remix, has added £9m to our Vimto retail sales brand value in less than 4 years. The addition of new flavours across the Remix brand has driven incremental sales through gaining increased distribution and new customer listings.

The UK On-Trade

(As measured by CGA, Total Licensed, Total Soft Drinks, last 12 months MAT 31 October 2018)

The UK on-trade soft drinks sector saw an uplift in consumption as volume increased by +0.3%. However, value sales have grown at a faster rate, with an increase of +3.8% year on year reflecting the premium nature of the category. This performance was achieved against a head wind of outlet closures in the trade and as a result, soft drinks outlets are down -2.1% year on year.

Draught sales in the UK on-trade have seen a mixed performance. Draught Cola value sales grew by +3.6% ahead of volume at +1.7% in the last 12 months. However, draught flavoured carbonates have retracted in sales, declining -26% in value and -36% in volume.

As consumers have increased their intake of soft drinks, they do not compromise on brand choice. All categories, including beers, wines & spirits, are experiencing the premium effect with value growth ahead of volume.

Operational Review

Vimto UK

In 2018, Vimto delivered impressive sales revenue growth of 12.9%, which was well ahead of the overall market. It is encouraging that the fastest area of growth has come again from our No Added Sugar products (+22%). Within the UK, all of our product areas are in growth and gaining market share. UK Carbonates were up 14% and the Still products increased overall by 11%.

We continue to work in collaboration with all of our customers across the key UK trading channels and by putting them at the heart of what we do, we have delivered double digit growth within UK grocery, UK wholesale, foodservice and the discounters. This is despite a high level of customer consolidation within the UK market, which we expect to continue as we move into 2019.

In 2018, we launched our new UK marketing campaign to focus on our core teen target audience of 16-19 year olds. We launched the new 'I see Vimto in you' creative programme across multiple touchpoints in June, aimed at celebrating the uniqueness of Vimto. It was a disruptive campaign, which included personalised video on demand and cinema advertising and as a result, the engagement levels were more than double the industry standard and brand advocacy grew by 9%.

Vimto Out of Home

The Vimto Out of Home business has delivered a third consecutive year of strong sales growth of 15.2% in 2018. A key driver of this performance was our frozen drinks business that delivered double-digit growth via both organic sales and innovation. Our new Unicorn flavour proved extremely popular with our consumers and provided incremental sales growth during the key summer trading period. We have also made a move into the adult frozen cocktail category launching our new FRYST brand in selected outlets and festivals, which has brought excitement to consumers throughout the UK.

Our branded cola ranges have performed very strongly in 2018 within the dispense sector as we have seen the continued shift by consumers to choose and drink lower sugar variants. Our customers across our distributor network in this area performed well once again and continued to drive strong sales across the on-trade.

The Out of Home performance benefitted from the annualised sales following the acquisition of DJ Drink Solutions Limited (DJ) in June 2017, however like for like sales were up 10.3%. During 2018, we successfully integrated the DJ business into Vimto Out of Home, which continues to win new customer partnerships. The acquisition of The Noisy Drink Company North West Limited in February 2018, one of our Out of Home frozen soft drinks distributors covering the North West region, has further consolidated our route to market in the region and contributed to this performance.

We have also continued to invest in the operational effectiveness of our Out of Home business, opening a state of the art showroom and new customer service centre in Newton-le-Willows and a new technical centre of excellence in Swindon. These investments underpin our commitment to deliver leading edge ranges, equipment and technical expertise to all of our customers across the UK and Europe.

IN 2018 WE
launched OUR NEW
frozen cocktail
BRAND CALLED
FRYST®

Your local post-mix partner

We are a leading provider of soft drinks solutions, boasting a portfolio with the widest variety of post-mix beverages.

www.vimto.uk | 0800 066 2133

Vimto International

The African region continued to build on its strong performance as we have seen in recent years and delivered sales revenue growth for the full year of 6.5%. The second half year performance for this part of the business was significantly stronger. In addition to our focus on driving penetration of our brands in our established markets, we also launched into two new countries across East Africa. Kenya and Tanzania are both key markets with well-established soft drinks categories and provide us with a fabulous opportunity to grow sales over the next few years.

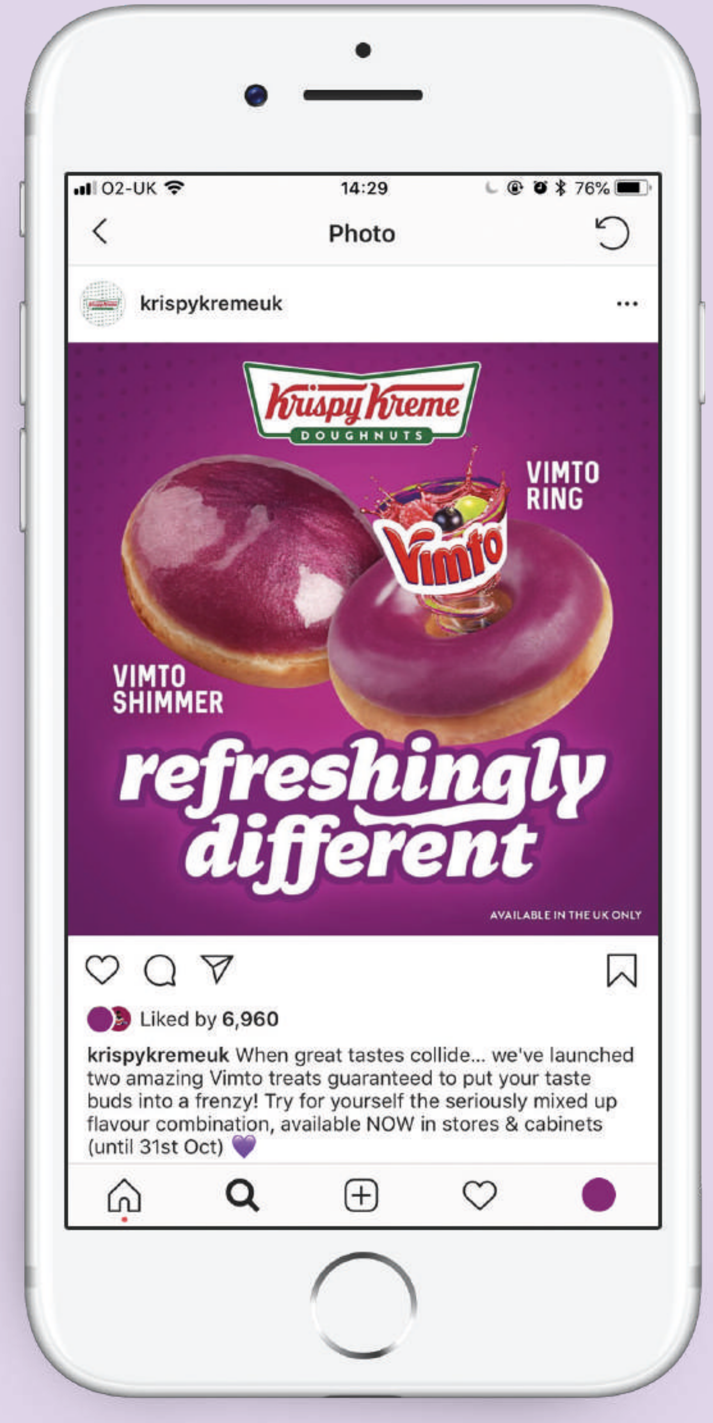
Our relationship with our partner Aujan Coca-Cola Beverages Company in the Middle East is over 93 years old and in 2018 they delivered another outstanding 360-degree marketing campaign. It was entitled "The Same One" and was on air as always during Ramadan. The campaign focused on the evolving role of women in Khaleeji society from the 1960's to the current day and showed Vimto as a constant feature of daily life throughout all those years. Impressive results were delivered through excellent in-store visibility and awareness; the TV campaign drove 99% awareness and the digital platforms achieved 290 million impressions.

Despite extremely challenging economic conditions in the region, the in-market sales of cordial and the 250ml ready to drink products continued to deliver sales growth, which demonstrates the strength of the brand and the affection our consumers have for that special Vimto taste.

Due to the political unrest in the region during 2018, our long-standing partner in the Yemen continued to suffer many operational difficulties and challenges. This has made trading at times during the year impossible and as a result, we have been unable to ship as much concentrate as in previous years.

Overall, our sales to the Middle East region were down by 26.4% due to the timing of shipments to Aujan and the challenges with supply to the Yemen.

Last but certainly not least, we have continued to build momentum in the USA with our long-standing partner Ziyad. We have been encouraged by the successes Ziyad have delivered in 2018, which resulted in us gaining distribution of our Vimto products in 100 Walmart stores in their Mediterranean aisle.



WE SOLD A whopping 297k doughnuts DURING 8TH–31ST OCTOBER 2018 in over 1000 distribution points

WE ALSO FEATURED ON THE FIRST EVER secret menu BY KRISPY KREME UK

Brand Licensing

Our brand licensing team launched some exciting new partnerships during 2018 that has helped to ensure the iconic Vimto flavour is enjoyed across a range of categories. We agreed a new exciting collaboration with Krispy Kreme that secured over 1,000 distribution points for two bespoke Vimto branded doughnuts.

Vimto Millions were developed for both UK and Europe with the product being available and selling well in over 1,000 dispense units.

Marnie Millard OBE
Chief Executive Officer

26 February 2019

Our STRATEGY

We have consistently applied our strategy over the last six years and our four strategic pillars have been fundamental to the continued success of the Group. Our diversified business model allows us to make the right decisions for the long-term sustainable growth of the Group and the brands, both home and away. Our strategy has four pillars as detailed below, along with some examples of our strategy in play in 2018.

Innovation is key for any business but for a brand established in 1908, it is essential to continue to excite consumers along with the appropriate acquisitions to grow sustainably.

In 2018 we launched a Watermelon, Strawberry and Peach variant to add to our Remix stable and this, along with new distribution gains on our current flavours, has helped to deliver an impressive +56% growth across the total Remix range. Our Vim2o flavoured water product continues to build momentum and we have doubled value sales in 2018 on the back of new customer listings.

The development of the brand portfolio and the business will ensure we remain fit for the future from a consumer perspective and will include both health and environmental changes.

The Soft Drinks Industry Levy was introduced into the UK in April 2018. Our entire product portfolio within the UK was sugar levy exempt including Vimto, Levi Roots, Feel Good and our Starslush frozen beverage range.

Healthy Hydration is a key trend we will continue to meet across our portfolio and it is good to see an increase in Vimto No Added Sugar sales of 22%, which is a consistent trend we have seen for many years as consumers make new choices. All of our product development for the last six years has been as a No Added Sugar offer.

We are engaged with the British Soft Drinks Association in order to fully participate in providing a robust deposit return system, to improve the return rates of plastic waste in order to produce new bottles for our industry.

We will continue to build on the core strength of the Vimto brand across the Globe.

Internationally, we saw good growth in a number of our established core markets. Notably in Ghana, where the strong relationship we have with our partner has delivered accelerated growth and in Guinea where the sales of our can products has been exceptional. We continue to invest in Vimto across all of our African regions with strong sales and marketing programmes to ensure our brand awareness and relevance continues to be at the forefront of our consumers' minds.

Geographic expansion, new routes and channels to market is critical to ensure we continue to excite consumers for decades to come.

We continue to expand our footprint nationally in the Out of Home route to market and have delivered further growth through distribution wins across a range of our national account customers, such as Greene King and Merlin. Our partnership with ICEE has opened up new channels as the carbonated frozen ranges appeal to new consumers within the leisure channel.

Outlook

There remains significant challenge with the overall economic uncertainty as we move into 2019, however, the Vimto brand performance remains strong and capable of dealing with market changes as they happen. Change in our market environment both in the UK and internationally remains a consistent factor, as well as consumers continuing to make different choices. We believe our brands are strong, our business is resilient and along with our committed people, we are well placed to deal with those challenges.

Financial REVIEW

Income Statement

	Year ended 2018	Year ended 2017 Pre-exceptional items
	£m	£m
Revenue	**142.0**	**132.8**
Gross Profit	64.9	60.6
GP%	45.7%	45.7%
Distribution expenses	(7.2)	(5.9)
Operating expenses	(26.0)	(24.1)
EBITDA	**33.8**	**31.7**
Depreciation & Amortisation	(2.2)	(1.2)
Operating Profit	**31.6**	**30.5**
Operating profit margin	22.3%	23.0%
Finance income	0.2	0.1
Finance expense	(0.1)	(0.2)
Profit Before Tax	**31.8**	**30.5**
PBT %	22.4%	23.0%
Tax	(6.2)	(5.5)
Profit after tax	25.5	25.0

Revenue

Group revenue for the year was £142.0m, an increase of 7.0% compared to 2017.

Sales of Carbonate products grew by 12.7% in the year and income from the sales of Still products increased by 0.8%. The Still category was impacted by the reduced level of trading with the Middle East.

The Group's revenue performance was driven by our UK business, where sales increased by 12.7% to £114.6m, whilst and as anticipated, international revenues declined in the year to £27.4m.

Gross Profit

Gross Profit increased commensurate to revenue by 7.0% to £64.9m.

It should be noted that the Gross Margin of 45.7% was in line with the prior year despite the decline in the higher margin sales to the Middle East.

Distribution Expenses

Distribution expenses were £7.2m in 2018 (2017: £5.9m). The increase is reflective of the higher stock holding, as referred to below, and the sales mix during the year. The revenue growth has been driven by the UK business which incurs the majority of our warehouse and distributions cost.

Operating Expenses

Operating expenses totalled £26.0m in the year, an increase of 7.7% compared to the prior year. The significant cause of the increase was the full year incremental costs associated with the acquisition of DJ Drink Solutions Limited (purchased in June 2017) and The Noisy Drink Company North West Limited (purchased in February 2018). In addition, £1.1m of bad debt provision has been released in the year, following cash received against previously provided for debt.

EBITDA

EBITDA grew by 6.6% to £33.8m.

The EBITDA growth was in-line with the revenue performance.

Operating Profit

Operating Profit increased by 3.6% to £31.6m.

The margin return on sales was 22.3% compared to 23.0% in the prior year.

Finance Income and Expense

Finance income of £0.2m relates to the bank interest received during the year on the Group's cash deposits.

The majority of the finance expense relates to the net interest on the defined benefit pension liability in line with the application of IAS 19.

Profit Before Tax

Profit Before Tax was £31.8m for the year, an increase of 4.0% compared to the prior year (2017: £30.5m).

The margin return on sales was 22.4% compared to 23.0% in the prior year.

Taxation

The effective rate of taxation is 19.6% (2017: 19.3%). This is higher than the standard rate of 19%.

Statement of Financial Position

Cash

The Group cash balance at the year end was £38.9m (2017: £36.1m).

Nichols' business model remains very cash generative and due to favourable working capital movements, operating profit/ cash conversion has increased to 91% (2017: 77%). The cash conversion rate is based on net cash generated from operating activities as a percentage of the profit for the financial year.

By exception, other points of note regard the Statement of Financial Position are:

- Property, plant and equipment increased by £2.5m to £14.6m during the year. The majority of the increase was the purchase of dispense equipment supporting the growth of the Out of Home business.
- The majority of the £3.8m increase in Goodwill was associated with the acquisition of The Noisy Drink Company North West Limited in February 2018.
- The year end value of inventories was £7.2m, £2.4m higher than the prior year. There were a number of supply chain developments affecting the year on year stock increase, most notably, as part of our Brexit strategic planning. In addition, the prior year value was relatively low when compared to normal levels of stock holding.
- Trade and other receivables increased by 9.8% during 2018, this was largely due to the strong growth in trading activity compared to the prior year.

Key Performance Indicators

The following Key Performance Indicators (KPIs) are used by management to monitor the Group's profit performance:

Revenue Growth +7.0% (2017: +13.2%)

The increase in the current year revenue as a percentage of the prior year value.

Gross Margin 45.7% (2017: 45.7%)

Gross Profit as a percentage of revenue. This KPI is monitored at segment (Still and Carbonate) and product level.

Operating Profit Margin 22.3% (2017: 23.0%)

Group profit before financing income or expense as a percentage of revenue. This is considered for the Group as a whole rather than at product level.

EBITDA £33.8m (2017: £31.7m)

EBITDA is defined as profit before interest, tax, depreciation and amortisation.

Tim Croston
Chief Financial Officer

26 February 2019

Risk MANAGEMENT

Risks and Uncertainties

The Group maintains a risk register which is reviewed and managed by the senior management team on a regular basis. As a result, the register is dynamic and reflects the evolving business environment e.g. the Group successfully prepared for the Soft Drinks Industry Levy introduced in April 2018 and subsequently this risk was removed from the register. The register is also reviewed by the Group Audit Committee at each meeting.

Management consider the following issues to be the principal risks potentially affecting the business:

Risk	Mitigation
Management consider there would be a risk to the Company's growth ambitions if the business was reliant on any one market or product category.	One of the key aims of our strategy is to invest and focus across our business activities to leverage the diversity of the Group. This benefit of the strategy was demonstrated during 2018, when despite seeing a decline in our Middle East business (which was expected and communicated), the Group as a whole has delivered strong growth in the year.
In common with many businesses, we are highly dependent on the availability of IT systems. The threat of cyber-attack is an ever present and indeed, ever growing risk in today's global business environment, which could have a significant impact on our website and systems.	Nichols plc operates a number of preventative systems and controls to reduce the risk. In addition, we have a robust disaster recovery plan including the use of third party professional providers to host our systems and data.
Health & Safety incidents, for example in a warehouse, resulting in serious injury or death or investigation by the relevant authority.	The Group manages the Health & Safety regime via a cross business Committee headed by our in-house company solicitor. The committee oversees policy & procedure, staff training, H&S risk assessments and undertakes a schedule of audits (resourced externally where appropriate).
Unavailability of the Vimto compound. As the Vimto brand accounts for the majority of the Group's revenue, it is vital that we have surety of supply of the compound.	Working in partnership with our suppliers, we have established production capability with dual suppliers at more than one location to ensure continuity of supply.

Risk	Mitigation
Loss of a major customer account.	We are dedicated to maintaining long-term relationships with all of our customers, but the Group's diverse income stream across markets and regions means we are not overly reliant on any one customer.
Disruption to our supply chain or trading as a result of the Brexit process, impacting costs and our ability to source raw materials.	Like all companies, we are uncertain as to the outcome of the Brexit process and therefore have considered a number of scenarios to manage. In terms of supply chain, we are increasing the holding of raw material and finished goods stock. We are also working with our warehouse and distribution partners to secure additional capacity. With regard to trading, only around 2% of Group sales are to the EU region. In addition to supply chain and trading, we believe that a potential devaluation in sterling is another risk of Brexit, as it will have an inflationary impact on our raw material costs. We have therefore fixed our currency exposure where possible for the year ahead through pricing agreements with suppliers.
Plastics – The UK government is considering various options to promote a reduction in the use of single use plastic and promote recycling. As a result, the soft drinks industry may face legislative challenges that potentially increase complexity or cost.	Nichols plc is working proactively with the soft drinks industry via the British Soft Drinks Association and the government to find long-term solutions to this challenge. In the interim, we are implementing a number of initiatives, such as increasing the use of recycled plastic, sourcing paper straws and encouraging our consumers to recycle with on-pack messaging.

GOVERNANCE

Corporate SOCIAL RESPONSIBILITY

Our Partners and our Community

Warrington YOUTH CLUB

We have supported Warrington Youth Club since 2013 and have raised over £500k during that time. Warrington Youth Club continues to “inspire young people to achieve” and supports young people’s development by offering opportunities to increase and develop skills, self-awareness and confidence.

In the summer of 2018, Nichols took part in the fifth Dragons Den challenge with the Youth Club, as part of the National Citizen Service programme (NCS). A voluntary personal and social development programme, NCS helps 15-17-year olds build essential professional and life skills, while increasing their confidence and providing the opportunity to meet new people.

This year’s challenge was to ‘create the next big thing in soft drinks’. Working in teams, participants had to consider everything needed to create an impactful New Product Development launch, from the brand look and feel, product flavour and packaging design, to the target audience.

There were some amazing ideas including spicy drinks, interactive and recyclable packaging and infused tea bags, but this year team Springen came out on top. Springen’s winning product was a range of innovative dissolvable flavour pods, designed for different functional needs throughout the day, which came in a reusable, collapsible bottle.

Once again, the groups were highly engaged in the process and approached the task with energy and enthusiasm, and it was incredible to see them building their presentation and teamwork skills. We look forward to taking part again next year!

THE *challenge*... TO CREATE THE NEXT *big thing* IN SOFT DRINKS

SPRINGEN’S THE *winning* DRAGONS DEN *team*

SINCE 2013 WE HAVE *raised* OVER £500k FOR WYC

AN ONSIDE YOUTH ZONE

WARRINGTON *youth* CLUB *inspiring* YOUNG PEOPLE TO *achieve*

Our main fundraising for 2018 was the annual Nichols Golf Day and the Vimto Bike Ride.

For our 110th anniversary, 110 riders completed 110km around Cheshire with the aim of raising £110k. In fact, the team raised a magnificent £114k. We were supported by suppliers and friends, but also welcomed Gary and Phil Neville along with Ryan Giggs, who cycled the course and helped us achieve some wonderful PR and support for the Youth Club. Thank you to every single rider who took part, it really brought to life our values and the funds will make such a difference to those young people we support.

In 2020, a new Youth Zone will be opening, which is a joint venture between the national young people's charity OnSide and Warrington Borough Council. It will be a purpose built facility that will raise aspirations, enhance prospects and improve health and wellbeing for young people, particularly those from disadvantaged backgrounds in the area.

We here at Vimto are proud to be part of this exciting development with the Youth Club and will continue to work with the organisation to bring this opportunity to life within Warrington.

Manchester 10km

In May 2018, another hardy bunch of Vimto runners completed the Manchester 10km. Well done to all of those who took part with such Vim and Vigour!

WE ARE MACMILLAN. CANCER SUPPORT

At Vimto, we have a lot of aspiring "Bake Off" contestants and as a result, the array of cakes, buns and all sorts of bakery we have on offer is quite magnificent and raises vital funds for the Macmillan Cancer Support charity. The Macmillan coffee morning is a firm favourite event at Vimto, which raises money for a charity that is close to the heart of many of my Vimto colleagues.

Salford ACADEMY

In 2018, Vimto collaborated with Salford City FC to support the Club's Academy 92.

Kicking off the three year initiative, Vimto has worked closely with the Academy 92 Foundation to support aspiring football stars, developing their skills and education through a dedicated partnership.

Academy 92 aims to give Salford's aspiring footballing talent the best future either in or out of football. The academy's slogan 'Nurturing Football Talent & Promoting Personal Excellence' resonates well with the values and culture we seek to instil at Vimto, while providing a fantastic opportunity for us to give back to the Salford community where Vimto was first established in 1908.

The partnership allows us to interact with fans, players and staff through match day activations and our jersey sponsorship ensures standout visibility for our home city's much loved brand – a position that we remain incredibly proud of.

Waves FOR CHANGE

Our partnership with Waves for Change (W4C) started in 2010 in Cape Town and eight years later W4C has grown, aided by the additional research of two PHD's into one of the worlds most respected mental health charities.

Vimto's support has been present at every step of the way, ensuring that the children have the equipment they need like wetsuits, surfboards and transport to get in the water.

W4C combines the rush of surfing with evidence-based mind/ body therapy to improve the mental health of vulnerable and differently abled youths living along some of the world's most unsafe coastlines. W4C trains and equips local community mentors to deliver this unique, child-friendly mental health service providing a safe space where trust, confidence and life-skills are developed.

In 2019, sixty five W4C mentors will provide surf therapy to almost 2,000 children in South Africa and Liberia. Newly trained mentors along 20 additional vulnerable coastlines globally will increase the reach of W4C over the next 18 months.

deliver WOW

CREATE fun

passionate ABOUT WHAT WE DO

E brave MAKE A erence

Our CONTINUED COMMITMENT TO REDUCING SUGAR

The Soft Drinks Industry Levy (SDIL) was introduced in April 2018 and we are delighted with the performance of the Vimto brand during 2018, which was not impacted by the introduction of the Levy at all. The Vimto brand maintained the growth momentum from 2017 into 2018 despite the challenges presented to the soft drinks sector. All our own brands were exempt from the SDIL at the point of its introduction, which was across both of our UK routes to market.

We have reduced our sugar consumption in 2018 by another 1,104 tonnes of sugar, which represents a reduction of 27%. Average calories per litre fell by 5.7% and our No Added Sugar Vimto range was up 22% compared to the prior year. This has been a continuous commitment by the Company for the last six years to reduce sugar in our portfolio. Product development has focused solely on No Added Sugar and all of our advertising has featured only our No Added Sugar ranges.

Our PLEDGE ON PLASTICS

We are committed to having a sustainable but achievable plan surrounding the use of plastics within Nichols plc. We are working with our suppliers to improve the use of recycled PET into our packaged portfolio and currently have 31% RPET in our cordial bottles. From bottles to tetra paks, cups to straws, every piece of packaging we use or supply is 100% recyclable and we are investing in the UK recycling infrastructure by purchasing UK only Packaging Recovery Notes (PRN).

We are actively working with the British Soft Drinks Association (BSDA) to support the government in finding long-term solutions to the plastics challenge, by developing better infrastructure to support wider recycling, increasing consumer awareness of the need to recycle on the go and increasing the availability and usage of RPET in our bottles. However, we do need a holistic and system wide solution to the issue of single use plastics. In simple terms, this means better waste collection and recycling systems, awareness and education.

In summary, our work with the BSDA is on sector wide recommendations to address the concerns about plastic packaging which include:

- Finding alternative solutions to plastic for cups, lids and straws
- Reforming the PRN scheme
- Increased support for the improved infrastructure to grow local and out of home recycling
- Support the consultation around a Deposit Return Scheme
- Input proactively into the governments consultation on the proposed future ban of straws
- Increase support for consumer behavioural change campaigns
- Communicate to internal and external stakeholders

The BOARD

From left-right: Tim Croston, John Gittins, Helen Keays, Andrew Milne, Marnie Millard OBE, John Nichols.

John NICHOLS

NON-EXECUTIVE CHAIRMAN

John is the grandson of the founder of the Company and inventor of Vimto, John Noel Nichols. John joined Nichols plc in 1971 and was appointed as director in 1975. In 1986 John became the Group Managing Director, subsequently he became Executive Chairman of the Group and in 2007 he moved to Non-Executive Chairman.

John has three grown up children, two of whom also work for the Company. John spends his spare time sailing, playing golf and skiing.

Marnie MILLARD OBE

CHIEF EXECUTIVE OFFICER

Marnie joined Nichols in October 2012 as Managing Director of Vimto Soft Drinks. In May 2013 she was appointed Chief Executive Officer. Marnie has vast experience in the soft drinks industry having occupied senior roles with Macaw Soft Drinks and Refresco Limited. Marnie is Vice President of the British Soft Drinks Association and holds a non-executive directorship with Finsbury Food Group.

Marnie is married, has two children and is also a proud grandmother to Freddie and Matilda. Marnie enjoys attending concerts and relaxes by walking on the moors near her home.

Tim CROSTON

CHIEF FINANCIAL OFFICER

Tim joined the Group as Group Financial Controller in 2005. He became Finance and Operations Director of Vimto Soft Drinks in 2007 and was appointed to the plc Board as Chief Financial Officer in January 2010.

In December 2015, Tim was appointed Group Audit Chair and Non-Exec Board member in September 2017, of Riverside Housing Association, a leading provider of UK social housing. Previously, Tim held financial controller positions at Polyone Inc. and at Smith and Nephew plc. Tim has two grown up children with his wife Sue. Tim is an avid and lifelong Manchester City fan and likes to attend both home and away matches with his family.

Andrew MILNE

GROUP COMMERCIAL DIRECTOR

Andrew joined Nichols as the Commercial Director for Vimto Soft Drinks in July 2013. He was appointed to the plc Board on 1 January 2016. Andrew has extensive experience in the soft drinks industry having previously worked as Sales Director for the Northern region at Coca-Cola Enterprises and prior to that, as Trading Director at GlaxoSmithKline.

Andrew has two teenage children with his wife Debbie. Andrew is a keen Manchester United fan and spends what spare time he has either watching or playing sport.

John GITTINS

INDEPENDENT NON-EXECUTIVE DIRECTOR

John is a graduate of the London School of Economics and a chartered accountant. He was appointed to the Board of Nichols as an Independent Non-Executive Director in July 2015 and is a member of both the Audit Committee (which he chairs) and the Remuneration Committee.

John is currently NED and Audit Committee Chair of AIM listed Park Group plc and Hill Dickinson LLP and has over 20 years experience of CFO roles in companies such as Begbies Traynor Group plc, Spring Group plc and Vertex Data Science Limited. John was also previously an Independent Non-Executive Director and the Audit Committee chair of Electricity North West Limited for six years.

Helen KEAYS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Helen joined Nichols in September 2017. After a career in Consumer Marketing at organisations such as GE Capital, Sears and Vodafone, Helen has developed significant experience working as a Non-Executive Director.

She is currently SID at Dominos Pizza Group plc and the Chair of Remcom at Communisis plc. She has previously held NED roles at Majestic Wines plc, Skin Clinics and Chrysalis plc.

Helen is married with two teenage children who keep her busy watching their sports matches. In her spare time she likes to play tennis. Helen is also a Life Trustee of the Shakespeare Birthplace Trust.

Corporate GOVERNANCE STATEMENT

Chairman's introduction to governance

The Board has for many years recognised its responsibility towards good corporate goverance and I believe it contributes to our ability to deliver long-term shareholder value. During the year, the Financial Reporting Council and the Quoted Companies Alliance have both issued guidance on governance and having assessed these codes, we have aligned our approach to the latter.

In the following sections, we have outlined how we effect this code. Further detail on our approach to corporate governance can be found at www.nicholsplc.co.uk/Home/Aim26.

John Nichols
Non-Executive Chairman

The Quoted Companies Alliance Code (QCA code)

Last reviewed by the Board 26 February 2019.

Nichols plc has applied the Quoted Companies Alliance Corporate Governance Code (QCA code) to support our governance framework. The Board feel that the QCA code is appropriate for Nichols plc and indeed, the code is referred to by over half the companies listed on AIM.

Introduction

The QCA code states "good corporate governance is fundamentally about culture".

Nichols plc is very proud of its warm and inclusive culture, our team and how they go about their business, which have been fundamental to the sustained success of the Group for many years. Our culture is reflected in our values and the overarching theme of our values is 'doing the right thing'. This statement documents our approach to corporate governance and explains how our stakeholders can have the confidence that we are indeed: 'doing the right thing'.

Chair's role

Our Non-Executive Chairman is John Nichols who is the grandson of our founder, John Noel Nichols.

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

Mr Nichols is not involved in the day to day operations of Nichols plc, such responsibilities are independently managed by the Group's CEO, Mrs Marnie Millard OBE.

Non-Executive Director's role

Nichols plc has two independent Non-Executive Directors (NED's). The NED role is to provide oversight and scrutiny of the performance of the Executive Directors. The independent NED's chair the Audit and Remuneration Committees respectively.

Executive Directors

Nichols plc has three Executive Directors. The Executive Directors are responsible for managing the delivery of the business plans within the strategy set by the Board.

Compliance with the QCA code

The QCA code is constructed around ten broad principles, the following section explains how Nichols plc complies with each of the principles.

Principle	How does Nichols plc comply?
1. Establish a strategy and business model which promote long- term value for shareholders.	• The Group's strategy is set out in the Strategic Report on pages 26 to 27. • The Group's Executive Directors and senior management team have a separate forum which meets throughout the year to focus on the Group's three year rolling strategic plan. • The strategy is both challenged and endorsed by the Board. • The strategy is communicated to all staff members at corporate team briefs and separate team meetings.
2. Seek to understand and meet shareholder needs and expectations.	• The Executive Directors meet our shareholders on a number of occasions throughout the year and have open dialogue to receive feedback. • Investor roadshow meetings are undertaken at least twice a year following the preliminary and interim announcements. • Shareholders are invited to the AGM held at our head office where all Board members interact with our shareholders on a one to one basis and take questions as they arise. • Executive Directors specifically seek to meet retail investors at investor conferences and events. • The Executive Directors are available to meet shareholders on request and a number of ad-hoc meetings are held during the year. • Shareholder feedback is discussed at Board meetings.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Employees • Regular meetings take place with staff groups to share Group strategy and seek feedback. • The Company conducts a biennial staff engagement survey with current staff engagement measured at 95%. Customers • Communications with our customers is a fundamental ingredient to our success. The Nichols plc team have continuous communications with customers to understand their needs, share our plans and nurture collaborative working practice. Suppliers • Given Nichols' outsourced manufacturing model, having long-term partnerships with our suppliers and co-packers is essential. The Nichols plc Supply Chain and senior management have regular review meetings with our supplier base. Our community • The Group cares about its community, in particular Nichols plc supports Warrington Youth Club which provides facilities, opportunities and support to children in our community. Environment • Nichols plc is aware of its environmental responsibilities and whilst all its current packaging is already recyclable, the Company is working with suppliers and customers to reduce plastic waste. This will include increasing the proportions of recycled plastic which is already more than 30% in our cordial range. • In addition, Nichols plc is an active member of the British Soft Drinks Association which has reducing plastic waste high on its agenda.

Principle	How does Nichols plc comply?
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	• The Group risk register is maintained by the senior management team. • Risk is a fixed item on the management team agenda and the register is subject to a further annual review within the Strategy meeting calendar. • The Risk Register is also a fixed item on the Audit Committee agenda and used as a reference source for the internal audit plan. The internal audit function is led by individual teams within the Company. • The significant risks and related mitigation/ control are disclosed in the Strategic Review within the R&A on pages 30 to 31.
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	• The Board is led by our Non-Executive Chairman, Mr John Nichols. • The Board includes two independent Non-Executive Directors, Helen Keays and John Gittins, who both have significant experience of plc directorships. • The current Board has good gender equality with 2 female and 4 male members. • The Board currently has two sub-committees: the Audit Committee and the Remuneration Committee, which are chaired by the two Non-Executive Directors. Details of the number of meetings held and attendance by Directors is noted in the Annual Report on pages 49 and 51. • Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings. The Board met 5 times in the year. In addition, the Board held strategy days to review growth opportunities and priorities across the medium to longer term. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfill their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman, so that their contribution can be included as part of the wider Board discussion.
6. Ensure that between them the Directors have the necessary up-to date experience, skills and capabilities.	• The current Nichols plc Board has significant sector, financial and plc experience. • Between them, the Executive Directors have many decades of broad experience in the soft drinks industry. • With the support of our NOMAD and advisors, the Board training and development needs are maintained e.g. the enhanced AIM rule 26 requirements introduced in 2018. • Biographies on all Directors giving details of their experience and roles on the Board are shown on pages 42 to 43.

Principle	How does Nichols plc comply?
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	• Whilst the Board performance is considered to be good, as demonstrated by the Group's sustained success and strong record over many years, historically there has not been a formal evaluation of the Board. • Therefore, a formal Board performance evaluation has been undertaken in December 2018 and reported to the February Board. • In addition, the Remuneration Committee evaluates Executive Director performance alongside remuneration and reward. • With regards to financial performance, the auditors meet with the Audit Committee (comprising the Non-Executive Directors) biannually and beyond the audit report, do comment on the systems, procedures and efficacy of management. • A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. In terms of re-election, their performance is reconsidered prior to them being proposed, to ensure they remain effective in their role and that they retain their independence. • Re-election is considered by the shareholders at the AGM at which shareholders have the opportunity to approve or otherwise Board membership. Succession planning for the Board is an ongoing topic of discussion.
8. Promote a corporate culture that is based on ethical values and behaviours.	• As referred to in the introduction, we are proud to have developed our values with significant influence from our employees and the overarching theme is 'doing the right thing'. • Our values and culture are embodied in Nichols plc's management behaviour, our recruitment and staff development processes.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	• The Nichols plc Board meets five times a year and the Audit and Remuneration Committees meet at least two times a year. • Nichols plc has robust internal controls, delegated authorities and authorisation processes. • The controls are subject to review, both internally by individual teams within the Company and externally, by our external audit provider, BDO LLP. • A culture of challenge and continuous improvement is encouraged to ensure that controls evolve with the business. • The plc website describes the roles and terms of reference for the Committees.
10. Communicate how the Company is governed and performing by maintaining a dialogue with shareholders and other relevant stakeholders.	• Communications with shareholders are explained in point (2) above. • In addition to the interim and full year investor roadshows, regular meetings are held with analysts, retail investor groups and perspective investors. • In addition, the plc website contains information about the business activities, access to all RNS announcements and copies of the Report and Accounts. • The work of the Audit and Remuneration Committees is described on pages 48 to 51. • The plc website includes historical announcements, as well as the R&A for more than the minimum five years.

Audit COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2018.

Members of the Audit Committee

The Audit Committee consists of all three Non-Executive Directors and is chaired by myself, John Gittins. Helen Keays and I are considered independent Directors. John Nichols is not considered independent as a result of his significant shareholding and previous executive role. The Board is satisfied that I, as Chair of the Committee, have recent and relevant financial experience. I am a chartered accountant and am currently chair of the audit committees of Park Group plc and Hill Dickinson LLP.

The Audit Committee met three times during the year.

The Audit Committee's terms of reference are available on the Group's website. Its principal responsibilities include monitoring the integrity of financial reporting, internal controls and the external audit process.

Duties

During the year the Audit Committee discharged its responsibilities by:

- Approving the external auditor's plan for the audit of the Group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement, including audit fees;
- Reviewing the Group's draft financial statements and interim results statements and reviewing the external auditor's detailed reports thereon, including disposition of key audit matters and risks;
- Meeting the external auditor twice, without management, to discuss matters relating to its remit and any issues arising from its work;
- Reviewing the performance of the external auditor;
- Approving the plan of targeted internal reviews conducted by the Finance team and other professional advisors, monitoring the results of these reviews and the timely follow up of control recommendations;
- Reviewing the Group's risk management process, key risk register and risk mitigations.

Role of the External Auditor

The Audit Committee monitors the relationship with the external auditor, BDO LLP, to ensure that auditor independence and objectivity are maintained. Noting the tenure of BDO LLP (auditor since 2014), the Committee will keep under review the need for external tender. The external auditor is not engaged to perform any non-audit services, in line with the Group's policy. A summary of remuneration paid to the external auditor is provided in note 4 of the fi¬nancial statements. The Audit Committee also assesses the auditor's performance. Having reviewed the auditor's independence and performance, the Audit Committee has concluded that these are effective and recommends that BDO LLP be reappointed as the Group's auditor at the next AGM.

Audit Process

The auditor prepares an audit plan for the review of the full year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year. However, areas of significant risk and other matters of audit relevance are regularly communicated.

Internal Audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

Internal Control

The Board has overall responsibility for maintaining sound internal control systems to safeguard the investment of shareholders and the Group's assets. The systems are reviewed by the Board and, when asked, the Audit Committee and are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The key features of the internal control systems are:

- A Group organisational structure with clear lines of responsibility;
- Comprehensive business planning procedures, including annual preparation of detailed budgets for the year ahead and projections for future years;
- Comprehensive monthly financial reporting system, highlighting variances to budget and regularly updated forecasts;
- Targeted, risk lead, internal reviews by the Finance function and other professional advisors.

Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Committee is comfortable that the policy is operating effectively.

Anti-Bribery

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the policy is operating effectively.

Attendance at Audit Committee Meetings

The following table sets out the number of scheduled meetings of the Audit Committee during the year and individual attendance by members:

Audit Committee

Directors	Meetings attended
John Gittins	3
John Nichols	3
Helen Keays	2

John Gittins
Chair of the Audit Committee

26 February 2019

GOVERNANCE

Remuneration COMMITTEE REPORT

Directors' remuneration payable in year ended 31 December 2018

	Salary and fees	Benefits in kind	Bonuses payable in respect of 2018	Pension contributions	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000
P J Nichols	101	1	-	-	102	102
M J Millard	325	5	162	10	502	420
T J Croston	227	18	114	12	371	286
A Milne	212	17	105	10	344	270
J Gittins	40	-	-	-	40	32
H Keays	40	-	-	-	40	11
J Longworth (Resigned 26 April 2017)	-	-	-	-	-	7
Total	945	41	381	32	1,399	1,128

I am pleased to present this remuneration report, which sets out the remuneration policy and the remuneration paid to the Directors for the year.

Members of the Remuneration Committee

The Remuneration Committee consists of all three Non-Executive Directors and is chaired by Helen Keays, an Independent Non-Executive Director.

Duties

The Committee operates under the Group's agreed terms of reference and is responsible for reviewing all senior executive appointments and determining the Group's policy in respect of the terms of employment, including remuneration packages of Executive Directors. The Remuneration Committee met two times during the year and plans to meet at least twice a year going forward.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate and retain high quality individuals who will contribute fully to the success of the Group. To achieve this, the Group provides competitive salaries and benefits to all employees. Executive Directors' remuneration is set to create an appropriate balance between both fixed and performance-related elements. Remuneration is reviewed each year in light of the Group's business objectives. It is the Remuneration Committee's intention that remuneration should reward achievement of objectives aligned with shareholders' interests over the medium-term.

Remuneration consists of the following elements:
- Basic salary;
- Benefits;
- Performance-related annual bonus;
- Long-Term Incentive Plan; and
- Pension contribution.

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Group for the provision of Non- Executive Directors' services, which may be terminated by either party giving three months' written notice. The Non-Executive Directors' fees are determined by the Board.

Directors' Remuneration

The following table summarises the total gross remuneration of the Directors who served during the year to 31 December 2018.

The Executive Directors were eligible for an annual bonus relating to profit, strategic and personal metrics. Achieving stretch targets would have given rise to a maximum bonus of 110% of base pay. Actual performance resulted in a bonus of 69% of base pay.

The remuneration policy for 2019 will operate as follows:

Executive Directors	Basic salary/ fee £'000	Maximum bonus	Pension £'000
M J Millard	337	110%	10
T J Croston	237	110%	10
A Milne	219	75%	10
Non-Executive Directors			
P J Nichols	101	-	-
J Gittins	40	-	-
H Keays	40	-	-
Total	974	-	30

Maximum bonus opportunities for the 2019 financial year are disclosed in the table above. In 2019, the bonus will continue to be assessed against profit, strategic and personal targets. The bonus outcome will range from zero at a threshold performance, up to 110% for a stretch performance. Challenging targets have been set such that maximum award would represent outperformance to current market expectations.

The actual performance targets are not disclosed as they are considered to be commercially sensitive.

Long-Term Incentive Plans

Awards to Executive Directors under share-based Long-Term Incentive Plans are underpinned by financial performance measures. The Group has two Long-Term Incentive Plans in place as at 31 December 2018. The Non-Executive Directors are not part of the Long-Term Incentive Plans.

The proportion of the total options vesting under each plan is subject to testing against audited profit before tax for the financial years in question. The performance thresholds are not disclosed as they are considered to be commercially sensitive, but represent outperformance to current market consensus.

Attendance at Remuneration Committee Meetings

The following table sets out the number of scheduled meetings of the Remuneration Committee during the year and individual attendance by members:

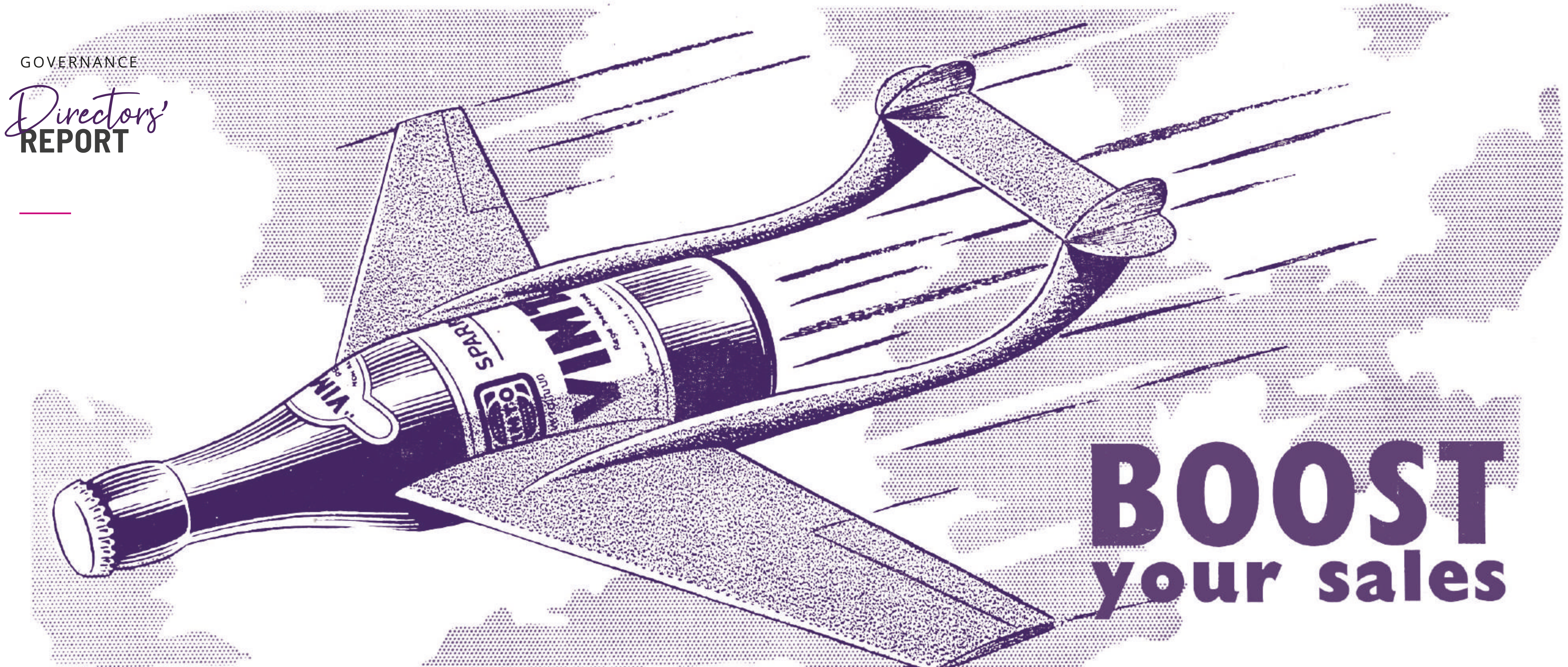
Remuneration Committee

Directors	Meetings attended
Helen Keays	2
John Nichols	2
John Gittins	2

Helen Keays
Chair of the Remuneration Committee

26 February 2019

Directors' REPORT



The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Non-Executive Directors

P J Nichols

J Gittins

H Keays

All of the above are members of the Audit and Remuneration Committees of the Board.

Executive Directors

M J Millard

T J Croston

A Milne

Financial Risk Management Objectives and Policies

Business risks and uncertainties are included within the Risk Management section on pages 30 to 31 and financial risks are set out in note 21 to the financial statements.

Employees

The Group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always fully considered bearing in mind the qualification and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment.

The management of the individual operating companies consult with employees and keep them informed on matters of current interest and concern to the business.

Political Donations

There were no political donations in either 2018 or 2017.

Share Options

The Company operates a Save As You Earn share option scheme. In conjunction with this, it makes donations to an Employee Share Ownership Trust to enable shares to be bought in the market to satisfy the demand from option holders.

Share Capital

The resolutions concerning the ability of the Board to purchase the Company's own shares and to allot shares are again being proposed at the Annual General Meeting.

In exercising its authority in respect of the purchase and cancellation of the Company's shares, the Board takes as its major criterion the effect of such purchases on future expected earnings per share. No purchase is made if the effect is likely to be deterioration in future expected earnings per share growth. During the year, the Company did not purchase any of its own shares.

The Board believes that being permitted to allot shares within the limits set out in the resolution without the delay and expense of a general meeting gives the ability to take advantage of circumstances that may arise during the year.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution will be proposed at the Annual General Meeting that BDO LLP be reappointed auditors.

Each of the Directors who are Directors at the time when this Directors' Report is approved have confirmed that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Indemnity

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

Summary of Directors' Interests in the Company

(Number of Shares)	Opening shareholding	2018 movement	Closing shareholding
P J Nichols	2,000,000	0	2,000,000
M J Millard	10,442	0	10,442
T J Croston	17,135	189	17,324
A Milne	908	757	1,665
J Gittins	1,280	0	1,280
H Keays	0	0	0

Directors' Remuneration

Bonuses which are not guaranteed are accruing to the Executive Directors and certain senior executives based on pre-determined performance targets. The Remuneration Committee have considered it appropriate to issue awards under Long-Term Incentive Plans (LTIPs) relating to growth in operating profit before exceptional items. The LTIPs will be equity settled and are being accounted for through other reserves.

Total bonuses paid to the three Executive Directors during the year were £147,000. All bonuses were accrued for at 31 December 2017.

There are currently two LTIPs in place. The first runs from 1 January 2017 to 31 December 2019 and the second runs from 1 January 2018 to 31 December 2020. The remuneration level at grant for both LTIPs was linked to a theoretical number of shares equivalent in value to no more than twelve months salary for each year of the incentive scheme.

The Group has provided for a potential bonus of £489,891 under the first LTIP and £52,187 under the second LTIP through other reserves for the Executive Directors as at 31 December 2018. This is based on performance against Profit Before Tax growth targets.

P J Nichols is a member of the final salary pension scheme and M J Millard, T J Croston and A Milne have a personal pension plan. The Company contributions to the respective schemes are shown in the Remuneration Committee Report on pages 50 to 51.

A summary of Directors' interests in the Company are shown in the table above. All figures above relate to shares owned outright.

By order of the board

Tim Croston
Secretary

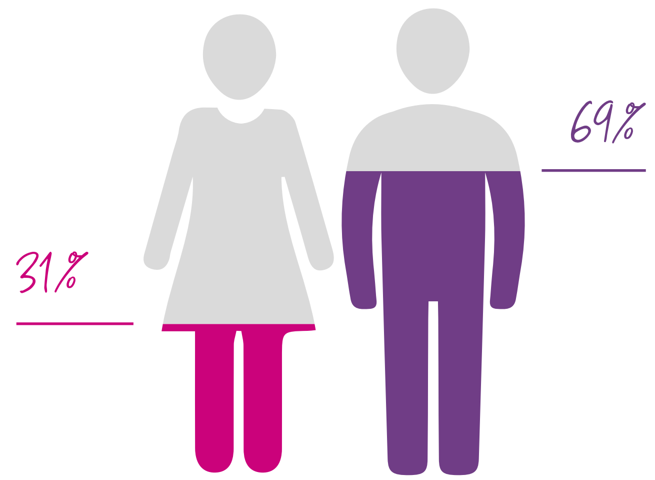
26 February 2019

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

Registered in England and Wales No. 238303.

Gender PAY GAP REPORT *2018*

NICHOLS PLC IS PLEASED TO PRESENT ITS GENDER PAY GAP REPORTING RESULTS AS OF 5 APRIL 2018.

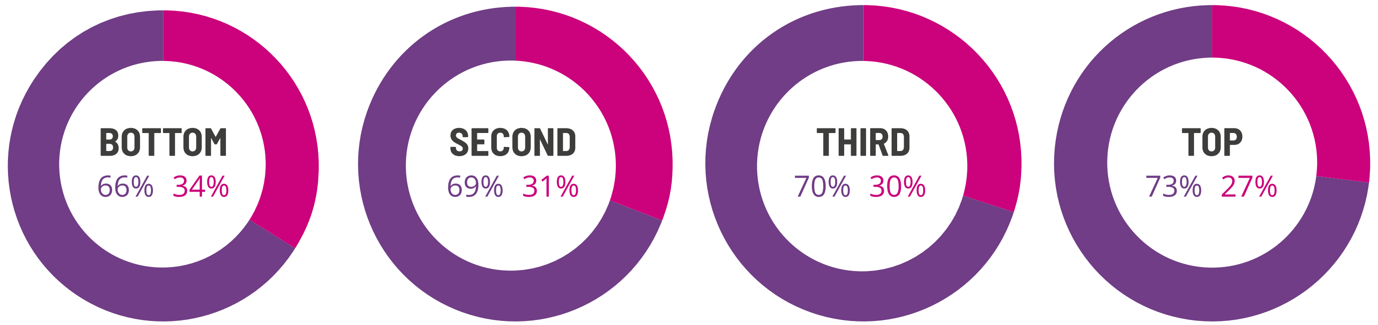


% EMPLOYEES SPLIT BY GENDER

Our Out of Home technical, distribution and manufacturing functions traditionally have attracted a higher % of male employees, however, we are delighted to see females in our regional sales operatives' roles.

PROPORTION OF *Males* & *Females* IN EACH PAY QUARTILE

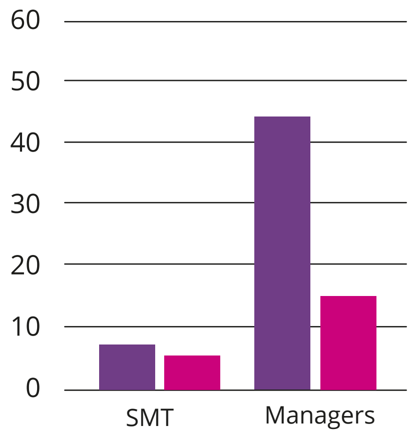
● MALE ● FEMALE



The review of the pay per quartile, based on hourly pay, is a reflection of the workforce. There has been significant growth in the Out of Home area of the business during the year, which as previously recognised, has a traditionally larger proportion of male employees. Our talent attraction strategies are designed to recruit the best individuals for roles providing equalilty of opportunity for all.

PROPORTION OF MALES & FEMALES WITHIN SENIOR MANAGEMENT TEAM & MANAGERS WITHIN THE GROUP.

● MALE ● FEMALE

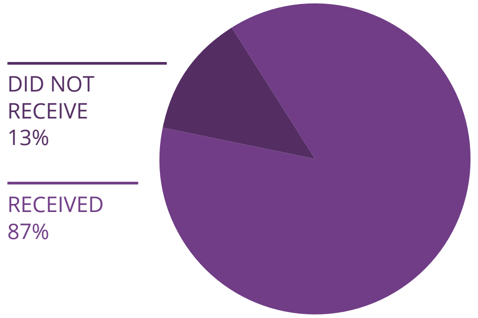


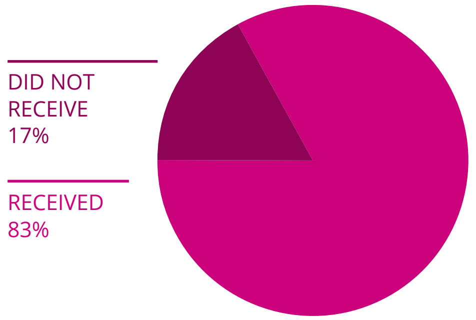
The structure of our Senior Management Team (SMT) remains consistent with a 7:5 male:female ratio and our CEO is female. The split of male/ female managers across the Group is indicative of the distribution and technical aspect of our Out of Home route to market.

PROPORTION OF MALES AND FEMALES RECEIVING A BONUS PAYMENT

Every employee has the potential to earn a bonus, which is linked to Group performance and personal objectives.

Employees in service with the Group as at the end of the calender year are eligible to receive a bonus in the following March.





● MALE ● FEMALE

HOURLY PAY*

MEAN
0%

MEDIAN
4%

BONUS*

MEAN
-4%

MEDIAN
-65%

*Variance in male pay to female pay.

Independent AUDITOR'S REPORT

Independent Auditor's report to the members of Nichols plc

Opinion

We have audited the financial statements of Nichols plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Parent Company statement of financial position, the consolidated and Parent Company statement of cash flows, the Group and Parent Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Brand Support Arrangements	How We Addressed the Key Audit Matter in the Audit
As disclosed in Note 2 (accounting policies) the Group incurs significant costs in the support and development of the Group's brands. The classification of these costs within the income statement is dependent upon the type of arrangement with the customer. As the majority of these costs are recognised as a deduction to revenue we consider there to be a significant risk concerning the appropriate application of accounting standards, particularly in respect of the Group's measurement of the fair value of variable consideration in revenue transactions as well as the Group's accounting for arrangements where cash consideration is given by the Group to the customer. Further, whilst the majority of costs incurred on these arrangements have been settled at 31 December 2018, management judgement is required in determining the level of closing accrual required at the year end for promotions and brand support campaigns that either span two financial years or where the costs have not been fully settled by the year end date. In accordance with the auditing standards and in view of the judgements involved above, as well as management being in a position to be able to override controls, we have presumed a risk of fraud within this area.	We undertook the following audit procedures in relation to brand support arrangements: • We tested the operating effectiveness of controls over the calculation and application of brand support arrangements. • We performed detailed testing over a sample of brand support arrangements charged to revenue and to costs in the year through verification to agreement and recalculation of the amounts recognised as a cost and the value of liability accrued; • We assessed whether the accounting policy for brand support arrangements complies with IFRS 15, has been appropriately applied and that the classification of charges in the income statement is appropriate; • To address the fraud risk, we performed detailed cut-off testing to verify that brand support arrangements are recorded in the correct period and reviewed manual journal postings throughout the year; • We selected a sample of post year end credit notes and checked that, where audit evidence demonstrated that the credit note related to the audit period, that these credit notes were appropriately provided for in the financial statements; and • We reviewed the year end liability for completeness and accuracy by reviewing arrangements in place for key customers and generating an expectation as to the year end liability. Our work included checking that the ageing of the liabilities is correct.

Pension Scheme Assumptions	How We Addressed the Key Audit Matter in the Audit
We consider there to be a significant risk concerning the appropriateness of the actuarial assumptions applied in calculating the Group's defined benefit pension scheme liability of £2.8m (2017: £2.9m) as shown in Note 26. The valuation of the Group's pension scheme liability is dependent on market conditions and key assumptions made, in particular relating to investment markets, discount rate, inflation expectations and life expectancy assumptions, as described in the Group's accounting policies. In addition, on 26 October 2018 The High Court ruled that benefits arising from Guaranteed Minimum Pensions (GMP) should be equalised. The judgement sets out a clear obligation on trustees to ensure that there is equality in the pension benefits provided to men and women in a contracted out salary related occupational pension scheme for service between 17 May 1990 and 5 April 1997. Management, in conjunction with their actuarial experts, has exercised judgement in the assessment of the impact of this ruling on the valuation of the Group's defined benefit pension scheme liability at the year end. The setting of assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. The relative sensitivities of any changes in assumptions are disclosed in Note 26.	We have assessed the appropriateness of the assumptions underpinning the valuation of the scheme liabilities, including the effect of GMP equalisation. Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using our auditor engaged pension specialists to benchmark the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position. With regards to the effect of GMP equalisation, which individually has not materially affected the valuation of the pension liability, in conjunction with our pensions specialist we have: • considered the expert advice received by management, comparing key assumptions and the calculation of the additional liability to the work of our pensions specialist; • reviewed management's approach in calculating the impact of the ruling, • recalculated the potential impact based on the information provided; and • performed a sensitivity analysis of the key assumptions. We tested the membership data utilised in the valuation of the schemes to source data to assess whether the basis of the valuation was appropriate. Furthermore, we assessed the disclosure of the pension scheme assumptions in the financial statements against the requirements of the accounting standards.

Our application of materiality

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1,500,000 (2017: £1,400,000)
Basis for materiality	3 year average basis utilising 5% of Profit Before Tax.
Rationale for the benchmark adopted	Pre-tax profit is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance used by shareholders.

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £1,125,000 (2017: £1,050,000), representing 75% of materiality.

Materiality in respect of the audit of the Parent Company has been set at £950,000 (2017: £925,000) using a benchmark of 5% of Profit Before Tax on a 3 year average basis (2017: 5% of Profit Before Tax on a 3 year average basis, after adjusting for exceptional items). Performance materiality for the Parent Company has been set at £712,000 (2017: £690,000) which represents 75% of Parent Company materiality.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of £30,000 (2017: £28,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group manages its operations from two principal locations in the UK and has common financial systems, processes and controls covering all significant components. The audit of all significant components was performed by the same audit team.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components of the Group, we determined that two components represented the principal business units within the Group.

For these two components, we performed an audit of the complete financial information. For the remaining two components, we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile.

As a consequence of the audit scope determined, we achieved coverage of approximately 98% (2017: 96%) of revenue, 99% (2017: 97%) of Profit Before Tax and 99% (2017: 99%) of net assets.

Our audit work on each component was executed at levels of materiality applicable to each individual entity which was lower than Group materiality. Component materiality ranged from £400,000 to £900,000 (2017: £800,000 to £900,000).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Julien Rye
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor, Manchester, UK
26 February 2019

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

FINANCIAL STATEMENTS

Our ADVISORS

Auditors

BDO LLP,
3 Hardman Street,
Spinningfields,
Manchester,
M3 3EB.

Bankers

The Royal Bank of Scotland PLC,
1 Spinningfields Square,
Manchester,
M3 3AP.

Solicitors

DLA Piper,
101 Barbirolli Square,
Manchester,
M2 3DL.

Stockbrokers & Nominated Advisor

N+1 Singer Advisory LLP,
West One Wellington Street,
Leeds,
LS1 1BA.

Financial Advisors

N M Rothschild & Sons Limited,
82 Kings Street,
Manchester,
M2 4WQ.

Registrars

Link Asset Services,
34 Beckenham Road,
Beckenham,
Kent,
BR3 4TU.

Registered Office

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

Registered Number

238303.

CONSOLIDATED INCOME STATEMENT-YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	Before exceptional items £'000	Exceptional items £'000	2017 £'000
Revenue	3	**142,037**	132,789	0	132,789
Cost of sales		**(77,170)**	(72,166)	0	(72,166)
Gross profit		**64,867**	60,623	0	60,623
Distribution expenses		**(7,236)**	(5,938)	0	(5,938)
Administrative expenses		**(25,993)**	(24,142)	(1,801)	(25,943)
Operating profit	4	**31,638**	30,543	(1,801)	28,742
Finance income	5	**192**	134	0	134
Finance expense	5	**(77)**	(154)	0	(154)
Profit before taxation		**31,753**	30,523	(1,801)	28,722
Taxation	7	**(6,238)**	(5,548)	0	(5,548)
Profit for the financial year		**25,515**	24,975	(1,801)	23,174
Earnings per share (basic)	9	**69.23p**			62.88p
Earnings per share (diluted)	9	**69.19p**			62.81p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-YEAR ENDED 31 DECEMBER 2018

	2018 £'000	2017 £'000
Profit for the financial year	**25,515**	23,174
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	**(412)**	1,140
Deferred taxation on pension obligations and employee benefits (see note 14)	**(44)**	(113)
Other comprehensive (expense)/ income for the year	**(456)**	1,027
Total comprehensive income for the year	**25,059**	24,201

STATEMENT OF FINANCIAL POSITION-YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Parent 2018 £'000	Parent 2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	**14,572**	12,059	**4,430**	4,145
Goodwill	11	**34,451**	30,666	**2,504**	2,504
Investments	12	**0**	0	**16,566**	16,566
Intangibles	13	**7,748**	7,993	**1,316**	1,316
Deferred tax assets	14	**835**	1,065	**835**	1,065
Total non-current assets		**57,606**	51,783	**25,651**	25,596
Current assets					
Inventories	15	**7,164**	4,815	**3,894**	2,342
Trade and other receivables	16	**38,153**	34,740	**35,239**	31,742
Cash and cash equivalents	20	**38,896**	36,058	**20,070**	15,422
Total current assets		**84,213**	75,613	**59,203**	49,506
Total assets		**141,819**	127,396	**84,854**	75,102
Liabilities					
Current liabilities					
Trade and other payables	17	**22,339**	21,031	**22,248**	14,955
Current tax liabilities	17	**2,814**	2,536	**391**	232
Total current liabilities		**25,153**	23,567	**22,639**	15,187
Non-current liabilities					
Pension obligations and employee benefits	26	**2,755**	2,921	**2,755**	2,921
Deferred tax liabilities	14	**1,801**	1,586	**0**	0
Total non-current liabilities		**4,556**	4,507	**2,755**	2,921
Total liabilities		**29,709**	28,074	**25,394**	18,108
Net assets		**112,110**	99,322	**59,460**	56,994
Equity					
Share capital	18	**3,697**	3,697	**3,697**	3,697
Share premium reserve		**3,255**	3,255	**3,255**	3,255
Capital redemption reserve		**1,209**	1,209	**1,209**	1,209
Other reserves		**666**	134	**1,441**	909
Retained earnings		**103,283**	91,027	**49,858**	47,924
Total equity		**112,110**	99,322	**59,460**	56,994

The Parent Company reported a profit for the year ended 31 December 2018 of £15,193,000 (2017: £14,080,000).

The financial statements on pages 64 to 96 were approved by the Board of Directors on 26 February 2019 and were signed on its behalf by:

P J Nichols
Chairman

Registered number 238303.

CONSOLIDATED STATEMENT OF CASH FLOWS-YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Profit for the financial year			**25,515**		23,174
Adjustments for:					
Depreciation and amortisation		**2,179**		1,175	
Loss on sale of property, plant and equipment		**127**		40	
Finance income	5	**(192)**		(134)	
Finance expense	5	**77**		154	
Tax expense recognised in the income statement		**6,238**		5,548	
Change in inventories		**(2,274)**		1,878	
Change in trade and other receivables		**(3,347)**		(4,675)	
Change in trade and other payables		**1,197**		(1,810)	
Change in pension obligations and employee benefits		**(578)**		(2,334)	
			3,427		(158)
Cash generated from operating activities			**28,942**		23,016
Tax paid			**(5,679)**		(5,274)
Net cash generated from operating activities			**23,263**		17,742
Cash flows from investing activities					
Finance income		**192**		134	
Proceeds from sale of property, plant and equipment		**0**		4	
Acquisition of property, plant and equipment		**(3,857)**		(3,795)	
Acquisition of trade and assets		**(143)**		0	
Acquisition of subsidiary		**(3,814)**		(6,568)	
Net cash used in investing activities			**(7,622)**		(10,225)
Cash flows from financing activities					
Dividends paid	8	**(12,803)**		(11,213)	
Net cash used in financing activities			**(12,803)**		(11,213)
Net increase/ (decrease) in cash and cash equivalents			**2,838**		(3,696)
Cash and cash equivalents at 1 January			**36,058**		39,754
Cash and cash equivalents at 31 December	20		**38,896**		36,058

PARENT COMPANY STATEMENT OF CASH FLOWS-YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Profit for the financial year			**15,193**		14,080
Adjustments for:					
Depreciation		**359**		347	
Loss on sale of property, plant and equipment		**19**		0	
Finance income		**(192)**		(134)	
Finance expense		**59**		154	
Tax expense recognised in the income statement		**3,629**		3,407	
Change in inventories		**(1,552)**		1,571	
Change in trade and other receivables		**(3,495)**		(6,721)	
Change in trade and other payables		**7,766**		(5,840)	
Change in pension obligations and employee benefits		**(578)**		(2,334)	
			6,015		(9,550)
Cash generated from operating activities			**21,208**		4,530
Tax paid			**(3,286)**		(3,275)
Net cash generated from operating activities			**17,922**		1,255
Cash flows from investing activities					
Finance income		**192**		134	
Acquisition of property, plant and equipment		**(663)**		(522)	
Net cash used in investing activities			**(471)**		(388)
Cash flows from financing activities					
Dividends paid	8	**(12,803)**		(11,213)	
Net cash used in financing activities			**(12,803)**		(11,213)
Net increase/ (decrease) in cash and cash equivalents			**4,648**		(10,346)
Cash and cash equivalents at 1 January			**15,422**		25,768
Cash and cash equivalents at 31 December	20		**20,070**		15,422

Group

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	**3,697**	**3,255**	**1,209**	**(358)**	**78,165**	**85,968**
Dividends	0	0	0	0	(11,213)	(11,213)
Movement in ESOT	0	0	0	192	(126)	66
Credit to equity for equity-settled share based payments	0	0	0	300	0	300
Transactions with owners	**0**	**0**	**0**	**492**	**(11,339)**	**(10,847)**
Profit for the year	0	0	0	0	23,174	23,174
Other comprehensive income	0	0	0	0	1,027	1,027
Total comprehensive income	**0**	**0**	**0**	**0**	**24,201**	**24,201**
At 1 January 2018	**3,697**	**3,255**	**1,209**	**134**	**91,027**	**99,322**
Dividends	0	0	0	0	(12,803)	(12,803)
Movement in ESOT	0	0	0	23	0	23
Credit to equity for equity-settled share based payments	0	0	0	509	0	509
Transactions with owners	**0**	**0**	**0**	**532**	**(12,803)**	**(12,271)**
Profit for the year	0	0	0	0	25,515	25,515
Other comprehensive expense	0	0	0	0	(456)	(456)
Total comprehensive income	**0**	**0**	**0**	**0**	**25,059**	**25,059**
At 31 December 2018	**3,697**	**3,255**	**1,209**	**666**	**103,283**	**112,110**

Parent

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	**3,697**	**3,255**	**1,209**	**417**	**44,156**	**52,734**
Dividends	0	0	0	0	(11,213)	(11,213)
Movement in ESOT	0	0	0	192	(126)	66
Credit to equity for equity-settled share based payments	0	0	0	300	0	300
Transactions with owners	**0**	**0**	**0**	**492**	**(11,339)**	**(10,847)**
Profit for the year	0	0	0	0	14,080	14,080
Other comprehensive income	0	0	0	0	1,027	1,027
Total comprehensive income	**0**	**0**	**0**	**0**	**15,107**	**15,107**
At 1 January 2018	**3,697**	**3,255**	**1,209**	**909**	**47,924**	**56,994**
Dividends	0	0	0	0	(12,803)	(12,803)
Movement in ESOT	0	0	0	23	0	23
Credit to equity for equity-settled share based payments	0	0	0	509	0	509
Transactions with owners	**0**	**0**	**0**	**532**	**(12,803)**	**(12,271)**
Profit for the year	0	0	0	0	15,193	15,193
Other comprehensive expense	0	0	0	0	(456)	(456)
Total comprehensive income	**0**	**0**	**0**	**0**	**14,737**	**14,737**
At 31 December 2018	**3,697**	**3,255**	**1,209**	**1,441**	**49,858**	**59,460**

1. Reporting entity

Nichols plc (the "Company") is a company incorporated and domiciled in the United Kingdom, listed on the Alternative Investment Market. The address of the Company's registered office is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the supply of soft drinks to the retail, wholesale, catering, licensed and leisure industries.

2. Accounting policies

Basis of preparation

The consolidated and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Companies Act 2006 as applicable to companies reporting under IFRS.

The accounting policies have been applied consistently by the Group, with the exception of the adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments*, from 1 January 2018 without restating comparatives.

With effect from 1 January 2018, the Group has applied IFRS 15, *Revenue from Contracts with Customers*. The Group decided not to early adopt this standard. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards.

The cumulative effect method of adoption has been used, with 2017 comparatives not being restated. The adoption of IFRS 15 has had no material effect on transition and is not expected to materially alter revenue recognition patterns going forward.

As a manufacturer and distributor, the Group earns its revenues from the sale of goods rather than services. The Group sells those goods to specific orders. The Group recognises revenue at a point in time, typically on despatch of the goods to customers' premises for UK sales or, for International sales, upon loading the goods onto the relevant carrier. On transition, there is no material impact as the point at which control of the goods passes has been determined to be the same point risks and rewards passed under IAS 18.

Although the majority of the Group's contracts with customers are not complex, with revenue being fixed for a specific quantity of goods, the Group has identified a number of contracts in which customers are given volume rebates and/or other promotional rebates based on quantities purchased over a contractually agreed period of time. Previously, under IAS 18, management made its best estimate of any rebates it would have to give based on the information available. Under IFRS 15, revenue that varies due to rebates or brand support costs is only recognised to the extent that it is highly probable that a significant reversal of that revenue will not occur at the end of the rebate assessment period. In practice, the amounts of revenue recognised under IAS 18 and IFRS 15 in this respect are not materially different.

As disclosed in the 'uses of estimates and judgements' accounting policy below, based on the timing of the agreements entered into with customers, the level of estimation in the year end accrual is insignificant, and as such there is not considered to have been a significant impact on deductions to revenue under IFRS15 as a result of rebate or brand support arrangements.

With effect from 1 January 2018, the Group has applied IFRS 9, *Financial Instruments*. The Group decided not to early adopt this standard and there has been no requirement to restate comparatives.

An income statement is not provided for the Parent Company as permitted by Section 408 of the Companies Act 2006.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Carrying value of brand support accruals

The Group incurs significant costs in the support and development of the Group's brands. The majority of costs incurred on these arrangements have been settled at 31 December 2018, however certain judgement is required in determining the level of closing accrual required at a year end for promotions and brand support campaigns that either span two financial years or where the costs have not been fully settled by the year end date. Brand support costs include sales related discounts which are included within revenue, as disclosed in the revenue recognition policy below, as well as cash consideration payable to customers. Based on the timing of the agreements entered into with customers in the year, the level of estimation in the year end accrual is insignificant.

In particular, promotion campaigns with customers take place over short time frames, with volume and sales forecasts during the campaign benchmarked against prior experience and reviewed with the customer in advance of the promotion. During the promotion the systems and processes within the business allow the Directors to monitor the level of the estimate against actual spend during the promotion, such that any judgement taken at the year end is not significant across the promotional timeframe. In respect of brand support campaigns, management has well established joint business arrangements in place with customers, and again the systems and processes allow management to have full visibility of activity levels on these plans, allowing estimates to be made with a strong degree of certainty at the year end. There has not been any evidence of eventual settlements of liabilities in respect of the above being significantly different to that being accrued.

Intangible assets with indefinite lives

In the opinion of the Directors, the industry in which the Group operates is stable and there are relatively high barriers to entry. The brands acquired are well established in their respective sales channels and both have an important role to play in all of the Group's routes to market. The brands are also well positioned to mitigate against the impact of recent sugar levy legislation introduced.

The Directors have therefore made a judgement that certain intangible assets relating to brands have indefinite lives. It is expected that these brands will be held and supported for an indefinite period of time and are expected to generate economic benefits. The Group is committed to supporting its brands and invests in significant consumer marketing promotional spend.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 11).

The carrying amount of goodwill at the reporting date was £34.5 million (2017: £30.7 million).

The carrying amount of brands with indefinite lives was £3.9m (2017: £3.9m).

Customer list intangible assets have finite lives assigned. Such assets are tested for impairment if an impairment indicator exists. No risks are noted at 31 December 2018.

Defined benefit obligations

For the Group's defined benefit plan, the main assumptions used by the actuary are mortality rates, the discount rate and the expected rate of inflation (see note 26).

Basis of consolidation and goodwill

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2018. Subsidiaries are entities controlled by the Group. Control exists if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with Group accounting policies.

Goodwill is stated after separating out identifiable assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

In calculating goodwill, the fair value of consideration has been calculated using the cash consideration plus the Directors' best estimate of contingent consideration at the acquisition date.

Revenue recognition

Revenue from the sale of goods is based on the price specified in the contract, being the invoice price less any agreed discounts or rebates and excluding VAT and after the deduction of certain promotional and brand support costs invoiced by customers.

Revenue is recognised when control of the goods have been transferred to the buyer. Payment terms vary by customer but never exceed 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Transfer of control varies depending on the individual term of the contract of sale. For sales in the UK, transfer of control occurs when the product is despatched to the customer. However, for some international shipments, transfer of control occurs either upon loading the goods onto the relevant carrier or when the goods have arrived in the overseas port. The point of transfer for international shipments is dictated by the terms of each sale.

With regards to discounts, rebates, promotional costs and brand support costs, consideration is given as to whether a distinct good or service has been received from the goods sold to the customer. Where the payments do not result in the receipt of a distinct good or service, they are treated as a deduction from revenue. However when they do, they are recorded as an expense and recognised in administrative expenses.

For discounts, rebates, promotional costs and brand support costs, accumulated experience is used to estimate and provide for these using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The statement of financial position includes accruals for claims yet to be received for discounts, rebates and promotional costs.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. In line with market research and data made available by Nielsen, which documents industry performance in respect of Stills and Carbonates, management identify both Stills and Carbonates as operating segments where operating results are reviewed regularly by the Board (as chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment reporting for the Group is made to the gross profit level for the operating segments but no segment reporting is made for further expenditure or for the assets and liabilities of the Group. The assets and liabilities of the Group are reported as Group totals and no reporting of these balances is recorded at a segment level. As a result, all of the Group's assets and liabilities are unallocated items and no reconciliation of segment assets to the Group's total assets is prepared.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2018

those at which they were initially recorded are recognised in the consolidated income statement in the period in which they arise.

Exceptional items

The Group has adopted an accounting policy that seeks to highlight significant exceptional items of income and expense within Group results for the year. Exceptional items are those considered to be of such significance, by either nature or scale, that separate disclosure is required in the financial statements in order to provide a better understanding of the Group's trading performance (see note 4).

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income/ (expense), in which case it is recognised in other comprehensive income/ (expense).

Current tax

Current tax is the expected tax payable on the taxable income for the year, using rates which are enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet liability method, with no discounting, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, provided they are enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands acquired separately through a business combination are assessed at the date of acquisition as to whether they have an indefinite life. The assessment includes whether the brand name will continue to trade and the expected lifetime of the brand. All brands acquired to date have been assessed as having an indefinite life as they are expected to continue to contribute to the long-term future of the Group. The brands are reviewed annually for impairment, being carried at cost less accumulated impairment charges. The fair value of a brand at the date of acquisition is based on the Relief from Royalties method, which is a valuation model based on discounted cash flows.

Customer lists

Customer lists acquired in a business combination are recognised at fair value at the acquisition date. They are amortised over the useful economic life identified at the date of acquisition with amortisation charges included within administrative expenses.

Reserves

Share capital represents the nominal value of equity shares.

Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares.

Capital redemption reserve represents the reserve created upon redemption of shares.

Other reserves incorporate purchase of own shares, movements in the Group's ESOT and equity settled share-based payments in respect of Long-Term Incentive Plans.

Retained earnings represents retained earnings.

Impairment

The carrying values of the Group's non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. All property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the cost of capital that reflects the current market assessments of the time value of money and the risks specific to the cash-generating unit. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses are recognised in the income statement.

Goodwill and intangible assets with indefinite lives are reviewed for impairment annually.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis to write down the cost less estimated residual value on property, plant and equipment over their estimated useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Plant, machinery, fixtures and fittings	3-10 years
Buildings	50 years

Material residual value estimates and useful economic lives are updated at least annually.

Land is not depreciated.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Financial instruments

IFRS 9 has impacted the way in which the Group accounts for certain financial assets and liabilities. The standard has introduced an expected credit loss model when assessing impairment of financial assets. The Group has applied the simplified model to recognise expected lifetime losses on its trade receivables.

Notwithstanding the high value of trade receivables, the application of IFRS 9 and the expected credit loss impairment model has not had a material effect on the Group, due to the fact that the Group's customers are primarily major supermarkets and bad debts within this population are rare historically and no change to this position is expected.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9, the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). IFRS 9 has had no effect on the classification of financial instruments held by the Group.

Financial assets

The Group's financial assets comprise primarily cash, bank deposits and trade receivables that arise from its business operations. Financial assets are a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A provision for impairment is calculated using an expected credit loss impairment model. Under this impairment model approach under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date.

Trade receivables are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise deposits with banks and bank and cash balances.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

Financial liabilities

The Group's financial liabilities comprise trade and other payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instruments. Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Contingent consideration

Contingent consideration represents the Group's best estimate of the fair value of amounts payable based on the likelihood of future events occurring.

Changes in fair value of contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. Contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recorded in profit or loss.

Leased assets

Operating leases and the payments are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

Defined contribution plan

The Group pays fixed contributions into independent entities in relation to plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Defined benefit plan

Under the Group's defined benefit plan, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on the standard rates of inflation, salary growth and mortality. Discount factors are determined close to each year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on

the net defined benefit liability is included in finance costs. Remeasurement of the DBO, comprising actuarial gains and losses and the return on scheme assets (excluding interest), are recognised in the statement of other comprehensive income in the year in which they arise.

Share-based payment transactions

The Group operates two equity settled share-based payment schemes; a Save As You Earn scheme open to all employees and a Long-Term Incentive Plan for certain Directors and senior executives. Both schemes comprise the grant of options under the Group's share option schemes.

The Group recognises an expense to the income statement representing the fair value of outstanding equity settled share-based payment awards to employees which have not vested as at 1 January 2018 for the year ending 31 December 2018.

Those fair values are charged to the income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels. The Group calculates the fair market value of the options as being based on the market value of a company's share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

The total amount to be expensed over the vesting period is determined with reference to the fair value of options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options expected to vest. At each reporting date the Group revises its estimate of the number of options expected to vest.

It recognises the impact of revisions to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transactions costs, are managed by the ESOT, therefore there is no impact on share capital and share premium when the options are exercised.

No further disclosures have been provided due to the immateriality of the schemes above.

Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for potential costs of a legal claim is recognised when management have considered the merits of the claim and taken appropriate legal advice as to the outcome of the litigation.

Contingent assets

An asset is recognised where it is possible that, as a result of a past event, the Group has a right to an inflow of benefits, whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Finance income

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

Employee Share Ownership Trust

The assets and liabilities of the Employee Share Ownership Trust (ESOT) have been included in the consolidated financial statements.

The costs of purchasing own shares held by the ESOT are shown as a deduction against equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated income statement.

Investments in subsidiaries

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

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

IFRS 16, Leases

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Annual Improvements to IFRSs (2015-2017 Cycle)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3 Business Combinations – Definition of a Business

Definition of Material - Amendments to IAS 1 and IAS 8

The Directors are currently considering the potential impact of adoption of these standards and interpretations in future periods on the consolidated financial statements of the Group.

The new IFRS 16 standard provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities on the balance sheet for all applicable leases, with effect from 1 January 2019.

As at the reporting date, the Group has non-cancellable operating lease commitments of £3.0m (see note 24), the vast majority of which relate to property leases for operational sites. The Group intends to apply the modified retrospective transition approach to its leases with effect from 1 January 2019, whereby the asset and liability values recognised are equal to one another. The Group has assessed that the impact of the standard on these leases will materially affect the consolidated financial statements through an increase in property, plant and equipment with a corresponding increase in liabilities, as all applicable leases are brought onto the statement of financial position. In addition, there will be an increase in depreciation and finance costs offset by a decrease in rental costs, resulting in no material impact on Profit Before Tax.

3. Segmental information

a. Key operating segments

The Board 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 Board considers the business from a product perspective and reviews the Group on the operating segments identified below. There has been no change to the segments during the year. 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.

	Revenue		**Gross Profit**	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Still	**64,683**	64,139	**35,398**	35,168
Carbonate	**77,354**	68,650	**29,469**	25,455
Total	**142,037**	132,789	**64,867**	60,623

There are no sales between the two operating segments, and all revenue is earned from external customers.

The operating segments gross profit is reconciled to profit before taxation as per the consolidated income statement.

The Group's overheads are managed centrally by the Board and consequently there is no reconciliation to profit before tax at a segmental level.

The Group's assets are managed centrally by the Board and consequently there is no reconciliation between the Group's assets per the statement of financial position and the segment assets.

	2018 £'000	2017 £'000
Capital Expenditure	**3,857**	3,940
Depreciation	**1,654**	1,018

b. Reporting by geographic area

Revenue by geographic destination

	2018 £'000	**2018 %**	2017 £'000	2017 %
Middle East	**9,590**	**6.8**	13,035	9.8
Africa	**13,557**	**9.5**	12,724	9.6
Rest of the World	**4,271**	**3.0**	5,290	4.0
Total exports	**27,418**	**19.3**	31,049	23.4
United Kingdom	**114,619**	**80.7**	101,740	76.6
	142,037	**100.0**	132,789	100.0

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

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

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

No individual customer accounts for 10% or more of the Group's revenue in either 2018 or 2017.

Total assets

The assets of the Group at 31 December 2018 and 31 December 2017 are entirely located within the United Kingdom.

Capital expenditure

The capital expenditure of the Group for the years ended 31 December 2018 and 31 December 2017 was entirely made within the United Kingdom.

Depreciation

The Group's depreciation charges for the years ended 31 December 2018 and 31 December 2017 are against property, plant and equipment all retained within the United Kingdom.

4. Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging/ (crediting):		
Inventory amounts charged to cost of sales	**77,170**	72,166
BDO LLP remuneration:		
Audit services of the Company's annual accounts	**61**	57
Depreciation of property, plant and equipment	**1,654**	1,018
Operating lease rentals payments	**1,033**	713
Awards under Incentive Plan	**559**	300
(Gain)/ loss on foreign exchange differences	**(523)**	405
Loss on sale of property, plant and equipment	**41**	40
Amortisation of intangible assets	**525**	157

The Group incurred a number of costs during 2017 which by their nature were non-recurring and were reported as exceptional items within administrative expenses. These costs fell into three categories: merger and acquisition expenses (£0.3m), restructuring costs (£1.3m), which represented redundancies of £0.6m, all of which were communicated to those employees impacted prior to the year end date, as well as costs incurred in respect of the exit from an operating site in the Out of Home division – principally related to onerous lease costs of £0.6m and other costs of £0.1m. Further costs were incurred in preparation for the introduction of the Soft Drinks Industry Levy (£0.2m).

5. Finance income and expense

	Notes	**2018 £'000**	2017 £'000
Finance income comprises:			
Bank interest receivable		**192**	134
Finance income		**192**	134
Finance expense comprises:			
Net interest income on defined benefit pension scheme assets	26	**(655)**	(600)
Interest on defined benefit pension scheme obligations	26	**714**	754
Bank interest payable		**18**	0
Finance expense		**77**	154

6. Directors and employees

a. Average number of persons employed during the year, including Directors:	2018 Number	2017 Number
Group	**286**	242
Parent Company	**202**	197

b. Group employment costs were as follows:	2018 £'000	2017 £'000
Wages and salaries	**11,431**	9,495
Social security costs	**1,540**	1,183
Pension costs - defined contribution scheme	**463**	410
Pension costs - defined benefit scheme (see note 26)	**44**	41
Accrued under Incentive Plan	**509**	300
	13,987	11,429

c. Parent Company employment costs were as follows:	2018 £'000	2017 £'000
Wages and salaries	**10,781**	8,930
Social security costs	**1,463**	1,124
Pension costs - defined contribution scheme	**455**	410
Pension costs - defined benefit scheme (see note 26)	**44**	41
Accrued under Incentive Plan	**509**	300
	13,252	10,805

Group and Parent Company key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on page 53.

	2018 £'000	2017 £'000
Wages and salaries	**1,394**	1,089
Pension costs	**32**	39
Accrued under Incentive Plan	**306**	236
	1,732	1,364

The highest paid Director has received £503,000 (2017: £406,000) excluding pension contributions.

Benefits are accruing to 3 Directors (2017: 3 Directors) under a defined contribution scheme, the highest paid Director has received contributions of £10,000 in the year.

Further information regarding Directors' remuneration and the Incentive Plan is provided in the Remuneration Committee Report on pages 50 to 51.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2018

7. Taxation

a. Analysis of expense recognised in the consolidated income statement	2018 £'000	2017 £'000
Current taxation:		
UK Corporation Tax on income for the year	**5,998**	5,257
Adjustments in respect of prior years	**(31)**	(29)
Total current tax charge for the year	**5,967**	5,228
Deferred tax:		
Origination and reversal of temporary differences	**283**	297
Adjustments in respect of prior years	**(12)**	23
Total deferred tax charge for the year	**271**	320
Total tax expense in the consolidated income statement	**6,238**	5,548

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation	2018 £'000	2017 £'000
Profit before taxation	**31,753**	28,722
Profit before taxation multiplied by the standard rate of Corporation Tax in the United Kingdom of 19.00% (2017: 19.25%)	**6,033**	5,529
Effect of:		
Non-deductible expenses	**151**	161
Other tax adjustments, reliefs and transfers	**124**	(111)
Other timing differences	**(23)**	31
Adjustments to the tax charge in respect of prior years	**48**	(62)
Income not taxable for tax purposes	**(19)**	0
Depreciation for the year lower than capital allowances	**51**	57
Impact on deferred tax due to rate change	**(39)**	(57)
Amounts relating to other comprehensive income	**(88)**	0
Total tax expense in the consolidated income statement	**6,238**	5,548

The effective rate of tax for the year of 19.60% (2017: 19.30%) is higher than the standard rate of Corporation Tax in the United Kingdom (19.00%). The differences are explained above.

c. The effective rate of tax on profit is 19.60% (2017: 19.30%).

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

In addition to the amount charged to the consolidated income statement, a charge of £44,000 (2017: charge of £113,000) has been recognised in other comprehensive (expense)/ income, being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

8. Equity dividends

	2018 £'000	2017 £'000
Interim dividend 11.30p (2017: 10.10p) paid 31 August 2018	**4,170**	3,726
Final dividend for 2017 23.40p (2016: 20.30p) paid 4 May 2018	**8,633**	7,487
	12,803	11,213

The interim dividend for the prior year of £3,726,000 was paid on 25 August 2017.

The 2018 final proposed dividend of £9,908,000 (26.80p per share) has not been accrued as it had not been approved by the year end.

9. Earnings per share

	2018	2017
Earnings per share (basic)	**69.23p**	62.88p
Earnings per share (diluted)	**69.19p**	62.81p
Earnings per share (basic) - before exceptional items	**69.23p**	67.76p
Earnings per share (diluted) - before exceptional items	**69.19p**	67.69p

Earnings per share - before exceptional items

	2018 Earnings £'000	2018 Weighted average number of shares	2018 Earnings per share	2017 Earnings £'000	2017 Weighted average number of shares	2017 Earnings per share
Basic earnings per share	**25,515**	**36,857,758**	**69.23p**	23,174	36,857,660	62.88p
Dilutive effect of share options		**18,398**			36,997	
Diluted earnings per share	**25,515**	**36,876,156**	**69.19p**	23,174	36,894,657	62.81p

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;

	2018 Earnings £'000	2018 Weighted average number of shares	2018 Earnings per share	2017 Earnings £'000	2017 Weighted average number of shares	2017 Earnings per share
Basic earnings per share	**25,515**	**36,857,758**	**69.23p**	23,174	36,857,660	62.88p
Exceptional items	**0**			1,801		
Basic earnings per share before exceptional items	**25,515**	**36,857,758**	**69.23p**	24,975	36,857,660	67.76p
Dilutive effect of share options		**18,398**			36,997	
Diluted earnings per share before exceptional items	**25,515**	**36,876,156**	**69.19p**	24,975	36,894,657	67.69p

10. Property, plant and equipment

Group

Cost	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Total £'000
At 1 January 2017	**3,444**	**11,001**	**14,445**
Additions	0	3,940	3,940
On acquisition of subsidiary	0	780	780
Disposals	0	(401)	(401)
At 1 January 2018	**3,444**	**15,320**	**18,764**
Additions	0	3,857	3,857
On acquisition of subsidiary	0	759	759
Disposals	0	(373)	(373)
At 31 December 2018	**3,444**	**19,563**	**23,007**

Depreciation	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Total £'000
At 1 January 2017	**178**	**5,552**	**5,730**
Charge for the year	69	949	1,018
On disposals	0	(357)	(357)
Impairment of assets on prior acquisition	0	314	314
At 1 January 2018	**247**	**6,458**	**6,705**
Charge for the year	69	1,585	1,654
On disposals	0	(246)	(246)
Impairment of assets on prior acquisition (note 11)	0	322	322
At 31 December 2018	**316**	**8,119**	**8,435**

Net book value at 31 December 2018	**3,128**	**11,444**	**14,572**
Net book value at 31 December 2017	3,197	8,862	12,059

Parent

Cost	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Total £'000
At 1 January 2017	**3,444**	**3,428**	**6,872**
Additions	0	522	522
At 1 January 2018	**3,444**	**3,950**	**7,394**
Additions	0	663	663
Disposals	0	(57)	(57)
At 31 December 2018	**3,444**	**4,556**	**8,000**

Depreciation	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Total £'000
At 1 January 2017	178	2,724	2,902
Charge for the year	69	278	347
At 1 January 2018	**247**	**3,002**	**3,249**
Charge for the year	69	290	359
On disposals	0	(38)	(38)
At 31 December 2018	**316**	**3,254**	**3,570**

Net book value at 31 December 2018	**3,128**	**1,302**	**4,430**
Net book value at 31 December 2017	3,197	948	4,145

11. Goodwill

Group

Cost	£'000
At 1 January 2017	23,061
Re-statement of goodwill on prior acquisition	387
Acquisition	7,218
At 1 January 2018	**30,666**
Re-statement of goodwill on prior acquisition	322
Acquisitions (see note 19)	3,463
At 31 December 2018	**34,451**

Parent

Cost	£'000
At 1 January 2017, 1 January 2018 and 31 December 2018	**2,504**

The Group's goodwill acquisitions for 2018 relate to the acquisition of 100% interest in The Noisy Drink Company North West Limited, completed on 15 February 2018 and the acquisition of the trade and assets of Fountain Drinks Limited, completed on 10 July 2018 (see note 19). The total goodwill is entirely attributable to the Out of Home business. Details of the fair value of identifiable assets acquired, purchase consideration and goodwill for both acquisitions are shown in note 19. The re-statement of goodwill on prior acquisition represents property, plant and equipment of £322k which had their fair value reassessed to £nil, in respect of the acquisition of DJ Drink Solutions Limited in 2017. This adjustment was identified in the hindsight period post acquisition on 2 June 2017.

All goodwill relates to the Out of Home business which is considered by management to be two independent Out of Home cash-generating units (CGU's) sitting below each of the Still and Carbonate operating segments. The goodwill has been allocated to these CGU's and not to the named subsidiaries.

	2018 £'000	2017 £'000
Still	**21,786**	14,602
Carbonate	**12,665**	8,846
	34,451	23,448

Brand names with indefinite lives were recognised as part of the fair value exercise on the acquisition of The Noisy Drinks Co. Limited in 2016 (£2.6m) and the trade and assets of Feel Good Drinks in 2015 (£1.3m). Both have been allocated to the Still Out of Home CGU above for impairment testing. In respect of the Parent Company's goodwill, the entire goodwill is allocated to the Still Out of Home CGU in both 2017 and 2018.

Impairment review

Goodwill and intangible assets with indefinite lives are tested at least annually for impairment and whenever there are indications that the assets might be impaired. The recoverable amount of a CGU is based on its value in use. Value in use is the present value of the projected cash flows of the CGU. The key assumptions regarding the value in use calculations were forecast growth in revenues and the discount rate applied. Budgeted revenue growth is estimated based on actual performance over the past two years and expected market changes.

The discount rate of 15% is a pre-tax rate and reflects the risks specific to the relevant CGU. Out of Home business cash flow projections are based on the most recent financial budgets approved by management. Management have applied an annual growth rate in projecting the cash flows for a period of five years in line with these budgets. Further periods have been included in the impairment test based on growth into perpetuity of 2% per annum. Management consider the annual growth projections for 5 years and into perpetuity to be reasonable in light of company growth in the current year and economic growth rates.

Management have considered the allocation of the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable assets acquired to other intangibles and are satisfied that is it correctly allocated to goodwill.

The headroom on the assessment is significant. Based on the headroom, management consider that no reasonably possible change in assumptions would give rise to an impairment of goodwill or intangibles.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2018

12. Investments: shares in Group undertakings

Parent

Cost and net book amount	£'000
At 1 January 2017, 1 January 2018 and at 31 December 2018	**16,566**

All non-current investments relate to Group undertakings. Listed below are the trading subsidiaries and the ownership of their ordinary share capital by the Group.

	%
Beacon Drinks Limited *	100
Ben Shaws Dispense Drinks Limited	100
Cabana Soft Drinks Limited **	100
Dayla Liquid Packing Limited	100
Dispense Solutions (Wales) Limited *****	100
Festival Drinks Limited ***	100
Vimto (Out of Home) Limited	100
Nichols Dispense (S.W.) Limited ****	100
The Noisy Drinks Co. Limited ******	100
DJ Drink Solutions Limited *******	100
The Noisy Drink Company North West Limited ********	75

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

*Beacon Drinks Limited is directly owned by Vimto (Out of Home) Limited.

**Cabana Soft Drinks Limited is directly owned by Vimto (Out of Home) Limited.

*** Festival Drinks Limited is directly owned by Vimto (Out of Home) Limited.

**** Nichols Dispense (S.W.) Limited is directly owned by Vimto (Out of Home) Limited.

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

****** The Noisy Drinks Co. Limited is directly owned by Vimto (Out of Home) Limited.

******* DJ Drink Solutions Limited is directly owned by Vimto (Out of Home) Limited.

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

All Group undertakings are consolidated.

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

All companies in the Group are engaged in the supply of soft drinks and other beverages.

The registered address of each of the above is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH.

13. Intangibles

Group

Cost	Brand name £'000	Customer list £'000	Total £'000
At 1 January 2017	3,889	2,352	6,241
Acquisitions	0	2,066	2,066
At 1 January 2018	**3,889**	**4,418**	**8,307**
Acquisitions (see note 19)	0	280	280
At 31 December 2018	**3,889**	**4,698**	**8,587**

Amortisation			
At 1 January 2017	0	157	157
Charge in the year	0	157	157
At 1 January 2018	**0**	**314**	**314**
Charge in the year	0	525	525
At 31 December 2018	**0**	**839**	**839**

Carrying value at 31 December 2018	**3,889**	**3,859**	**7,748**
Carrying value at 31 December 2017	3,889	4,104	7,993

Parent

	Brand name £'000
At 1 January 2017, 1 January 2018 and 31 December 2018	**1,316**

14. Deferred tax assets and liabilities

Movement in temporary differences during the year

Group

	Net balance at 1 January 2018 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	Net balance at 31 December 2018 £'000
Property, plant and equipment	(429)	0	(130)	0	**(559)**
Goodwill and intangibles	(991)	(40)	(83)	0	**(1,114)**
Employee benefits	856	0	(127)	(44)	**685**
Provisions	43	0	(21)	0	**22**
	(521)	(40)	(361)	(44)	**(966)**

Group

	Net balance at 1 January 2017 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2017 £'000
Property, plant and equipment	(199)	0	(230)	0	**(429)**
Goodwill and intangibles	(670)	(360)	39	0	**(991)**
Employee benefits	1,169	0	(200)	(113)	**856**
Provisions	35	0	8	0	**43**
	335	(360)	(383)	(113)	**(521)**

Parent

	Net balance at 1 January 2018 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'000	Net balance at 31 December 2018 £'000
Property, plant and equipment	(33)	0	(22)	0	**(55)**
Goodwill and intangibles	199	0	(16)	0	**183**
Employee benefits	856	0	(127)	(44)	**685**
Provisions	43	0	(21)	0	**22**
	1,065	0	(186)	(44)	**835**

Parent

	Net balance at 1 January 2017 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2017 £'000
Property, plant and equipment	16	0	(49)	0	**(33)**
Goodwill and intangibles	216	0	(17)	0	**199**
Employee benefits	1,169	0	(200)	(113)	**856**
Provisions	35	0	8	0	**43**
	1,436	0	(258)	(113)	**1,065**

14. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets		Liabilities		Net	
	Current year £'000	Prior year £'000	**Current year £'000**	Prior year £'000	**Current year £'000**	Prior year £'000
Property, plant and equipment	**0**	0	**(559)**	(429)	**(559)**	(429)
Goodwill and intangibles	**128**	166	**(1,242)**	(1,157)	**(1,114)**	(991)
Employee benefits	**685**	856	**0**	0	**685**	856
Provisions	**22**	43	**0**	0	**22**	43
	835	1,065	**(1,801)**	(1,586)	**(966)**	(521)

Parent

	Assets		Liabilities		Net	
	Current year £'000	Prior year £'000	**Current year £'000**	Prior year £'000	**Current year £'000**	Prior year £'000
Property, plant and equipment	**0**	0	**(55)**	(33)	**(55)**	(33)
Goodwill and intangibles	**183**	199	**0**	0	**183**	199
Employee benefits	**685**	856	**0**	0	**685**	856
Provisions	**22**	43	**0**	0	**22**	43
	890	1,098	**(55)**	(33)	**835**	1,065

15. Inventories

	Group		Parent	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Finished goods	**6,108**	3,990	**3,840**	2,342
Raw materials	**1,056**	825	**54**	0
Total inventories	**7,164**	4,815	**3,894**	2,342

In 2018, the Group write-down of inventories to net realisable value amounted to £99,000 (2017: £176,000).

16. Trade and other receivables

	Group		Parent	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables	**34,282**	31,293	**26,357**	24,087
Amounts owed by Group undertakings	**0**	0	**7,209**	6,967
Other receivables	**1,938**	1,460	**801**	11
Prepayments	**1,933**	1,987	**872**	677
	38,153	34,740	**35,239**	31,742

All amounts above are short-term receivables. The difference between the carrying value and fair value of all receivables is not considered to be material.

All trade and other receivables have been reviewed under the expected credit loss impairment model and a provision of £748,000 (2017: £2,102,000) has been recorded accordingly.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three year period to the year end. The historic loss rates are then adjusted for current and forward looking information on macro economic factors affecting the Group's customers.

Credit risk for amounts owed by Group undertakings has not increased significantly since their initial recognition.

Group	At 1 January 2018 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2018 £'000**
Expected credit loss provision	2,102	113	(1,108)	(359)	**748**

Group	At 1 January 2017 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	At 31 December 2017 £'000
Expected credit loss provision	1,805	367	0	(70)	2,102

Parent	At 1 January 2018 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2018 £'000**
Expected credit loss provision	2,070	90	(1,108)	(335)	**717**

Parent	At 1 January 2017 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	At 31 December 2017 £'000
Expected credit loss provision	1,801	334	0	(65)	2,070

The release of the expected credit loss provision in the year, as shown above, represents cash received against previosuly provided for debts under the expected credit loss model.

17. Trade and other payables and current tax liabilities

	Group		Parent	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade payables	**7,402**	6,827	**6,053**	4,491
Amounts owed to Group undertakings	**0**	0	**6,214**	852
Other taxes and social security	**1,002**	1,119	**218**	544
Accruals	**13,935**	13,085	**9,763**	9,068
	22,339	21,031	**22,248**	14,955
Current tax liabilities	**2,814**	2,536	**391**	232
	25,153	23,567	**22,639**	15,187

All amounts shown above are short-term. The carrying values are considered to be a reasonable approximation of fair value.

At 31 December 2018, liabilities have contractual maturities which are summarised below:

	2018		2017	
Group	**Within 6 months £'000**	**Within 6 to 12 months £'000**	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	**7,402**	**0**	6,827	0
Other short-term financial liabilities	**13,935**	**0**	13,085	0
	21,337	**0**	19,912	0

	2018		2017	
Parent	**Within 6 months £'000**	**Within 6 to 12 months £'000**	Within 6 months £'000	Within 6 to 12 months £'000
Trade payables	**6,053**	**0**	4,491	0
Other short-term financial liabilities	**9,763**	**6,214**	9,068	852
	15,816	**6,214**	13,559	852

18. Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid 36,968,772 (2017: 36,968,772) 10p ordinary shares	**3,697**	3,697

The share capital of Nichols plc consists only of ordinary 10p shares. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

There were no movements in the Group's authorised and allotted, issued and fully paid share capital for the financial years ending 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2018

19. Acquisitions

2018 Acquisitions

On 15 February 2018, the Group acquired 75% of the issued share capital of The Noisy Drink Company North West Limited (NNW) for initial consideration of £1.5m. On the same day, a symmetrical call/ put option was entered into with regards to the remaining 25% of the issued share capital. Based on the assessment of the relative amounts payable in respect of each step of the acquisition, as well as assessment of the risk and reward retained by the non-controlling interest, this has resulted in the acquisition being accounted for in substance as though the Group has acquired a 100% interest on the date of the acquisition.

As the written call/ put option is to be physically settled in cash, a gross obligation has been recognised at an amount equal to the present value of the amount that could be required to be paid to the counterparty. Changes in the measurement of the gross obligation due to changes in the amount that the Group could be required to pay are recognised in profit or loss. NNW is one of our Out of Home frozen soft drinks distributors covering the North West region and is an entirely separate company with separate ownership to The Noisy Drinks Co. Limited previously acquired by the Group. This acquisition further consolidates our route to market in the region and is consistent with our successful business model already operating in other regions in the UK.

Details of the fair value of identifiable assets acquired, purchase consideration and goodwill are as follows:

	Book value £'000	**Adjustment £'000**	**Fair value £'000**
Property, plant and equipment	759		759
Inventory	75		75
Trade and other receivables	192		192
Cash	(127)		(127)
Trade and other payables	(832)		(832)
Tax liabilities	(78)		(78)
Customer list		236	236
Deferred tax on acquired intangibles		(40)	(40)
Total assets acquired	**(11)**	**196**	**185**

Fair value of consideration	**Fair value £'000**
Cash paid	1,549
Contingent cash consideration (see below)	2,000
Total fair value of consideration	**3,549**
Goodwill arising on acquisition (note 11)	**3,364**

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the opportunities for growth within the territory in which NNW operates, the skills and experience of the assembled workforce, and the wider scale and future growth opportunities that it provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Acquisition costs of £87,908 arose as a result of the transaction. These have been recognised within administrative expenses.

The contingent cash consideration is payable in February 2020, upon acquisition of the remaining 25% of the issued share capital. The amount is linked to growth in EBITDA in the two year period following initial acquisition. There has been no material movement on the contingent consideration since initial recognition. In addition, no reasonably possible change in any of the assumptions would lead to a material adjustment to the carrying value of the liability.

The fair value measurement of the contingent consideration represents a level 3 valuation due to unobservable inputs, which are not derived from market data. The key assumptions within the forecast EBITDA are volumes distributed to customers, maintenance of the gross profit margin and overheads.

Since the acquisition, NNW has contributed £2.4m to revenue and £0.1m to net profit for the Group.

19. Acquisitions (continued)

On 10 July 2018, the Group acquired the trade and assets of Fountain Drinks Limited (Fountain) for initial consideration of £80,000. Fountain is one of our Out of Home dispensed soft drinks distributors in Scotland. The acquisition further consolidates the Group's route to market in this region.

Details of the fair value of identifiable assets acquired, purchase consideration and goodwill are as follows:

	Fair value £'000
Customer list	44
Total assets acquired	**44**

Fair value of consideration	Fair value £'000
Cash paid	80
Contingent cash consideration (see below)	63
Total fair value of consideration	**143**
Goodwill arising on acquisition (note 11)	**99**

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes the opportunities for growth within the territory in which Fountain operates and the wider scale and future growth opportunities that it provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

The contingent cash consideration is payable in July 2019, based on the performance of customer accounts acquired in the 12 month period following acquisition.

2017 Acquisition

On 2 June 2017, the Group acquired 100% of the issued share capital of DJ Drink Solutions Limited (DJ), the largest of our Out of Home dispensed soft drinks distributors covering the North West, North East and North Wales regions. This acquisition consolidates the Group's route to market in the two regions and is consistent with our successful business model already operating in other regions in the UK.

Details of the fair value of identifiable assets acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	780		780
Inventory	121		121
Trade and other receivables	734		734
Cash	187		187
Trade and other payables	(1,585)		(1,585)
Tax liabilities	(226)		(226)
Customer list		2,066	2,066
Deferred tax on acquired intangibles		(360)	(360)
Total assets acquired	**11**	**1,706**	**1,717**

Fair value of consideration	Fair value £'000
Cash paid	6,568
Contingent cash consideration (see below)	2,367
Total fair value of consideration	**8,935**
Goodwill arising on acquisition (note 11)	**7,218**

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the opportunities for growth within the territory in which DJ operated, the skills and experience of the assembled workforce, and the wider scale and future growth opportunities that it provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Acquisition costs of £145,807 arose as a result of the transaction, recognised as an exceptional item within administrative expenses.

The contingent cash consideration was payable in June 2018 based on profitability targets established with the vendor. Total cash consideration of £2,265,000 was paid in June 2018 based on actual growth achieved in the 12 month period following acquisition. The difference between the £2,367,000 initially recognised and £2,265,000 paid has been taken as a credit within administrative expenses.

Since the acquisition, DJ has contributed £12.6m to revenue. It is not possible to determine the net profit impact as the business has been subsumed into the trade of the Out of Home CGU.

20. Cash and cash equivalents

Group	At 1 January 2018 £'000	Cash flow £'000	**At 31 December 2018 £'000**
Cash at bank and in hand	36,058	2,838	**38,896**

Parent	At 1 January 2018 £'000	Cash flow £'000	**At 31 December 2018 £'000**
Cash at bank and in hand	15,422	4,648	**20,070**

21. Financial instruments

Exposure to treasury management, liquidity, credit and currency risks arise in the normal course of the Group's business.

Treasury management

The Group's treasury activities are targeted to provide suitable, flexible funding arrangements to satisfy the Group's requirements. Interest rate and liquidity risk are managed at a Group level. Foreign currency risk is managed, in consultation with Group management, in subsidiaries which are responsible for the majority of purchases. The Group's policy for investing any surplus cash balances is to place such amounts on deposit.

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs. The acquisition of companies and the continuing investment in non-current assets will be achieved by a mix of operating cash and where required, short-term borrowing facilities.

Credit risk

The Group has no significant concentrations of credit risk. The Group has implemented stringent policies that ensure that credit evaluations are performed on all potential customers before sales commence. Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary.

Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely. Cash at bank is held only with major UK banks with high quality external credit ratings or government support.

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollars and Euros. During 2018, the Group entered into foreign currency transactions that over the course of the year resulted in the Group having a natural hedge. This then meant the Group did not need to enter into forward contracts to minimise the impact of movements in foreign currency rates on the spot market.

Foreign currency assets:	**2018 £'000**	2017 £'000
US Dollar	**3,158**	3,686
Euro	**5,851**	3,864
Swiss Franc	**61**	61
	9,070	7,611

21. Financial instruments (continued)

Foreign currency sensitivity

Some of the Group's transactions are carried out in US Dollars and Euros. As a result, management have undertaken sensitivity analysis to consider the financial impact if Sterling had both strengthened and weakened against the US Dollar and the Euro.

If Sterling had strengthened against the US Dollar and Euro by 5% (2017: 5%), then this would have had the following impact:

		2018			2017	
	US Dollar £'000	**Euro £'000**	**Total £'000**	US Dollar £'000	Euro £'000	Total £'000
Net result for the year	**(261)**	**(337)**	**(598)**	(175)	(184)	(359)

If Sterling had weakened against the US Dollar and Euro by 5% (2017: 5%), then this would have had the following impact:

		2018			2017	
	US Dollar £'000	**Euro £'000**	**Total £'000**	US Dollar £'000	Euro £'000	Total £'000
Net result for the year	**43**	**243**	**286**	195	204	399

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

22. Summary of financial assets and liabilities by category

The IFRS 9 categories of financial assets included in the statement of financial position and the headings in which they are included are as follows:

	Group				Parent			
	Fair value through profit or loss		Amortised cost		Fair value through profit or loss		Amortised cost	
Financial assets	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables and other receivables	**0**	0	**36,220**	32,753	**0**	0	**34,367**	31,065
Cash and cash equivalents	**0**	0	**38,896**	36,058	**0**	0	**20,070**	15,422
Total financial assets	**0**	0	**75,116**	68,811	**0**	0	**54,437**	46,487

The IFRS 9 categories of financial liability included in the statement of financial position and the headings in which they are included are as follows:

	Group				Parent			
	Fair value through profit or loss		Amortised cost		Fair value through profit or loss		Amortised cost	
Financial liabilities	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Trade and other payables	**2,000**	2,367	**5,402**	4,460	**0**	0	**12,267**	5,343
Total financial liabilities	**2,000**	2,367	**5,402**	4,460	**0**	0	**12,267**	5,343

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2018

23. Capital management policies and procedures

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. This strategy remains unchanged from 2017.

At 31 December 2018, the Group had no debt and therefore the capital structure consists of equity only.

24. Operating leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Parent	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Within one year	**1,095**	1,023	**584**	534
Between two and five years	**1,863**	2,042	**660**	743
More than five years	**0**	705	**0**	0
	2,958	3,770	**1,244**	1,277

The Group leases its operating depots under non-cancellable operating lease agreements and certain other plant and equipment under non-cancellable operating lease agreements.

25. Related party transactions

Parent Company

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

	Transaction value Year ended 31 December		Balance outstanding as at 31 December	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Sale of goods and services (including recharge of costs)	**1,341**	842	**995**	6,115

All sales noted above with the related parties are conducted in line with similar transactions with external parties.

Details of key management personnel compensation have been disclosed in note 6, no other transactions were entered into with key management personnel in the year.

Two family members of the Non-Executive Chairman are employed in management roles within the business. The total remuneration paid in the year was £169,000 (2017: £157,000). An accrued amount of £37,000 (2017: £20,000) will be paid in the subsequent financial year.

26. Pension obligations and employee benefits

The Group operates two employee benefit plans, a defined benefit plan which provides benefits based on final salary which is now closed to new members and a defined contribution group personal plan. The Group personal plan consists of individual contracts with contributions from both the employer and employee. The charge for the year for the Group personal plan was £455,000 (2017: £410,000).

The Company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2018 and updated at 31 December 2018 by an independent qualified actuary.

The assets of the defined benefit plan are managed by a pension fund that is legally separated from the Group. Governance of the plan is the responsibility of appointed trustees, acting on professional advice. The plan is exposed to a number of risks, including changes to long-term UK interest rates and inflation expectations, movements in global investment markets, changes in UK life expectancy rates and regulatory risk from changes in UK pension legislation.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in sterling. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk

The plan assets at 31 December 2018 are predominantly equity and debt instruments.

Longevity risk

The Group is required to provide benefits for life for the members of the defined benefit liability. Increases in the life expectancy of the members, where the pension payments are linked to CPI, will increase the defined benefit liability.

Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

A reconciliation of the pension obligation and plan assets to the amounts presented in the statement of financial position for 2018 and 2017 is shown below.

	31 December 2018 £'000	31 December 2017 £'000
Present value of funded obligations	**(28,286)**	(30,167)
Fair value of plan assets	**25,531**	27,246
Deficit in the plan	**(2,755)**	(2,921)
Related deferred tax asset	**563**	654
Net liability recognised	**(2,192)**	(2,267)

Defined benefit obligation

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

	31 December 2018 £'000	31 December 2017 £'000
Opening defined benefit obligation	**30,167**	30,380
Current service cost (Company only)	**44**	41
Interest cost	**714**	754
Actual contributions paid by plan participants	**6**	6
Experience adjustment	**0**	362
Actuarial (gains)/ losses from changes in financial assumptions	**(1,801)**	646
Actuarial gains from changes in demographic assumptions	**(197)**	(409)
Benefits paid - including insurance premiums	**(847)**	(1,613)
Past service cost	**200**	0
Closing defined benefit obligation	**28,286**	30,167

Plan assets

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

	31 December 2018 £'000	31 December 2017 £'000
Fair value of plan assets at start of accounting period	**27,246**	23,985
Interest income	**655**	600
Return on plan assets (excluding amounts included in net interest)	**(2,441)**	1,714
Contributions paid by the employer	**912**	2,554
Actual contributions paid by plan participants	**6**	6
Benefits paid	**(847)**	(1,613)
Fair value of plan assets at end of accounting period	**25,531**	27,246

The actual return on plan assets was a loss of £1,786,000 (2017: gain of £2,314,000). Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies. Plan assets can be broken down into the following category of investments.

The major categories of plan assets, measured at fair value are:	31 December 2018 £'000	31 December 2017 £'000
Equities	**2,421**	19,006
Gilts	**0**	1,616
Bonds	**0**	2,429
Liability driven investments	**3,325**	0
Diversified growth funds	**4,534**	0
Absolute return bonds	**4,136**	0
Equity-linked bonds	**8,951**	0
Other, including cash	**314**	2,327
Total fair value of assets	**23,681**	25,378

Assets included which do not have a quoted market value:	31 December 2018 £'000	31 December 2017 £'000
Property	**1,850**	1,868
Total	**1,850**	1,868

The property was acquired following a special contribution made by Nichols plc on 21 December 2017.

The significant actuarial assumptions used for the valuations are as follows:	31 December 2018	31 December 2017
Future salary increases	**3.20%**	3.20%
Rate of increase in (post 1997) pensions in payment (a)	**3.30%**	3.30%
Discount rate at 31 December	**2.80%**	2.40%
Expected rate of inflation - RPI	**3.20%**	3.20%

26. Pension obligations and employee benefits (continued)

Other actuarial assumptions were the rate of salary increases and mortality assumptions. In terms of future salary increases, the actuary is assuming salaries will increase in line with the RPI inflation assumption.

Assumptions regarding future mortality experience are set based on the advice of actuaries and in accordance with published statistics. For members not yet retired, life expectancies have been estimated as 88 years for men (2017: 89 years) and 89 years for women (2017: 90 years). For current pensioners life expectancies have been estimated as 87 years for men (2017: 87 years) and 89 years for women (2017: 89 years).

(a) Increases on pre-6 April 1997 pensions are fixed at 3% per annum. Post-6 April 1997 increases are in line with price inflation, subject to a minimum of 3% and a maximum of 5%.

Over the year the Company contributed to the plan at the rate of 18.6% of salaries. The Company will continue to contribute at this rate pending the results of the next actuarial valuation. The plan is now closed to new entrants. This means that the average age of the membership can be expected to rise which in turn means that the future service cost (as a percentage of scheme members' pensionable salaries) can be expected to rise.

Defined benefit plan expenses

Amounts recognised in profit or loss are:	**31 December 2018 £'000**	31 December 2017 £'000
Current service cost (Company)	**44**	41
Net interest cost (on net defined benefit liability)	**59**	154
Past service cost	**200**	0
Total amount recognised in the consolidated income statement	**303**	195

GMP Equalisation

In 2017, a case was brought before the High Court to consider whether there is an obligation to equalise Guaranteed Minimum Pensions (GMPs) for male and female pensioners in respect of defined benefit pension schemes. In October 2018, the court judged that there is an obligation to equalise benefits for men and women, removing inequalities that arise from different GMPs. As a result of this ruling, an assessment of the increase in liabilities of the pension scheme has been made and a resulting charge of £200,000 has been recognised as a past service cost in the year.

The current and past service costs are included in the employee benefits expense and the net interest expense is included in finance costs. Amounts recognised in other comprehensive (expense)/ income relating to the Group's defined benefit plan are as follows:

Remeasurements recognised in other comprehensive (expense)/ income:	**31 December 2018 £'000**	31 December 2017 £'000
Actuarial (losses)/ gains on the assets	**(2,441)**	1,714
Experience adjustment	**0**	(362)
Actuarial gains/ (losses) from changes in financial assumptions	**1,801**	(646)
Changes in demographic assumptions	**197**	409
Other movements	**31**	25
Total (loss)/ gain recognised in other comprehensive (expense)/ income	**(412)**	1,140

Other defined benefit plan information

Employees of the Group are required to contribute a fixed 6% of their pensionable salary.

The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on the pension funds actuarial measurement framework as set out in the funding policies.

Based on historical data, the Group expects contributions of £881,000 to be paid in 2019.

The weighted average duration of the defined benefit obligation at 31 December 2018 is 18 years (2017: 18 years).

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the inflation assumption and life expectancy.

The calculation of the net defined benefit liability is sensitive to these assumptions.

The table below summarises the sensitivity of a reasonably possible change to one significant actuarial assumption, holding all other assumptions constant, on the obligation:

	31 December 2018 £'000	**31 December 2018 %**	31 December 2017 £'000	31 December 2017 %
Increase in discount rate by 0.5%	**220**	**-8.00**	204	-7.00
Increase in price inflation adjustment by 0.5%	**55**	**2.00**	58	2.00
1 year increase in life expectancy	**83**	**3.00**	88	3.00

The sensitivities may not be representitive of the actual change in the present value of the scheme obligation, as it is unlikely that the change in assumptions would occur in isolation of each other, as the assumptions may be linked.

The method and assumptions used in this analysis have been reviewed and remain unchanged from the prior year.

27. Audit exemption statement

Under section 479A of the Companies Act 2006 the Group is claiming exemption from audit for the subsidiary companies listed below. The parent undertaking, Nichols plc, registered number 238303, guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year (being the year ended 31 December 2018 for each company unless otherwise stated). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

	Company Number
Beacon Drinks Limited	1732905
Ben Shaws Dispense Drinks Limited	231218
Cabana Soft Drinks Limited	938594
Dayla Liquid Packing Limited	603111
Festival Drinks Limited	1256006
Vimto (Out of Home) Limited	8795779
Nichols Dispense (S.W.) Limited	8766560
Dispense Solutions (Wales) Limited (year ended 30 September 2019)	8671127
The Noisy Drinks Co. Limited	5905631
The Noisy Drink Company North West Limited (year ended 31 January 2019)	5024347
DJ Drink Solutions Limited (year ended 31 May 2019)	5787898

28. Contingent liability

The Company 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 Company with their initial view that the arrangements should have been taxed as employment income which the Company and its advisors dispute. If HMRC pursues its current position and is successful in its argument then the Company may have to pay up to £3.2m in income tax and national insurance. The employees who are party to the contracts have formally indemnified the Company in relation to income tax and employees' national insurance and an amount of up to £2.4m can be requested from them. The Directors have obtained external advice and on the basis of this do not believe that the Company has a liability for any additional tax or national insurance. 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. As at the date of this report, there has been no significant progress in the case to note since this time last year.

29. Contingent asset

The Company has submitted an insurance claim under its business interruption policy, following a fire at one of its outsourced co-packers during 2018. This incident has resulted in a loss of sales and additional costs from outsourcing production of some of its products. Confirmation of this being an insurable event has been obtained however, as at the date of this report, the quantum of the claim relating to loss of sales remains unsubstantiated with insurers, as the Company seeks to return to business as usual and establish the true value of the claim to be made.

30. Post balance sheet events

On 1 February 2019, the Group acquired 100% of the issued share capital of Adrian Mecklenburgh Limited (AML) for £4.2m. AML is currently one of our Out of Home soft drinks dispense distributors covering the Kent region. This acquisition is consistent with a number of recent successful investments in our Out of Home business and consolidates the route to market in the region.

Details of the book value of identifiable assets acquired are as follows:

	£'000
Property, plant and equipment	595
Inventories	243
Receivables	398
Cash	717
Payables	(362)
Total	**1,591**

At the date of authorisation of these financial statements, a detailed assessment of the fair value of the identifiable net assets has not been completed.

Whilst fair value adjustments, and recognition of separable intangible assets (such as customer lists), will result in goodwill of less than £2.6m (being the consideration paid less book value of identifiable assets acquired), it is expected that some goodwill will be recognised. The goodwill represents items, such as the assembled workforce, which do not qualify for recognition as assets.

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue	**142,037**	132,789	117,349	109,279	109,205
Operating profit before exceptional items, IAS 19 and Long-Term Incentive Scheme Charges	**32,441**	30,884	31,622	28,888	26,464
Exceptional items	**0**	(1,801)	0	0	(7,768)
IAS 19 operating profit charges	**(44)**	(41)	(29)	(37)	(103)
IAS 19 past service cost - GMP equalisation	**(200)**	0	0	0	0
Long-Term Incentive Scheme operating profit charges	**(559)**	(300)	(1,268)	(1,017)	(764)
Operating profit after exceptional items, IAS 19 and Long-Term Incentive Scheme charges	**31,638**	28,742	30,325	27,834	17,829
Net finance income/ (expense)	**115**	(20)	1,167	12	93
Share of post-tax profits of equity accounted associate	**0**	0	0	190	0
Profit before taxation	**31,753**	28,722	31,492	28,036	17,922
Taxation	**(6,238)**	(5,548)	(6,015)	(5,803)	(3,776)
Profit after taxation	**25,515**	23,174	25,477	22,233	14,146
Dividends paid	**(12,803)**	(11,213)	(9,806)	(8,589)	(7,518)
Retained earnings	**12,712**	11,961	15,671	13,644	6,628
Earnings per share - (basic)	**69.23p**	62.88p	69.13p	60.33p	38.39p
Earnings per share - (diluted)	**69.19p**	62.81p	69.07p	60.25p	38.34p
Earnings per share - (basic) before exceptional items	**69.23p**	67.76p	66.18p	60.33p	55.03p
Earnings per share - (diluted) before exceptional items	**69.19p**	67.69p	66.12p	60.25p	54.96p
Dividends paid per share	**34.70p**	30.40p	26.60p	23.30p	20.40p

Notice is hereby given that the twenty seventh Annual General Meeting of Nichols plc ("Company") will be held at Nichols plc, Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, Merseyside, WA12 0HH on Wednesday, 1 May 2019 at 11:00 a.m. for the following purposes:

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

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2018.
2. To declare a final dividend for the year ended 31 December 2018 of 26.80 pence per ordinary share of £0.10 in the capital of the Company, to be paid on 3 May 2019 to shareholders whose names appear on the register of members at the close of business on 5 April 2019.
3. To re-elect M J Millard, who retires by rotation, as a Director of the Company.
4. To re-elect J Gittins, who retires by rotation, as a Director of the Company.
5. To reappoint BDO LLP as auditors of the Company.
6. To authorise the directors to determine the remuneration of the auditors.
7. That, pursuant to section 551 of the Companies Act 2006 ("Act"), the Directors be and are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,228,135.90 (representing one third of the existing issued ordinary share capital of the Company), provided that, (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 25 July 2020 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

8. That, subject to the passing of resolution 7 and pursuant to sections 570 and 573 of the Companies Act 2006 ("Act"), the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 7 and to sell ordinary shares held by the Company as treasury shares for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:

8.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

8.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

8.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

8.2 otherwise than pursuant to paragraph 8.1 of this resolution, up to an aggregate nominal amount of £184,244, and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 25 July 2020 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under sections 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

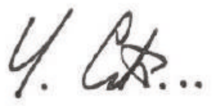
9. That, pursuant to section 701 of the Companies Act 2006 ("Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Shares"), provided that:

9.1 the maximum aggregate number of Shares which may be purchased is 3,684,882:

9.2 the minimum price (excluding expenses) which may be paid for a Share is 10p; and

9.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 25 July 2020 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the Board



Tim Croston
Secretary

26 February 2019

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

Registered in England and Wales No. 238303

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2018.
2. Biographical details of all those Directors who are offering themselves for re-election at the meeting are set out on pages 42 to 43 of the enclosed annual report and accounts.
3. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on Monday, 29 April 2019 (or, if the meeting is adjourned, close of business on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
4. A member is entitled to appoint another person as his or her proxy to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy, each different proxy instruction must be received by the Company's registrar at: Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time appointed for the meeting (excluding non-working days). You will need to state clearly the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of those held by the member, may result in the proxy appointment being invalid. A proxy may only be appointed in accordance with the procedures set out in notes 5 to 8 below and the notes to the form of proxy.
5. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
6. In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. You are therefore asked to vote in one of the following ways:

   • Register your vote on line through our registrar's portal – www.signalshares.com. You will need your investor code which is printed on your share certificate or may be obtained by calling the Company's registrar, Link, on 0871 664 0300. If you are outside the United Kingdom, please call +44 (0) 371 664 0300 (Calls cost 12p per minute plus your telephone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate).

   • CREST members bay use the CREST electronic proxy appointment service as detailed in note 7 below.

If you prefer, you may request a hard copy form from Link using the numbers shown above and return it to Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

All proxy appointments, whether electronic or hard copy, must be received by the Company's registrar no later than 11:00 a.m. on Monday, 29 April 2019 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting).

7. CREST members who wish to appoint a proxy or proxies for the meeting or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's Registrar, Link Registrars (CREST ID RA10) no later than 11:00 a.m. on Monday, 29 April 2019 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Link Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

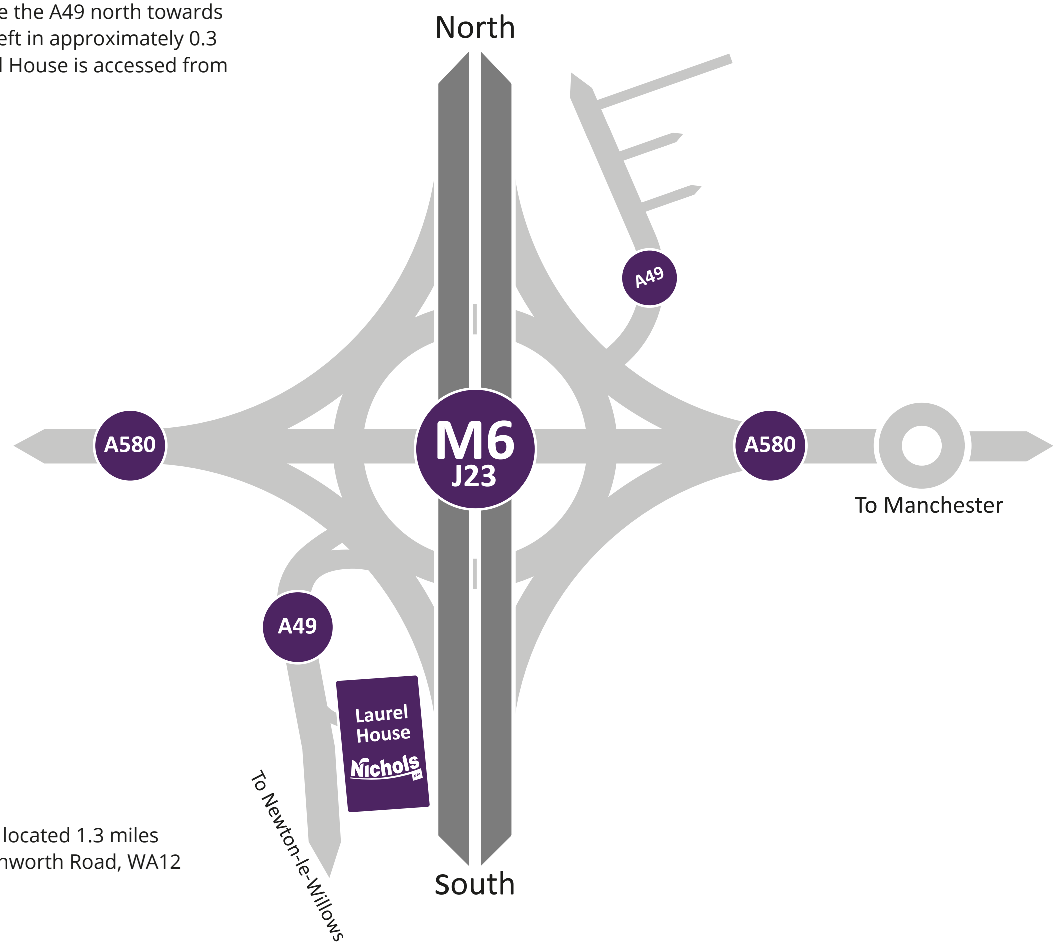
11. As at 15 March 2019 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 36,968,772 ordinary shares of 10 pence each, carrying one vote each. As the Company holds 66,310 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 15 March 2019 are 37,035,082.

12. You may not use any electronic address provided either in this notice of general meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.

Directions to the Annual General Meeting

Car:

Leave the M6 at Junction 23 and take the A49 north towards Newton, Woodlands Park is on the left in approximately 0.3 miles. On entering the estate, Laurel House is accessed from the fourth exit of the roundabout.



Pubic Transport

Train:

Newton-le-Willows railway station is located 1.3 miles away from Woodlands Park on Southworth Road, WA12 9SF.

Bus:

The nearest bus service to Woodlands Park is located on Cobden Street, 0.8 miles from Woodlands Park, operating the number 22 service into Newton-le-Willows.

FINANCIAL CALENDAR

Preliminary Results Announced	Annual General Meeting	Interim Results Announced
27 February 2019	1 May 2019	17 July 2019

VIMTO®
The STORY OF A SOFT drink

Vimto is a soft drink that has it all. Way back in Edwardian **Manchester** (1908 to be precise), John Noel Nichols created the drink we all know and **love**.

Originally created as a herbal tonic, the special combination of fruits, herbs and spices was first known as **Vimtonic** and was created as a healthy pick me up tonic, giving the consumer **"vim"** (energy, enthusiasm) and **"vigour"** (strength and power). The new tonic was one of a number of products Nichols would deliver to smaller outlets, cafés and temperance bars. The distinct herbs and spices that contribute to the **secret recipe** were sourced from around the world and as Vimto's popularity grew overseas, the Nichols group began developing an export market.

We've left our **herbalist trade origins** behind, however the Vimto brand, although born in a bygone era, has kept itself young by adapting to changing consumer conditions and tastes through its versatile product range, advertising and packaging. The promotion of Vimto forms a continuous narrative, from the founding of the company in 1908, right through to the present day.

From drinking a hot Vimto as a **health tonic** in the aromatic surroundings of the gaslit herbalist shop, to the **shlurple** of a can at a garage forecourt, the brand image as a **funloving, quality, healthy and good value soft drink** remains the same.

John Noel Nichols would have been proud to see how far his barrel of **delicious** elixir has rolled.

1883

John Noel Nichols
Is born on 28th December in Blackburn, Lancashire.

1910

Vimto is created
Originally launched as a herbal tonic that gave the drinker 'Vim & Vigour", Vimtonic (as it was known then) soon become known simply as Vimto.

1910

Salford
Vimto moves to Salford

1919

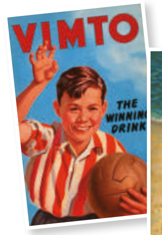
International travels
Vimto goes abroad

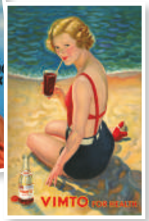
1920

Vimto gets fizzy!
Someone at Vimto had a brainwave. They added bubbles!

1924

Vimto in India
Vimto concentrate is sent out to India which was then part of the British empire.





1930-1940

Vimto's cheeky ads
Vimto's cheeky ads reflect the young and glamorous. With the outbreak of war, many of the directors and staff joined the forces. Some of the wives continued to sell while their husbands were away.

2014

Vimtoad
Vimto's back with a new croaksperson.

2015

Feel good factor
Acquisition of 'The Feel Good Drinks Company' brand. 100% Natural products.

2016

Going cold
Acquisition of 'Noisy Drinks', the UK's No. 1 frozen beverage business, bringing various frozen beverage brands to the portfolio.

2017

Vim2o & Icee
Vim2o water launched and ICEE, the worlds No. 1 frozen beverage brand, joins the family.

2018

Present
2018 sees a new TV advertising campaign, I see Vimto in You. Frozen cocktail brand 'FRYST' launched. Introduction of new remix flavour Watermelon, Strawberry & Peach. Starslush Unicorn slush flavour a huge summer hit.

MAKING THE WORLD *smile* BY BEING *refreshingly* DIFFERENT

DESIGNED WITH *love* BY *Vimto* CREATIVE

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

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