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NICHOLS PLC 2019 ANNUAL REPORT

2019 NICHOLS PLC ANNUAL REPORT

EST^{D} 1908

WE MAKE LIFE *taste* BETTER

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.

2019 NICHOLS PLC ANNUAL REPORT

“I am very pleased to introduce our “Happier Future” strategy which outlines our initiatives and commitments to further advancing our Group’s Environmental, Social and Governance objectives.”

A NOTE FROM Marnie MILLARD

CHIEF EXECUTIVE OFFICER

To all of our stakeholders,

As a 111-year-old business, over many decades we have witnessed significant market changes, withstood challenging conditions, and continued to thrive by innovating and staying focused on creating great products that delight our customers.

As a business, we are rightly proud of our unique heritage. However, as we enter a new decade in 2020, we are firmly focused on the future. We recognise that to achieve another successful 100 years, even more needs to be done to improve the impact of the Group on the environment, society and our local communities.

We have already made good progress delivering our sustainability initiatives. In this report, we set out the details of our sustainability strategy, “Happier Future”, which outlines our initiatives and commitments to further advancing the Group’s Environmental, Social and Governance objectives. You can read this section after the introductory statement from our Chairman, John Nichols. Later in the report, Andrew Milne, in his new role as Chief Operating Officer, will provide more detail on our performance during 2019 and the progress we made. This is followed by the Financial Review.

On behalf of the Board, I would like to thank all my colleagues at Nichols plc for their hard work in delivering success against some challenging trading conditions during the year. In particular, I would like to show my appreciation to Tim Croston, Chief Financial Officer, for his significant contribution to Nichols plc over his 15 years with the Group. As announced in October 2019, Tim will step down from the Board by 30 June 2020 and we are pleased to welcome David Rattigan as our new Chief Financial Officer. We wish Tim every success in his future endeavours.

Marnie

Marnie Millard OBE - Chief Executive Officer

WE ALL LOVE VIMTO

The delicious family drink

2019 NICHOLS PLC ANNUAL REPORT

One STRATEGIC REPORT

Two GOVERNANCE

Three FINANCIAL STATEMENTS

VIMTO BRAND VALUE IS NOW £90.8M*

*Source: Nielsen Scantrack, Value Sales, Total Coverage, MAT 25.01.20

STRATEGIC REPORT

The HIGHLIGHTS

GROUP REVENUE

2019 £147.0m
2018 £142.0m
+3.5%

OPERATING PROFIT

2019 £32.4m
2018 £31.6m
+2.5%

PROFIT BEFORE TAX

2019 £32.4m
2018 £31.8m
+2.1%

EPS (BASIC)

2019 72.81P
2018 69.23P
+5.2%

NET CASH

2019 £40.9m
2018 £38.9m
+5.1%

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

John NICHOLS

NON-EXECUTIVE CHAIRMAN

I am pleased to announce another strong performance from Nichols plc. During the year, the Group delivered further progress against its strategic objectives, successfully increasing revenue, profit and earnings per share. This performance was delivered against challenging market conditions as has been widely reported elsewhere.

TRADING

Total Group revenue increased by 3.5% to £147.0m (2018: £142.0m). Both our UK and International businesses contributed to this positive performance.

UK sales grew by 2.5% to £117.5m (2018: £114.6m).

Within the UK business, Vimto brand sales performed well, increasing by 0.8% against very strong prior year comparatives (2018: +12.9%). This performance was primarily driven by the Still category where sales of Vimto dilutes grew by 15% and continued to gain market share.

Elsewhere in our UK business, Out of Home sales increased by 8.0% to £45.5m (2018: £42.2m) and now contribute 31% of Group revenue. This increase was largely driven by the acquisition of one of our post mix and coffee distributors (Adrian Mecklenburgh Limited) and the growth of frozen beverages into the cinema channel. The continued growth in Out of Home demonstrates our diversified strategy and is a result of the significant investment in this part of our business over recent years.

International sales grew by 7.5% to £29.5m (2018: £27.4m). In our African markets, revenues were £13.0m compared to £13.6m in the prior year.

Sales to the Middle East grew by 20.6% to £11.6m against softer prior year comparatives (2018: £9.6m). As anticipated, this performance reflects a return to normal levels of concentrate sales during the year. Within the region, we achieved our best ever sales performance of the Vimto brand during Ramadan 2019.

Elsewhere in our International regions, there was good growth in the USA, which is primarily a Stills market (+23.1% to £1.4m) and Europe which is primarily a Carbonate market (+5.2% to £3.3m).

Group Profit Before Tax was £32.4m for the year, an increase of 2.1% compared to the prior year (2018: £31.8m).

DIVIDEND

As a reflection of the Board's confidence in the Group's long-term financial position and the performance in the year, we are pleased to recommend a final dividend of 28.0 pence per share (2018: 26.8 pence).

If approved by our shareholders, the total dividend for 2019 will be 40.4 pence per share (2018: 38.1 pence), an increase of 6.0% on the prior year. Subject to shareholder approval, the final dividend will be paid on 1 May 2020 to shareholders registered on 20 March 2020; the ex-dividend date is 19 March 2020.

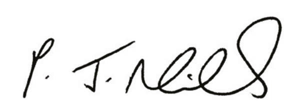
SUMMARY

In summary, the Board is pleased with the Group's performance in 2019. Despite the market headwinds, the business has once again delivered profitable sales growth, maintained its strong cash generative model and as a Board, we are proposing a final dividend of 28.0 pence per share, resulting in a 6.0% increase in the full year dividend.

OUTLOOK

Further to our trading announcement on 23 December 2019 regarding the new Sweetened Beverage Excise Tax in Saudi Arabia and the UAE, we anticipate being in a position to update the market in our Interim Results Announcement on 22 July 2020. At that point in time, we will have the benefit of the data post the critical Ramadan trading period.

Elsewhere across the Group, we are confident that our diversified and profitable business model will support the continued growth trend into 2020 and beyond.



John Nichols
Non-Executive Chairman
25 February 2020

OUR BUSINESS MODEL EXISTS TO MAKE LIFE *taste* BETTER

Ingredients

Like all great tastes - it all starts with the best ingredients!

The *'Vimto secret recipe'* is testimony to this

Manufacture

Our much loved products are made by the very best - ourselves or our supplier partners

Transport

We use the most effective distribution solutions to meet customer needs, whether that be via our own team or an expert partner

Retailers

SHOP

Our retailers vary from some of the biggest to some of the smallest in the world

Consumers

It's ultimately all about getting our much loved brands into people's *hands!*

WE ALWAYS HAVE OUR

Customers

AT THE HEART OF EVERYTHING WE DO

CHIEF *Executive* OFFICER'S REPORT

AN IN-DEPTH LOOK AT OUR HAPPIER FUTURE

Having launched our revised sustainability agenda to our colleagues in January 2020 we are delighted to provide details of our commitments and objectives to the Group's stakeholders in this Annual Report.

Our goal remains to continue to grow our business by doing the right things in the right way. Our ***"Happier Future"*** strategy outlines the ways in which we are working with our partners and for our communities so that ***"we make life taste better"*** for everyone.

As a growing, international business we understand our responsibility to operate in a sustainable way and give back to society. Our vision is to create a happier future for our planet by doing the right things, in the right way, with our partners and for our communities.

WITH OUR PARTNERS...

With our partners we are working together in five key areas:

SUSTAINABLE PACKAGING

We are committed to having a sustainable and achievable plan surrounding the use of plastic within every aspect of the organisation. We are working hard with our suppliers to utilise more recycled PET plastic within our packaged portfolio. Since the last annual report, we have increased our use of RPET plastic from 31% to 51% within our cordial product range. All of our RPET plastic is sourced from the UK, which is a clear commitment to ensure our carbon footprint remains as low as possible.

Every piece of packaging we use or supply is 100% recyclable and we continue to invest in the UK recycling infrastructure by purchasing UK only Packaging Recovery Notes (PRN). We have replaced plastic cups and straws with alternative materials to plastic, and any plastic straws, cups and lids we do use are 100% recyclable. All of our cordial shrink film contains 50% post-consumer recycled waste, which means material that would otherwise have been directed to landfill is diverted and used in the production of our shrink film.

LEGISLATION

We continue to actively work with the British Soft Drinks Association (BSDA) to support the introduction of a well-designed Deposit Return Scheme (DRS). By developing a better infrastructure in the UK, which supports wider recycling and improves consumer awareness for the need to recycle, we will be able to create better availability of RPET plastic for the whole of our industry. We need a system that is UK wide and is embraced by all parties within the supply chain from national Government, local Government, soft drinks manufacturers, retailers and consumers. As I reported last year, this means better waste collection at a local level, improved recycling systems nationally, and a drive

STRATEGIC REPORT

to make consumers more *"recycling"* aware about plastic bottles.

We continue to work with Government to reform the current Producer Responsibility Obligations Regulations in light of the Deposit Return Scheme and any associated taxes that are levied to the industry.

INNOVATION

Innovation will continue to be a key growth driver of our business as we evolve to meet ever changing consumer, customer and category needs. Underpinned by our category strategy, our product and packaging innovation will focus on providing solutions which address both the health and sustainability agenda. Our objective is twofold, firstly to re-ignite growth in core product segments, secondly to identify the new product segments of the future that will deliver both consumer and customer value growth.

Working in partnership with one of our largest customers, we are really excited about our plans to launch what we believe will be a first to market for the soft drinks industry. In the first half of the year, we will install our first in-store refill station for our dilutes range which is intended to help shoppers reduce, re-use and recycle packaging.

CARBON FOOTPRINT

We continually work with our manufacturing partners to reduce our impact on the environment and improve our carbon footprint. Some of our recent initiatives include:

- The installation of a second reverse osmosis unit to reclaim up to 50,000 litres of water per day that otherwise would simply be water going to waste.
- Reducing the weight of our Aluminium 330ml cans by 1.8g, which means over the course of a year, we have saved 54 tonnes of Aluminium.
- Reducing the amount of PET plastic across our range, with the overall effect being an annual saving of 90 tonnes of PET, with further initiatives stretching into 2020, to remove a further 37 tonnes from our bottles.
- Within our own manufacturing operations at Ross-on-Wye, through a programme of improved measuring and monitoring of our energy usage, we have reduced our annual CO_2 output by 115 tonnes equivalent (tCO_2e), with a further 78 tCO_2e saving from improving efficiencies in our offices.

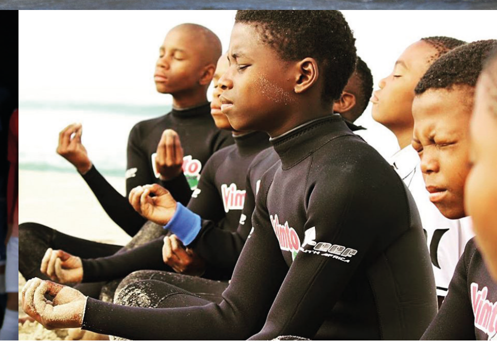
Our ongoing programme will identify further opportunities for greater efficiency and reduction in our carbon footprint through 2020 and beyond.

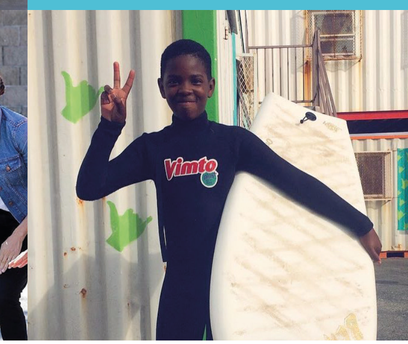
HEALTHIER FUTURE

The Soft Drinks Industry Levy (SDIL) was introduced in April 2018. Our focus on reducing sugar has been in place since 2012 and our work on reducing sugar continues today, both in the UK and Internationally.

All our brands are exempt from SDIL in the UK and we continue to reduce our sugar consumption as a whole across the business. From 2015 to 2019, our sugar usage has decreased by 1,491 tonnes while volume in litres grew by 31%. Within Vimto, No Added Sugar now accounts for 51% of our overall sales, which is up from 33% in 2015. We will continue to ensure all our new product development is No Added Sugar and all of our advertising features only our No Added Sugar ranges. Within dilutes, 2019 sales of No Added Sugar are now clearly ahead of original recipe, accounting for 59.1% of total sales. This is a significant shift from 2014, when No Added Sugar sales accounted for 38.9% of total sales.

An area where we have made very good progress is in our Out Of Home business, where we have seen sugar in our products decrease by 46% since 2015.





...FOR OUR COMMUNITIES

Our local communities are incredibly important to us and we undertake a number of community engagement initiatives.

WARRINGTON YOUTH CLUB

Throughout August we ran a number of Dragon's Den workshops where the teams were challenged to come up with a new innovative idea around healthy hydration. This culminated in a grand finale where the six groups of weekly winners came back to present their ideas on 15 August 2019. The winning team, called Vim-Go, presented an idea around on-the-go pods and straws. A graduation ceremony (for all 300 students) was then held on 19 September 2019 where we presented our winning Dragons Den team with a cheque for £500, which is used at the discretion of the youth club.

WAVES FOR CHANGE

2019 was a fantastic year for Waves for Change (W4C) with more than 65 surf mentors delivering Surf Therapy to over 2,000 children per week across South Africa and Liberia. As the practice has been shared, so too has a new global initiative. The Wave Alliance provides passionate people with the training, equipment and the mentoring skills they need to bring the power of evidence-based Surf Therapy to their home coastlines. Surf Therapy now exists in Ghana, Liberia, Somalia, Trinidad, Peru, Costa Rica and Argentina.

Nichols has continued to support W4C. From our offices across the UK, boxes of new clothing were contributed by employees and shipped to the children of the W4C Liberia programme in Harper, landing just in time for Christmas, with the support of our international freight forwarding partner, Bolloré. We are assisting The Wave Alliance to expand into a new territory in Tanzania. We will support a brand new specially designed TV advert, which will be broadcast on Tanzanian national TV with the support of our local bottling partner, with the aim to encourage more local, not-for-profit organisations to participate in the incredible work W4C achieve, by improving vulnerable children's mental wellbeing in communities worldwide.

SALFORD CITY FC

For the past two years the Group's Vimto brand has been a partner of Salford City FC and I'm delighted with the number of successful initiatives to have come through the partnership.

Vimto supports the Academy 92, which recruits young talented footballers from the Greater Manchester region and gives them an opportunity to develop and grow. As a business we are passionate about making sure the youth around Salford's community receives the best opportunity to excel in their careers, whether it is through football or the dedicated programme at Trafford College, which all Academy players attend. Academy 92 provides all recruits with life skills they can use in the future in order to give the best possible foundations to succeed.

In 2019, as Salford City FC's first team secure promotion into the EFL League 2, Academy 92 players secured a number of rewards. Five of the Under-18s were offered professional contracts for the 2019-20 season, and 10 of the Under-16s who will be joining the Academy as Under-17s in 2019-20. The Under-21s won the NW Under-21 Development League this season, their first season competing in the competition. Through our on-going support we are looking forward to witnessing the continued development of the players, Club and Community.

OUR TEAM

We are keen to ensure all of our colleagues have the ability to make a positive impact on their own local communities. While Nichols plc is an international business we understand the importance of remaining locally connected to our own communities wherever we are in the UK.

In 2020, we are giving all of our colleagues ***"A day to make a difference"***, which we hope will effect a ripple of kindness to our local communities to people of all ages. Next year, I look forward to sharing examples of the ***"ripples"*** I am sure we will make during 2020.

We are a significant employer throughout the UK and now have more than 350 colleagues working within the organisation. We are passionate around developing our own talent and during 2019, we made 22 promotions internally and made over 80 new people appointments as the business continues to grow. Our people strategy is built around three very clear pillars – organisation, people and structure – which uphold the values and the culture we have nurtured for many years.

STRATEGIC REPORT

We care about the wellbeing of every single colleague and this was an area we included in our third employee engagement survey at the beginning of 2019. 83% of our colleagues responded to the survey and our engagement score was very high, at 86%.

The following three measurements are a key indicator of how the rest of our Vimto family is feeling:

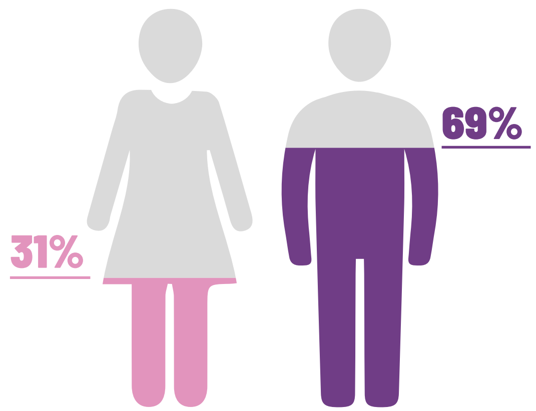
Following the survey we have three key areas we will strive to improve upon together:

Our policies with respect to human slavery, anti-bribery and whistleblowing can be found on our website www.nicholsplc.co.uk.

Gender PAY GAP REPORT 2019

Nichols plc is pleased to present its gender pay gap reporting results as of 5 April 2019.

% employees SPLIT BY GENDER



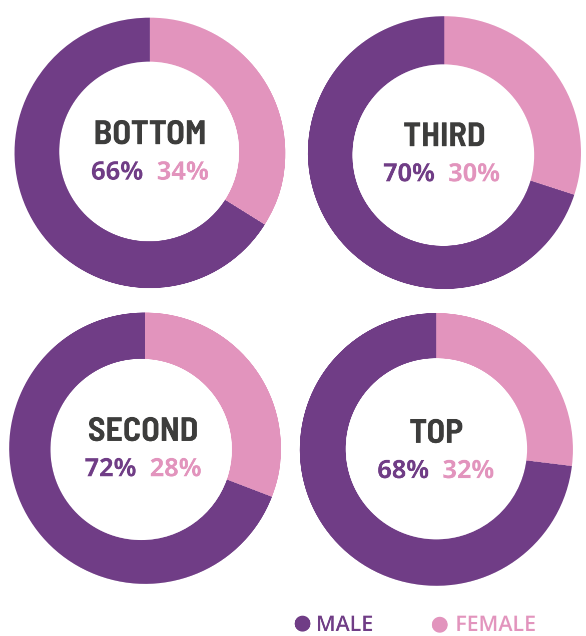
Our Out of Home (OOH) technical, distribution and manufacturing functions have continued to represent the biggest growth - reflecting new customers secured in our OOH channel in 2019. We continue to see a strong trend of males in these roles reflective of the available talent pool in the market.

This will continue to be an area of focus going forward. During 2019, outside of these functions, two-thirds of roles recruited were filled by females.

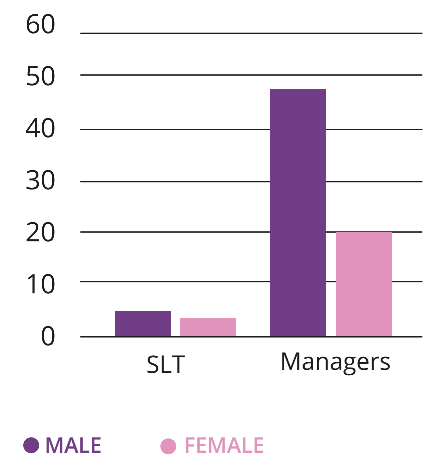
PROPORTION OF males and females IN EACH PAY QUARTILE

The proportion of males and females in each pay quartile continues to reflect the workforce with no substantial variances. Investment in some of our group functions created leadership opportunities, which has contributed to the increase in the number of females in management positions.

Opportunities for our employees to grow and develop through the organisation is improving following the implementation of our talent framework, which is bringing greater transparency and clarity to the career pathways across the Group on both a leadership and expertise axis. We will be building on this in 2020.



PROPORTION OF males and females WITHIN THE SENIOR LEADERSHIP TEAM & MANAGERS WITHIN THE GROUP



Hourly Pay*

MEAN -13% MEDIAN 1%

Bonus*

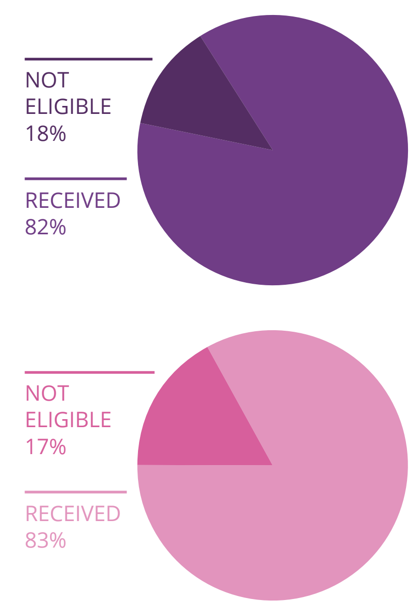
MEAN -13% MEDIAN -2%

*Variance in male pay to female pay.

PROPORTION OF males and females RECEIVING A BONUS

Every employee has the potential to earn a bonus at Nichols plc. For new employees, eligibility in their first year will be based on their start date in the calendar year. Bonus is linked to both Group performance and personal objectives. The results opposite show those employees not eligible for a bonus in 2019 due to their start date.

MALE FEMALE



Marnie Millard OBE
Chief Executive Officer
25 February 2020

CHIEF OPERATING OFFICER'S REPORT

Andrew MILNE

CHIEF OPERATING OFFICER

2019 has again been a strong year for the whole Group with both the UK and International regions contributing to the growth of the business. This again highlights the strength of our diversified business model, which gives us a strong platform to drive success in the market place.

Total Group revenue grew by 3.5% to £147.0m. Sales of our Still portfolio grew by 10.8% which was driven by the excellent results in our Middle East region, reflecting an exceptional sales performance during Ramadan 2019. Carbonates declined by 2.6% as a result of the strong comparatives in our UK business from the summer of 2018. Our gross profit grew by 7.9%, ahead of revenue growth, with gross margin improving to 47.6% from 45.7% in 2018. This pleasing result demonstrates the continued success of our "Value over Volume" strategy.

FINANCIAL HIGHLIGHTS

- ***Revenue: +3.5% to £147.0m (2018: £142.0m)***
- ***Gross Profit: +7.9% to £70.0m (2018: £64.9m)***
- ***Profit Before Tax: +2.1% to £32.4m (2018: £31.8m)***
- ***EPS (basic): +5.2% to 72.81p (2018: 69.23p)***
- ***Strong balance sheet: £40.9m free cash (2018: £38.9m)***
- ***Full year dividend: +6.0% to 40.4p (2018: 38.1p)***

All of the partners we work with across our entire business continue to play an important role in helping us to achieve our success and I would like to thank them all for their collaboration and support during 2019.

"It filled me with immense pride when The Grocer awarded us 'Soft Drinks Supplier of the Year 2019'. This is testament to the exceptional people in our business who continue to deliver outstanding results."

UK SOFT DRINKS

(Statistics given below on the market are as measured by Nielsen in the year to 28 December 2019.)

In 2019, volumes in the £8.7bn UK soft drinks market declined by 2.4%. However, value sales grew by 0.8% against very strong comparatives in the prior year (2018: +7.8%).

Within the soft drinks market, value growth was seen across Cola, Energy, Iced Coffee and Fruit Carbonate categories. Fruit drinks, Plain and Flavoured Water and Fruit Juice were all sectors in decline in 2019.

Vimto grew in line with the total market, adding £0.8m to its brand value (Nielsen data) in the twelve month period to a record £90.3m.

The soft drinks category remains intensely competitive and promotionally driven, but we continue to add value with our product innovation under the sub brand Remix, growing at an impressive 30% and adding £3.2m to the brand total year-on-year.

Vimto continues to outperform the market in Stills. Vimto Squash achieved 8.7% growth versus a market decline of 1.4%, whilst Vimto ready to drink has outperformed the market by 5.1 percentage points.

All of our marketing campaigns in 2019 have been at the core of driving the brand's growth. Our *'I see Vimto in you'* campaign that was launched successfully in the UK during 2018 was again used throughout 2019. The teams received external recognition from the industry for the success of the campaign by winning the Drum, Fab and Prolific North Awards. Our consumers continue to love the brand, as demonstrated by us achieving our highest ever household penetration in the UK at 6.7m households (+500k households vs. 2018 as measured by Kantar).

Within the UK packaged sector, the exceptionally strong performance of our dilutes portfolio has been the key driving force of our success. We have achieved sales revenue growth of 15% in 2019. This has driven strong market share growth and has firmly consolidated our position as the UK's No.2 squash brand.

Our continued focus on health has seen our 'No Added Sugar' portfolio grow by 7% as consumer tastes and preferences continue to evolve.

Innovation has once again played a crucial role in our success and our Remix brand portfolio has delivered sales growth of 14%. Offering new and exciting flavours is critical to bringing new younger consumers into the brand to ensure Vimto's longevity in the marketplace.

We continue to work in collaboration with all of our customers across the UK grocery, foodservice, wholesale and discount channels. We were proud to have been awarded The Grocer's *'Soft Drinks Supplier of the Year Award'*, voted by our customers who highlighted our strong category management approach, clear long-term strategic focus and the high quality of our sales people.

We will continue to put our customers at the heart of what we do to ensure we deliver long-term success together.

UK ON-TRADE

(As measured by CGA Total Out of Home, Licensed & Foodservice in the 12 months to 31 October 2019.)

Soft drinks remain a hugely important part of Out of Home sales, particularly when we look at the Licensed sector total drinks sales mix. In Licensed outlets, soft drinks sales volume totals 750m litres annually, representing a quarter share of total drinks sales volume and nearly 15% of sales value.

When we look at the trends in comparison to other categories in Licensed, the sales of soft drinks are in line with total drinks sales and ahead of Beer, Cider & Wine. Soft drinks sales are outperforming other categories, which have been greater impacted by cautious consumer spending and a decline in eating out visits compared to 2018.

In the UK, sales of soft drinks in Licensed & Foodservice combined saw a drop in consumption during 2019 vs. 2018, as volume declined 2.2% to 1.8 billion litres for the year. This was driven by a 3.3% decline in Foodservice as well as the impact of the number of Licensed & Foodservice outlets in the UK declining 1.8%.

Sales by value are up 1.3% year-on-year at £7.3bn for total Out of Home. Value over volume sales have been driven through a combination of premium sales in Licensed and taxation from the Soft Drinks Industry Levy.

The Out of Home channel has delivered strong sales growth of 8% in 2019. A key driver of this growth has been due to the launch of our new ICEE Frozen Carbonated range, with leading edge equipment, into the cinema channel. We have delivered a range of innovative flavours, supported by a marketing campaign in venues and on cinema screens.

Acquisitions have played a vital role in our success within Out of Home in 2019. Having acquired The Noisy Drink Company North

SWIZZLE FIZZLE FRESHY FREEZE

West Limited in 2018, we made a further acquisition of one of our distributor partners, Adrian Mecklenburgh Limited (AML), in February 2019. AML sell both bag-in-box soft drinks and liquid coffee via dispense equipment within the Kent region and also has the rights to sell liquid coffee in partnership with Douwe Egberts in both Kent and Central London. This now gives us the opportunity to enter the fast growing coffee market with a strong branded partner in key UK geographies.

A key pillar of our long-term strategy is to offer leading brands across all of our markets and we are pleased to have secured a new long-term partnership with Coca-Cola Europe Partners that allows us to continue to offer our customers in the Out of Home channel bag-in-box Coca-Cola.

We have also opened a new state of the art technical centre and showroom in Swindon allowing our customers to see our world class equipment and brands all under one roof. We have also created a new technical apprenticeship scheme in conjunction with local Governments, giving young people the opportunity to learn new skills within our business.

VIMTO INTERNATIONAL

Despite the backdrop of difficult trading conditions in the Middle East region, in 2019 we have delivered one of our strongest ever Ramadan campaigns; a fully integrated 360-degree marketing campaign called *'#Always Shining'*, coupled with outstanding in-store execution, delivered 8% sales growth.

The *'#Always Shining'* campaign focused on the evolving role of Middle Eastern women in their diverse roles from a warm, welcoming family home to the busy world of work.

Innovation has played a pivotal role in our success across the region in 2019. One example of this is the launch of a brand new blue raspberry flavour in still 250ml PET plastic bottles and a 400ml carbonated range, which consumers have reacted very positively to the flavour profile and the products have made a significant contribution throughout the campaign.

Against some challenging trading conditions in Africa, we have again opened new markets within the continent during the year. We have partnered with Bakhresa, who are a well-established distributor within Tanzania and launched a range of Vimto products across the various trading channels. The products have been well received by consumers during the season. Overall, sales within our African region totalled £13.0m (2018: £13.6m), 3.8% behind the prior year.

The momentum we have seen in the USA with our long-standing partner, Ziyad, continues to progress well and with a strong focus on in-store execution, double-digit sales growth was delivered during the key summer trading period.

Across our European markets, we have focused on driving deeper distribution, which has resulted in new business wins and strong revenue growth.

20 MILLION jelly babies sold!

BRAND LICENSING

Our brand licensing division ensure the iconic Vimto flavour is enjoyed across a variety of ranges by our consumers and launched some exciting new products during the year. A key highlight during 2019 was our Jelly Babies being awarded the *'Grocer Best Product Award 2019'*.

OUR STRATEGY

We have continued to evolve our long-term strategy during 2019 and have launched the 'Vimto Home' to ensure all of our people and partners have clarity on where we will prioritise our focus over the next few years. Putting the customer right at the heart of our strategic framework will be paramount to ensuring we make long-term decisions with their objectives at the front of our minds.

STRATEGIC REPORT

Our VIMTO HOME

STRATEGIC GROWTH PILLARS

More from the Core

Core products, core customers, core markets.

Our core brands continue to be loved by all of our consumers and customers and we will continue to invest and drive growth in these key areas. 2019 has again shown how important our core products are, as demonstrated by the growth we have seen in our dilutes business in the UK and the cordial sales we have delivered during Ramadan.

Whenever, Wherever

Right products, right place, right time.

Through continuing to expand our portfolio of products, we have been able to enter brand new channels within the market place. 2019 has seen us enter the cinema channel in both the UK and Europe with our exciting ICEE brand. The consumer reaction has been very strong and the approach of landing strong brands into new channels will be an important pillar of our long-term growth ambitions.

Thirst for New

Innovation and acquisition.

Driving growth through innovation and acquisition will continue to be at the heart of our long-term growth strategy. This pillar has delivered growth in the business over many years and will continue to be a key area in which we will prioritise our efforts. Using consumer and market insights to understand the long-term trends will be crucial in ensuring we carefully plan the evolution of our business growth.

Happier Future

Let's create one.

A long-term plan built around sustainability is going to be vital in ensuring our business is successful for many years to come. A full overview of our 'Green House' can be viewed on page 14.

Summary

The economic and trading conditions continue to be challenging right across the globe. Having a clear, prioritised strategy has always been at the heart of our business success and continuing to evolve our thinking is going to be as important as ever. Our goal is to continue to grow our business doing the right things in the right way, to ensure everyone connected to our brands and people have experiences that ***'Make Life Taste Better'.***

Risk MANAGEMENT

RISKS AND UNCERTAINTIES

The Group maintains a risk register which is reviewed and managed by the senior leadership team on a regular basis. As a result, the register is dynamic and reflects the evolving business environment. The register is also reviewed by the Group Audit Committee at each meeting.

*New risk added to the Group risk register in 2019. No risks have been removed from the prior year.

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

STRATEGIC REPORT

RISK	POTENTIAL IMPACT	MITIGATION
Loss of system availability	In common with many businesses we are highly dependent on the availability of IT systems. Disruption to IT systems could limit availability of products and consequently reduce sales.	Nichols 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.
Threat of cyber-attack	The threat of cyber-attack is an ever present and indeed, ever growing risk in today's global business environment. Disruption to IT systems could limit availability of products and consequently reduce sales.	Nichols 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.
Our reliance on Vimto as a brand	Management consider there would be a risk to the Group'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. The Group as a whole has again delivered strong growth in the year, further demonstrating the effectiveness of this strategy.
Single source supply of Vimto concentrate	Unavailability of the Vimto compound could significantly impact the Group's revenue, therefore 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.
Introduction of a Deposit Return Scheme (DRS)	The UK Government is introducing various options to promote a reduction in the use of single use plastic and promote recycling. A DRS scheme is to be implemented in Scotland from 2021, followed by the rest of the UK in 2023. The Group will therefore face legislative challenges that may potentially increase complexity or cost.	As detailed in the Strategic Report on page 15, 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.
Health & Safety incident	A health & safety incident, for example in a warehouse or on the road, could result in serious injury or death or investigation by the relevant authority.	The Group manages the health & safety regime via the Senior Leadership Team supported by a cross business Committee headed by our in-house company solicitor. The Group will also invest in a new Group H&S manager during 2020, as part of putting additional expertise and resource into this area. The Committee oversees policy and procedure and is developing a plan to ensure appropriate risk assessments and staff training are embedded across the Group. The Committee also ensures that the appropriate schedule of audits are undertaken, which are resourced externally where appropriate.

RISK	POTENTIAL IMPACT	MITIGATION
Impact of Brexit	Following the UK's exit from the European Union on 31 January 2020, the terms of an as yet unspecified trading deal may impact upon the timeliness of imports of raw materials and exports.	The Group has considered a number of scenarios to manage the potential outcome of any Brexit deal achieved, to ensure supply of products is maintained. We are working closely with our supply chain, warehouse and distribution partners to secure additional capacity and ensure that the supply of raw materials and finished products is maintained. Whilst the Group generates some sales in Europe, the impact of any Brexit deal achieved is not expected to have a material impact on any future sales.
Product quality issues leading to product recall	Inconsistent quality or contamination of the Group's products could reduce demand for the Group's products.	The business applies strict quality controls for our manufacturers and seeks independent validation of these controls by Global Food Safety Initiative (GFSI) approved bodies such as the British Retail Consortium (BRC).
Loss of a major customer account or key partner	Loss of a major customer account or key partner could limit availability of products and consequently reduce sales.	We are dedicated to maintaining long-term relationships with all of our customers and key partners. However, the Group's diverse income stream across markets and regions means we are not overly reliant on any one customer or partner.
Introduction of new Government legislation *	The introduction of new Government legislation within either the UK or overseas, could reduce demand for the Group's products and significantly impact the Group's revenue. In addition, new legislation could have an impact upon the cost of production and limit availability of our products.	The Group monitors its markets and any potential changes in legislation. Where such changes are identified, the Group considers a number of scenarios to manage the potential outcome, working with our key partners as necessary. This can be evidenced by the introduction of the Sweetened Beverage Tax in the Middle East, which came into effect in December 2019, where we have been working closely with our long-standing partner in the region to mitigate the potential impact to the Group.

RISK	POTENTIAL IMPACT	MITIGATION
Failure to successfully complete identified acquisition opportunities *	Failure to successfully complete identified acquisition opportunities could impact the Group's ability to implement strategy and the intended pace of growth.	The Board review identified acquisition targets routinely, ensuring they align with the Group's strategy for growth. Full due diligence is performed for all acquisitions, using internal and external resources.
Failure to integrate completed acquisitions *	Failure to integrate completed acquisitions into the Group could impact the Group's ability to implement strategy and the intended pace of growth.	The Group establishes project teams, consisting of cross functional key personnel, to oversee the integration of all acquisitions.
Negative publicity affecting the brand *	Negative publicity affecting the brand could reduce consumer demand for the Group's products.	The business adheres to core values of originality, authenticity and ethics which result in a strong brand.

Andrew Milne
Chief Operating Officer
25 February 2020

Financial REVIEW

Income Statement	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue	**147.0**	**142.0**
Gross Profit	70.0	64.9
GP%	47.6%	45.7%
Distribution expenses	(7.4)	(7.2)
Operating expenses excluding depreciation and amortisation	(25.6)	(23.8)
EBITDA	**37.0**	**33.8**
Depreciation & amortisation excluding impact of IFRS 16	(3.5)	(2.2)
Depreciation as a result of IFRS 16	(1.0)	-
Operating Profit	**32.4**	**31.6**
Operating profit margin	22.1%	22.3%
Finance income	0.2	0.2
Finance expense	(0.3)	(0.1)
Profit Before Tax	**32.4**	**31.8**
PBT %	22.1%	22.4%
Tax	(5.6)	(6.2)
Profit after tax	26.8	25.5

STRATEGIC REPORT

REVENUE

Group revenue for the year was £147.0m, an increase of 3.5% compared to 2018. Excluding the acquisition of Adrian Mecklenburgh Limited (AML), like for like Group revenue was £144.0m, an increase of 1.4% compared to 2018.

The year-on-year growth came entirely from the Still category, where revenues increased by 10.8% to £71.7m (2018: £64.7m). This growth was driven by the Vimto dilutes category in the UK where sales were up 14.8% and shipments of Vimto concentrate to the Middle East, which were 20.6% ahead of 2018, albeit against softer prior year comparatives.

The Carbonate category sales were £75.3m, 2.6% down on the prior year (2018: £77.4m) which was indicative of the industry wide slow-down in 2019 in comparison to 2018, when we had the record summer weather.

It is pleasing to report that both our UK and International business delivered growth in the year, which again demonstrates the value of our diversified business model.

Revenue	FY 2019 £m	FY 2018 £m	Movement
UK	**117.5**	114.6	+2.5%
International	**29.5**	27.4	+7.5%

GROSS PROFIT

Gross Profit was £70.0m, an increase of 7.9% in comparison to the prior year. The increase was relatively ahead of revenue performance due to the strong growth in the Middle East. As a result, Gross Margin improved to 47.6% from 45.7% in 2018.

DISTRIBUTION EXPENSES

Distribution expenses totalled £7.4m which was a marginal (2.6%) increase on the prior year and commensurate with UK revenue growth, which incurs the majority of Nichols' distributions costs.

OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTISATION

Operating expenses excluding depreciation and amortisation were £25.6m, an increase of £1.8m in comparison to 2018.

The significant cost increases during the year were:

- £1.3m incremental overheads from the acquisition of AML
- £1.0m net adverse forex cost in contrast to a gain in 2018
- £0.4m incremental uplift in wages & salaries

A credit of £1.0m has been recognised within operating expenses during the year, following a fair value assessment of the deferred consideration payable as part of the acquisition of AML.

Nichols plc adopted IFRS 16, *Leases* for the first time in 2019 (see note 24). The Group adopted IFRS 16 using the modified retrospective approach, without the restatement of comparative figures. This had the effect of removing approximately £1.1m of lease charges from operating expenses. However, the corresponding increase in depreciation and finance charges negated any impact on Profit Before Tax.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA for the year was £37.0m, an increase of 9.5% (£3.2m) compared to the prior year.

As explained above, the adoption of IFRS 16 had the effect of inflating EBITDA by £1.1m due to the removal of operating lease charges. EBITDA on a like for like basis (i.e. excluding the impact of IFRS 16) would have been £35.8m which would have been 5.9% ahead of the prior year and still broadly in line with the Gross Profit increase.

DEPRECIATION AND AMORTISATION

Like for like depreciation and amortisation has increased to £3.5m from £2.2m in the prior year. The increase is mainly caused by incremental depreciation of freezer equipment, which supports the growth in our Out of Home business and additional amortisation of intangibles associated with recent acquisitions.

Additional depreciation as a result of adopting IFRS 16 is approximately £1.0m for the year, which nets off against a similar value of lease charges in prior years. Therefore, there is no significant impact on Profit Before Tax from the adoption of IFRS 16 and no cash impact.

OPERATING PROFIT

Operating Profit for the year was £32.4m, an increase of 2.5% compared to 2018.

The operating margin was 22.1% which was similar to the prior year (2018: 22.3%).

FINANCE INCOME AND EXPENSE

Finance income of £0.2m (2018: £0.2m) relates to the bank interest received during the year on the Group's cash deposits.

The finance expense of £0.3m (2018: £0.1m) is made up of £0.2m relating to IFRS16 interest charges and a £0.1m net interest charge for the defined contribution pension scheme.

PROFIT BEFORE TAX (PBT)

Profit Before Tax was £32.4m for the year, an increase of 2.1% compared to the prior year (2018: £31.8m).

The margin return on sales was 22.1% compared to 22.4% in the prior year.

TAXATION

The effective rate of Corporation Tax for Nichols plc in 2019 was 17.2% (2018: 19.6%). This is lower than the standard rate of 19%.

Nichols plc repatriates all worldwide profit to the United Kingdom.

STATEMENT OF FINANCIAL POSITION

The Group cash balance at the end of 2019 was £40.9m (2018: £38.9m).

Nichols plc's business model continues to be very cash generative, the operating profit cash conversion was 105% (2018: 91%). The cash conversion metric is calculated as 'net cash generated from operating activities' as a percentage of 'profit for the financial year'.

By exception, other points of note regarding the Statement of Financial Position are as follows:

- There has been a significant increase in the value of property, plant and equipment during the year. The NBV at the year end was £21.7m compared to £14.6m in 2018. Increased investment in freezer equipment to support the growth in our Out of Home business (£4.0m) and leased assets capitalised (£4.6m) due to the adoption of IFRS 16, as mentioned elsewhere, are the key contributors to this increase.
- The increase in goodwill of £4.1m is due to the acquisition of AML referred to above. The total carrying value of goodwill at the year end was £38.6m (2018: £34.5m).
- Inventories of £8.3m were held at the year end (2018: £7.2m), an increase of 16.7%. £0.3m of the increase is due to the inclusion of stocks owned by AML following the acquisition.
- Non-current liabilities – Trade and other payables. The balance of £3.0m is largely the recognition of lease liabilities as part of adopting IFRS 16 during the year.
- It is pleasing to see the pension obligation has reduced to £0.3m (2018: £2.8m). The reduction in the pension obligation is due to a significant increase in the fair value of the scheme's assets during the year.

KEY PERFORMANCE INDICATORS

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

Revenue Growth +3.5% (2018: +7.0%)

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

Gross Margin 47.6% (2018: 45.7%)

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

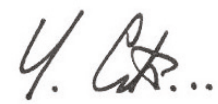
Operating Profit Margin 22.1% (2018: 22.3%)

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 £37.0m (2018: £33.8m)

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

As mentioned above, Nichols has adopted IFRS16 during the year, which has a positive effect on EBITDA, by adding back the expense previously referred to as operating lease charges. Therefore, the accounting change distorts the year on year comparison during this year of transition. Without the IFRS 16 change, 2019 EBITDA would have been £35.8m.



Tim Croston
Chief Financial Officer
25 February 2020

Section 172 STATEMENT

Under Section 172(1) of the Companies Act 2006, a Director of a Company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long-term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the Company.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

KEY STAKEHOLDERS

The Board considers its key stakeholders to be: its employees, its customers, its suppliers, the community in which it operates, the environment and its shareholders.

HOW THE GROUP ENGAGES WITH ITS KEY STAKEHOLDERS

STAKEHOLDER GROUP	WHY WE ENGAGE	HOW WE ENGAGE
Employees	The Group's long-term success is predicated on the commitment of our employees to our purpose and its demonstration of our values on a daily basis. To maintain our competitive advantage and meet the growing demands of the environment in which we operate, we need a workforce which is adaptive and whose skill base constantly evolves. We also value workers with long-term practical experiences. We engage with our workforce to ensure that we are fostering an environment that they are happy to work in and that best supports their well-being.	Regular meetings take place with staff groups to share Group strategy and seek feedback. The Group also conducts a biennial staff engagement survey with current staff engagement measured at 86%.
Customers	Communications and relationships with our direct customers is a fundamental ingredient to our success.	The Nichols plc commercial teams have continuous communications with our direct customers, through face-to-face meetings, to understand their needs, seek feedback, share our plans and nurture collaborative working practice. We engage with our end consumers through our on-going promotional and advertising activity.
Suppliers	Given Nichols' outsourced manufacturing model, having long-term partnerships with our suppliers and co-packers is essential. Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standards of conduct that we set ourselves.	The Nichols plc supply chain team and senior management have regular review meetings with our supplier base.
The Community	The Group cares about its community and understands the importance of giving back to help and inspire others to achieve, developing positive relationships and maintaining a strong reputation within the community.	Nichols plc supports a number of local charities including Warrington Youth Club which provides facilities, opportunities and support to children in our community. In addition, the Group supports Salford City FC and its Club Academy 92, to support aspiring football stars, developing their skills and education through a dedicated partnership. In 2020, the Group is giving all colleagues "A day to make a difference", which we hope will effect a ripple of kindness to our local communities to people of all ages.
The Environment	Nichols plc is aware of its environmental responsibilities and whilst all its current packaging is already recyclable, the Group is working with suppliers and customers to reduce plastic waste as part of its "Happier Future" strategy.	In addition to the work we have already undertaken, we are looking at increasing the proportions of recycled plastic which is already at 51% 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.

STAKEHOLDER GROUP	WHY WE ENGAGE	HOW WE ENGAGE
Shareholders	Continued access to capital is of vital importance to the long-term success of our business. Through our engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we go about executing on them. We create value for our shareholders by generating strong and sustainable results that translate into dividends. We are seeking to promote an investor base that is interested in a long-term holding in the Group.	The Executive Directors meet our shareholders on a number of occasions throughout the year and aim to have an open dialogue to receive feedback. Investor roadshow meetings are undertaken at least twice a year following the preliminary and interim results announcements. We use our AGM, which is held at our head office, as an opportunity for all Board members to interact with our shareholders on a one to one basis and take questions as they arise. In addition, our Executive Directors specifically seek to meet retail investors at investor conferences and events and are available to meet shareholders on request and at a number of ad-hoc meetings, which are held during the year. Any shareholder feedback we receive via our meetings or otherwise is discussed at Board meetings. Shareholders also have the opportunity to field any questions that they may not want to be asked directly of the Board to the Non-Executive Directors.

KEY BOARD DECISIONS DURING THE YEAR

The Board considers the following to be the key decisions and considerations it has made during the year to 31 December 2019:

BOARD DECISION	CONSIDERATIONS
The Board considered and agreed the long-term IT strategy for the business.	The need to put in place a comprehensive and workable IT system that will serve the business in the long-term. This impacts all stakeholders, particularly employees, customers and suppliers. A robust IT system is the foundation for maintaining the trust of all our external stakeholders.
The Board agreed the final dividend for 2018 of 26.8p per share.	The need to address the interests of shareholders in the context of the long-term, whilst maintaining appropriate levels of reserves to run the business effectively.

BOARD DECISION	CONSIDERATIONS
The Board reviewed the results of an employee engagement plan and agreed a number of initiatives to be carried out by the senior leadership team.	Consideration of the feedback provided by employees who completed the survey and taking appropriate actions is critical for employees to engage in the process and for positive changes to be implemented. When determining which actions would be implemented, the Board considered the financial consequences and the impact on long-term value and growth for the shareholders.
The Board agreed to seek external company secretarial support.	The need to ensure that all governance requirements were covered, thus protecting shareholder interests and increasing transparency.
The Board agreed to instigate a full external review of all health and safety provisions within the Group.	The interests of all stakeholders, particularly employees and the community and environment in which the Group operates.
The Board determined the on-going dividend policy.	The Board considered the need to balance duties owed to shareholders in short-term, whilst acknowledging the need to foster the long-term success of the business.
The Board held talks outside the usual Board meeting cycle and discussed and agreed the need to inform the market of the likely impact of Saudi Arabian and UAE tax authorities' implementation of an excise tax of 50%, to be levied on the retail price of non-carbonated sweetened drinks. An announcement was made to the market on 23 December 2019.	The need for transparency and to ensure an accurate information flow to the market, particularly concerning expected future performance of the Group.
The Board considered and agreed the appointment of a new Chief Financial Officer.	The need to recruit a talented individual who was the right fit and understood both the culture and ethos of the business, as well as the requirements of shareholders and the market. The need to also consider long-term succession planning in terms of future Board development.

Approved by the Board on 25 February 2020.

GOVERNANCE

Directors' REPORT

Nichols plc (the "Company") is incorporated as a public limited company and is registered in England with the registered number 00238303. The Company's registered office is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH.

The Directors present their report for the year ended 31 December 2019, in accordance with section 415 of the Companies Act 2006.

RESULTS AND DIVIDENDS

The Group's Profit Before Taxation from continuing operations for the year ended 31 December 2019 amounted to £32.4m (2018: £31.8m). The Directors will recommend a dividend of 28.0p at the forthcoming AGM (2018: 26.8p).

DIRECTORS

The Directors who have held office during the year ended 31 December 2019 and to date are as follows:

Non-Executive Directors

P J Nichols

J Gittins

H Keays

Executive Directors

M J Millard

T J Croston

A Milne

The roles and biographies of the Directors in office as at the date of this report are set out on pages 48 to 49.

MATTERS COVERED IN THE STRATEGIC REPORT

The Company has chosen in accordance with section 414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's Strategic Report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Risk Management section on pages 32 to 35 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

The Company does not make any political donations and does not incur any political expenditure.

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.

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.

RESEARCH AND DEVELOPMENT

The Group undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the year on research and development amounted to £0.1m (2018: £0.1m).

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 9 to 43. The financial position of the Group is described in the Financial Review on pages 36 to 39.

After making the appropriate enquiries, the Directors have concluded that the Group will be able to meet its financial obligations for the foreseeable future and therefore have a reasonable expectation that the Company and the Group overall have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this annual report) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

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 re-appointed 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

Summary of Directors' Interests in the Company

(Number of Shares)	Opening shareholding	2019 movement	Closing shareholding
P J Nichols	2,000,000	0	2,000,000
M J Millard	10,442	0	10,442
T J Croston	17,324	(4,134)	13,190
A Milne	1,665	(757)	908
J Gittins	1,280	0	1,280
H Keays	0	0	0

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.

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 profit before tax 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 £381,000. All bonuses were accrued for at 31 December 2018.

There are currently three LTIPs in place. The first runs from 1 January 2017 to 31 December 2019, the second runs from 1 January 2018 to 31 December 2020 and the third runs from 1 January 2019 to 31 December 2021. The remuneration level at grant for all three 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.

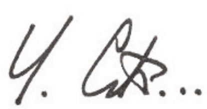
The Group has provided for a potential bonus of £522,000 under the first LTIP, £76,000 under the second LTIP and £nil under the third LTIP through other reserves for the Executive Directors as at 31 December 2019. This is based on performance against Profit Before Tax growth targets.

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 56 to 57.

A summary of Directors' interests in the Company are shown in the table opposite.

All figures above relate to shares owned outright.



Tim Croston
Secretary
25 February 2020

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

Registered in England and Wales No. 00238303.

The BOARD

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 as well as being a non-executive director with Finsbury Food Group and Chair of UA92.

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 September 2017, Tim was appointed Group Audit Chair and Non-Executive Board member of The Riverside Group Limited, 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.

Tim has fifteen years' experience in the soft drinks industry after originally qualifying in practice as an ACCA accountant in July 1993. Subsequently, he has gained a broad experience in a number of business sectors working in both the UK and overseas. In addition to the role of CFO, Tim leads the Group's Investor relations and is responsible for the IT and Legal functions.

In July 2019, Tim announced his intention to step down from the Board after a fifteen year career with Nichols. In October 2019, the Company announced that David Rattigan will join the Group as Tim's successor on 24 February 2020. Tim and David will work together for a period of time to ensure a smooth transition.

Andrew MILNE
CHIEF OPERATING OFFICER

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 and promoted to the role of Group Chief Operating Officer in July 2019. 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 (NED) 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 Appreciate 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 Non-Executive Director at Dominos Pizza Group plc and a member of their Remuneration, Audit and Nomination Committees. She has previously held NED roles at Majestic Wines plc, Skin Clinics, Chrysalis plc and Communisis 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.

GOVERNANCE

Corporate GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION

I have pleasure in introducing Nichols' Corporate Governance Statement. The Board continues to be committed to supporting high standards of corporate governance and in this section of the Annual Report, we set out our governance framework and describe the work we have done to ensure good corporate governance throughout Nichols plc and its subsidiaries ('the Group').

Last year we opted to follow the Quoted Companies Alliance Corporate Governance Code (the 'Code') and we continue to feel that this is the most appropriate Code for us, as an AIM listed company. The report below is organised under headings which show how the Company has complied with the ten broad principles of the Code. We have included our Section 172 statement within the Strategic Report on pages 40 to 43. A Section 172 statement is a new requirement under The Companies (Miscellaneous Reporting) Regulations 2018, which came into effect on 1 January 2019 and relates to the Directors' duty to promote the success of the Company, which is prescribed in Section 172 of the Companies Act 2006.

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

STRATEGY AND BUSINESS MODEL

Principle 1 of the Code requires that companies establish a strategy and business model which promote long-term value for shareholders. Our strategy is set out in the Strategic Report on pages 30 to 31. The Annual Report also contains a Section 172 statement which shows how the Directors have fulfilled their duties and obligations to ensure the long-term success of the business. The Group's Executive Directors and senior leadership team have a separate forum which meets throughout the year to focus on the delivery of the Group's three year rolling strategic plan, which is set by the Board. The progress in delivering the strategy is reported up to the Board, which both challenges and supports the senior leadership team. The strategy is communicated to all staff members at corporate team briefs and separate team meetings.

SHAREHOLDER RELATIONS

Under Principle 2 of the Code, the Company must seek to understand and meet shareholder needs and expectations. In order to achieve this, the Executive Directors meet our shareholders on a number of occasions throughout the year and aim to have an open dialogue to receive feedback. Investor roadshow meetings are undertaken at least twice a year following the preliminary and interim results announcements. We use our AGM, which is held at our head office, as an opportunity for all Board members to interact with our shareholders on a one to one basis and take questions as they arise. In addition, our Executive Directors specifically seek to meet retail investors at investor conferences and events and are available to meet shareholders on request and at a number of ad-hoc meetings, which are held during the year. Any shareholder feedback we receive via our meetings or otherwise is discussed at Board meetings.

OUR STAKEHOLDERS

Principle 3 of the Code requires that the Company takes into account wider stakeholder and social responsibilities and their implications for long-term success. We consider that our stakeholders are: our shareholders (as detailed above), our employees, our customers, our suppliers, our community and the environment.

OUR EMPLOYEES

Regular meetings take place with staff groups to share Group strategy and seek feedback. The Company also conducts a biennial staff engagement survey with current staff engagement measured at 86%.

OUR 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.

OUR SUPPLIERS

Given Nichols' outsourced manufacturing model, having long-term partnerships with our suppliers and co-packers is essential. The Nichols plc supply chain team 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.

THE 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 at 51% 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.

RISK MANAGEMENT

The fourth principle of the Code requires that the Company embed effective risk management, considering both opportunities and threats, throughout the organisation. The Group has a comprehensive risk register which is maintained by the senior leadership 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 risk focussed reviews are led by individual teams within the Company. The significant risks and related mitigation/ control are disclosed in the Strategic Review on pages 32 to 35.

THE BOARD

Principle 5 of the Code requires the maintenance of the Board as a well-functioning, balanced team led by the Chair.

The Board is led by our Non-Executive Chairman, John Nichols and includes two independent Non-Executive Directors, John Gittins and Helen Keays, who both have significant experience of plc directorships. The current Board has good gender equality with two female and four male members.

There are two Board Committees: the Audit Committee and the Remuneration Committee, which are chaired by the two independent Non-Executive Directors. Details of attendance at the two Board Committee meetings are disclosed in the Audit Committee Report and Remuneration Committee Report on pages 55 and 57 respectively.

There were six Board meetings held during the year. The following table sets out individual attendance by members:

DIRECTORS	MEETINGS ATTENDED
P J Nichols	6
J Gittins	6
H Keays	5
M J Millard	5
T J Croston	6
A Milne	6

GOVERNANCE

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.

Whilst Mr Nichols shareholding and long association with the business means that he is not regarded as an independent Chairman, he is not involved in the day to day operations of Nichols plc, those responsibilities are managed by the Group's CEO, Marnie Millard.

NON-EXECUTIVE DIRECTOR'S ROLE

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

EXECUTIVE DIRECTORS

There are three Executive Directors: Marnie Millard, Andrew Milne and Tim Croston. The Executive Directors are responsible for managing the delivery of the business plans within the strategy set by the Board.

Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings. The Board met five 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 fulfil 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.

DIRECTORS' SKILLS AND CAPABILITIES

Principle 6 of the Code requires that the Directors ensure that between them they have the necessary up-to date experience, skills and capabilities.

The current Nichols plc Board has significant sector, financial and plc experience and the Executive Directors have many decades of broad experience in the soft drinks industry.

With the support of our NOMAD and our advisors, the Board training and development needs are met. The Company's in house legal counsel presents to the Board regularly on legal and regulatory topics and a written report on governance developments is presented at each Board meeting by the Prism Cosec, the Company's corporate governance advisors.

Biographies on all Directors giving details of their experience and roles on the Board are shown on pages 48 to 49.

BOARD PERFORMANCE AND EVALUATIONS

Principle 7 of the Code requires that the Board and Committees evaluate their own performance based on clear and relevant objectives and seek continuous improvement.

The first formal Board performance evaluation was undertaken in December 2018 and reported to the February 2019 Board. The performance evaluation was led by the Group's People Director and took the form of a standard evaluation questionnaire completed by each member of the Board.

Further to the completion of the formal Board evaluation at the end of 2018 a number of actions were identified and have been progressed during 2019, including:

- Appointment of an independent Company Secretary to support the effectiveness of the Board annual cycle
- Increased the involvement of the senior leadership team in Board meetings to discuss progress against strategic priorities across the Group
- In line with the growth of the Group's UK channels, create opportunities for the Board to visit and experience our diverse operations across the UK.

The Remuneration Committee evaluates Executive Director performance, alongside remuneration and reward.

The Audit Committee engages with the Company's external auditors biannually and holds discussions on the financial systems, procedures and efficacy of management.

A rigorous recruitment process is undertaken for new Directors prior to their proposal and election.

For the recent appointment of David Rattigan as Group CFO, the Board appointed a market leading recruiter to provide a shortlist of suitable candidates with the required experience and ability. From this shortlist, a series of interviews were performed between candidates and members of the Board, after which, the Board finalised its decision on which candidate to appoint to the role.

Prior to the proposal for re-election at the AGM, the performance of the Independent Non-Executive Directors is reconsidered 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.

CORPORATE CULTURE

Principle 8 of the Code requires that the Company promote a corporate culture that is based on ethical values and behaviours.

Nichols plc is very proud of its warm and inclusive culture. It is our people and how they go about their business that has 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'. The Group conducted its third employee engagement survey at the beginning of 2019, as detailed on page 21 of the Strategic Report.

GOVERNANCE STRUCTURE

Principle 9 of the Code requires that the Company 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 www.nicholsplc.co.uk describes the roles and terms of reference for the Committees.

SHAREHOLDER AND STAKEHOLDER COMMUNICATIONS

Principle 10 of the Code requires communication on how the Company is governed and performing by maintaining a dialogue with shareholders and other relevant stakeholders. Communications with shareholders are explained in Principle 2 above. In addition to the interim and full year investor roadshows, regular meetings are held with analysts, retail investor groups and perspective investors. The plc website contains information about the business activities, access to all RNS announcements and copies of the Report and Accounts (R&A). The plc website also includes historical announcements, as well as the R&A for more than the minimum five years. The work of the Audit and Remuneration Committees is described on pages 54 to 57.

Audit COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2019.

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 Appreciate 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 financial 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 re-appointed 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

There were three Audit Committee meetings held during the year. The following table sets out individual attendance by members:

AUDIT COMMITTEE

NON-EXECUTIVE DIRECTORS	MEETINGS ATTENDED
J Gittins	3
P J Nichols	3
H Keays	2

John Gittins
Chair of the Audit Committee
25 February 2020

GOVERNANCE

Remuneration COMMITTEE REPORT

Directors' remuneration payable in year ended 31 December 2019

	Salary and fees £'000	Benefits in kind £'000	Bonuses payable in respect of 2019 £'000	Pension contributions £'000	Total 2019 £'000	Total 2018 £'000
P J Nichols	101	1	-	-	102	102
M J Millard	356	5	216	10	587	502
T J Croston	251	5	149	10	415	371
A Milne	241	19	113	10	383	344
J Gittins	40	-	-	-	40	40
H Keays	40	-	-	-	40	40
Total	1,029	30	478	30	1,567	1,399

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 myself, Helen Keays.

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 above table summarises the total gross remuneration of the Directors who served during the year to 31 December 2019.

The remuneration policy for 2020 will operate as follows:

Executive Directors	Basic salary/ fee £'000	Maximum bonus	Pension £'000
M J Millard	355	110%	10
T J Croston*	40	110%	10
D Rattigan	210	75%	10
A Milne	268	75%	10
Non-Executive Directors			
P J Nichols	101	-	-
J Gittins	40	-	-
H Keays	40	-	-
Total	1,054		40

*T J Croston will step down from the Board as Group CFO as of 2 March 2020.

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 bonus of 110% of base pay. Actual performance resulted in a bonus of 56% of base pay (2018: 69%).

Maximum bonus opportunities for the 2020 financial year are disclosed in the table above. In 2020, 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 three Long-Term Incentive Plans in place as at 31 December 2019. 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

There were two Remuneration Committee meetings held during the year. The following table sets out individual attendance by members:

REMUNERATION COMMITTEE

NON-EXECUTIVE DIRECTORS	MEETINGS ATTENDED
J Gittins	2
P J Nichols	2
H Keays	2

Helen Keays
Chair of the Remuneration Committee
25 February 2020

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 2019 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 2019 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 judgement, 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.

KEY AUDIT MATTER - BRAND SUPPORT ARRANGEMENTS

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.

Judgement is required in determining the period over which these costs should be recognised for these arrangements, requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to which the arrangements apply. Further, whilst the majority of costs incurred on these arrangements have been settled at 31 December 2019, 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. The fraud risk has been identified due to the fact that management can potentially manipulate profits by changing accounting estimates and judgements.

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

We undertook the following audit procedures in relation to brand support arrangements:

- We obtained an understanding of the related controls and assessed the design and implementation of controls over brand support arrangements. As a consequence of our conclusions, we performed a test of the operating effectiveness of the relevant controls related to the approval of brand support arrangement agreements before inception and going live on the system;
- 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. During this detailed testing, we reviewed the contractual terms within the brand support agreements and 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 to revenue throughout the year for evidence of misstatement or manipulation;
- 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.

Key observations:

Following the completion of our work, we are satisfied that brand support arrangements have been calculated appropriately and have been classified within the financial statements in accordance with 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 (2018: £1,500,000)
Basis for materiality	3 year average basis utilising 5% of profit before tax.
Rationale for the benchmark adopted	Profit before tax 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 (2018: £1,125,000), representing 75% of materiality.

Materiality in respect of the audit of the parent company has been set at £950,000 (2018: £950,000) using a benchmark of 5% of profit before tax on a 3 year average basis (2018: 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 (2018: £712,000) which represents 75% of parent company materiality.

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 has been set at £450,000 to £900,000 (2018: £400,000 to £825,000).

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 (2018: £30,000). 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 group 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, which included the parent company.

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. All work was carried out by the group auditor.

As a consequence of the audit scope determined, we achieved coverage of approximately 97% (2018: 98%) of revenue, 98% (2018: 99%) of profit before tax and 98% (2018: 99%) of net assets.

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 45 to 46, 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 the 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 parent 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 parent 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 parent company and the parent 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
25 February 2020

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

FINANCIAL STATEMENTS

Our ADVISORS

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REGISTERED NUMBER

00238303.

CONSOLIDATED INCOME STATEMENT-YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Revenue	3	**146,985**	142,037
Cost of sales		**(77,027)**	(77,170)
Gross profit		**69,958**	64,867
Distribution expenses		**(7,423)**	(7,236)
Administrative expenses		**(30,096)**	(25,993)
Operating profit	4	**32,439**	31,638
Finance income	5	**235**	192
Finance expense	5	**(252)**	(77)
Profit before taxation		**32,422**	31,753
Taxation	7	**(5,587)**	(6,238)
Profit for the year attributable to equity shareholders		**26,835**	25,515
Earnings per share attributable to the ordinary equity shareholders			
Earnings per share (basic)	9	**72.81p**	69.23p
Earnings per share (diluted)	9	**72.77p**	69.19p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Profit for the financial year	**26,835**	25,515
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	**1,704**	(412)
Deferred taxation on pension obligations and employee benefits (see note 14)	**(297)**	(44)
Other comprehensive income/ (expense) for the year	**1,407**	(456)
Total comprehensive income attributable to equity shareholders	**28,242**	25,059

STATEMENT OF FINANCIAL POSITION-YEAR ENDED 31 DECEMBER 2019

		Group		Parent	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	**21,742**	14,572	**7,098**	4,430
Goodwill	11	**38,585**	34,451	**2,504**	2,504
Investments	12	**0**	0	**16,566**	16,566
Intangibles	13	**8,065**	7,748	**1,316**	1,316
Deferred tax assets	14	**283**	835	**283**	835
Total non-current assets		**68,675**	57,606	**27,767**	25,651
Current assets					
Inventories	15	**8,361**	7,164	**4,402**	3,894
Trade and other receivables	16	**38,363**	38,153	**40,227**	35,239
Cash and cash equivalents	20	**40,944**	38,896	**20,094**	20,070
Total current assets		**87,668**	84,213	**64,723**	59,203
Total assets		**156,343**	141,819	**92,490**	84,854
Liabilities					
Current liabilities					
Trade and other payables	17	**23,260**	22,339	**29,411**	22,248
Current tax liabilities	17	**2,675**	2,814	**99**	391
Total current liabilities		**25,935**	25,153	**29,510**	22,639
Non-current liabilities					
Other payables	17	**3,028**	0	**1,791**	0
Pension obligations and employee benefits	26	**253**	2,755	**253**	2,755
Deferred tax liabilities	14	**1,785**	1,801	**0**	0
Total non-current liabilities		**5,066**	4,556	**2,044**	2,755
Total liabilities		**31,001**	29,709	**31,554**	25,394
Net assets		**125,342**	112,110	**60,936**	59,460
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		**253**	666	**1,028**	1,441
Retained earnings		**116,928**	103,283	**51,747**	49,858
Total equity		**125,342**	112,110	**60,936**	59,460

The Parent Company reported a profit for the year ended 31 December 2019 of £14,948,000 (2018: £15,193,000).

The financial statements on pages 64 to 103 were approved by the Board of Directors on 25 February 2020 and were signed on its behalf by:

P. J. Nichols

P J Nichols
Chairman

Registered number 00238303.

CONSOLIDATED STATEMENT OF CASH FLOWS- YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Profit for the financial year			**26,835**		25,515
Adjustments for:					
Depreciation and amortisation		**4,541**		2,179	
Loss on sale of property, plant and equipment		**19**		127	
Finance income	5	**(235)**		(192)	
Finance expense	5	**252**		77	
Tax expense recognised in the income statement		**5,587**		6,238	
Change in inventories		**(925)**		(2,274)	
Change in trade and other receivables		**1,263**		(3,347)	
Change in trade and other payables		**(2,463)**		1,197	
Change in pension obligations and employee benefits		**(798)**		(578)	
			7,241		3,427
Cash generated from operating activities			**34,076**		28,942
Tax paid			**(5,887)**		(5,679)
Net cash generated from operating activities			**28,189**		23,263
Cash flows from investing activities					
Finance income		**235**		192	
Proceeds from sale of property, plant and equipment		**11**		0	
Acquisition of property, plant and equipment		**(5,910)**		(3,857)	
Acquisition of trade and assets		**0**		(143)	
Acquisition of subsidiary		**(4,893)**		(3,814)	
Net cash used in investing activities			**(10,557)**		(7,622)
Cash flows from financing activities					
Payment of lease liabilities	24	**(1,118)**		0	
Dividends paid	8	**(14,466)**		(12,803)	
Net cash used in financing activities			**(15,584)**		(12,803)
Net increase in cash and cash equivalents			**2,048**		2,838
Cash and cash equivalents at 1 January			**38,896**		36,058
Cash and cash equivalents at 31 December	20		**40,944**		38,896

PARENT COMPANY STATEMENT OF CASH FLOWS- YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Profit for the financial year			**14,947**		15,193
Adjustments for:					
Depreciation		**1,333**		359	
Loss on sale of property, plant and equipment		**0**		19	
Finance income		**(235)**		(192)	
Finance expense		**193**		59	
Tax expense recognised in the income statement		**3,476**		3,629	
Change in inventories		**(507)**		(1,552)	
Change in trade and other receivables		**(4,988)**		(3,495)	
Change in trade and other payables		**5,765**		7,766	
Change in pension obligations and employee benefits		**(798)**		(578)	
			4,239		6,015
Cash generated from operating activities			**19,186**		21,208
Tax paid			**(3,513)**		(3,286)
Net cash generated from operating activities			**15,673**		17,922
Cash flows from investing activities					
Finance income		**235**		192	
Acquisition of property, plant and equipment		**(414)**		(663)	
Net cash used in investing activities			**(179)**		(471)
Cash flows from financing activities					
Payment of lease liabilities	24	**(1,004)**		0	
Dividends paid	8	**(14,466)**		(12,803)	
Net cash used in financing activities			**(15,470)**		(12,803)
Net increase in cash and cash equivalents			**24**		4,648
Cash and cash equivalents at 1 January			**20,070**		15,422
Cash and cash equivalents at 31 December	20		**20,094**		20,070

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 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
Total 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 1 January 2019	**3,697**	**3,255**	**1,209**	**666**	**103,283**	**112,110**
Dividends	0	0	0	0	(14,466)	(14,466)
Movement in ESOT	0	0	0	(214)	0	(214)
Debit to equity for equity-settled share based payments	0	0	0	(199)	0	(199)
Movement in deferred tax	0	0	0	(0)	(131)	(131)
Total transactions with owners	**0**	**0**	**0**	**(413)**	**(14,597)**	**(15,010)**
Profit for the year	0	0	0	0	26,835	26,835
Other comprehensive income	0	0	0	0	1,407	1,407
Total comprehensive income	**0**	**0**	**0**	**0**	**28,242**	**28,242**
At 31 December 2019	**3,697**	**3,255**	**1,209**	**253**	**116,928**	**125,342**

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 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
Total 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 1 January 2019	**3,697**	**3,255**	**1,209**	**1,441**	**49,858**	**59,460**
Dividends	0	0	0	0	(14,466)	(14,466)
Movement in ESOT	0	0	0	(214)	0	(214)
Debit to equity for equity-settled share based payments	0	0	0	(199)	0	(199)
Movement in deferred tax	0	0	0	(0)	0	(0)
Total transactions with owners	**0**	**0**	**0**	**(413)**	**(14,466)**	**(14,879)**
Profit for the year	0	0	0	0	14,948	14,948
Other comprehensive income	0	0	0	0	1,407	1,407
Total comprehensive income	**0**	**0**	**0**	**0**	**16,355**	**16,355**
At 31 December 2019	**3,697**	**3,255**	**1,209**	**1,028**	**51,747**	**60,936**

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 2019 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 16, Leases and IFRIC 23, Uncertainty over Income Tax Treatments, from 1 January 2019 without restating comparatives.

IFRS 16, LEASES

With effect from 1 January 2019, the Group has applied IFRS 16, Leases. The Group decided not to early adopt this standard. IFRS 16 Leases has replaced IAS 17 and IFRIC 4 and introduces a single, on-balance sheet lease accounting model for lessees. The adoption of IFRS 16 has resulted in the Group recognising right-of-use assets and lease liabilities on the consolidated statement of financial position for all contracts that are, or contain, a lease. The new standard removes the distinction between operating and finance leases, with all leases now being accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less ("short term leases").

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Further details presenting the impact on the Group of adopting IFRS 16 from 1 January 2019 are shown in note 24.

IFRIC 23, UNCERTAINTY OVER INCOME TAX TREATMENTS

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The adoption of IFRIC 23 has had no material effect on transition.

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 2019, 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 time frame. 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 announcements.

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 £38.6 million (2018: £34.5 million).

The carrying amount of brands with indefinite lives was £3.9m (2018: £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 2019.

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 2019. 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 regard 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 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. The Group has not highlighted any exceptional items in either the current or the prior year.

RESEARCH AND DEVELOPMENT

Research expenditure is recognised in the consolidated income statement in the year in which it is incurred. Internal development expenditure is capitalised only

if it meets the recognition criteria of IAS 38, Intangible Assets. If the Group cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only. Where recognition criteria are met, Intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the consolidated income statement.

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 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.

Trade receivables are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any expected credit losses using the simplified approach contained within IFRS 9. Estimated irrecoverable amounts are based on historical experience and forward looking information, together with specific amounts that are not expected to be recovered. Individual amounts are written off when management deems them to be irrecoverable. The amount of expected credit losses are updated at each reporting date. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Amounts owed by group undertakings are stated after any provision for expected credit loss in line with the three stage model in IFRS 9.

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 and IFRS 16 lease liabilities. 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

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 24. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the

Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

At 31 December 2019 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease. Total lease payments of £1,543,000 (2018: £1,833,000) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

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 2019 for the year ending 31 December 2019.

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 transaction 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):

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

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 Group does not expect any other standards issued, but not yet effective, to have a material impact on the Group.

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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Still	**71,661**	64,683	**42,712**	35,398
Carbonate	**75,324**	77,354	**27,246**	29,469
Total	**146,985**	142,037	**69,958**	64,867

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.

	2019 £'000	2018 £'000
Capital Expenditure	**10,445**	3,857
Depreciation	**3,855**	1,654

b. Reporting by geographic area

Revenue by geographic destination

	2019 £'000	**2019 %**	2018 £'000	2018 %
Middle East	**11,566**	**7.9**	9,590	6.8
Africa	**13,042**	**8.9**	13,557	9.5
Rest of the World	**4,870**	**3.3**	4,271	3.0
Total exports	**29,478**	**20.1**	27,418	19.3
United Kingdom	**117,507**	**79.9**	114,619	80.7
Total revenue	**146,985**	**100.0**	142,037	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 2019 or 2018.

Total assets
The assets of the Group at 31 December 2019 and 31 December 2018 are located within the United Kingdom and Europe.

Capital expenditure
The capital expenditure of the Group for the years ended 31 December 2019 and 31 December 2018 was made within the United Kingdom and Europe.

Depreciation
The Group's depreciation charges for the years ended 31 December 2019 and 31 December 2018 are against property, plant and equipment retained within the United Kingdom and Europe.

4. OPERATING PROFIT

	2019 £'000	2018 £'000
Operating profit is stated after charging/ (crediting):		
Inventory amounts charged to cost of sales	**77,027**	77,170
BDO LLP remuneration:		
Audit services of the Company's annual accounts	**67**	61
Depreciation of property, plant and equipment	**3,855**	1,654
Lease rental payments	**432**	1,033
Awards under Long-Term Incentive Plan - (credit)/ charge	**(199)**	559
Loss/ (gain) on foreign exchange differences	**485**	(523)
Loss on sale of property, plant and equipment	**19**	41
Amortisation of intangible assets	**686**	525
Release of deferred consideration on acquisition	**(1,050)**	(102)

In 2019, operating lease rental payments have been included within administrative expenses and represent short-term lease expenses not included as part of the adoption of IFRS 16 in the year. See note 24.

5. FINANCE INCOME AND EXPENSE

	Notes	**2019 £'000**	2018 £'000
Finance income comprises:			
Bank interest receivable		**235**	192
Finance income		**235**	192
Finance expense comprises:			
Net interest income on defined benefit pension scheme assets	26	**(696)**	(655)
Interest on defined benefit pension scheme obligations	26	**760**	714
Bank interest payable		**20**	18
IFRS 16 interest charge	24	**168**	0
Finance expense		**252**	77

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2019

6. DIRECTORS AND EMPLOYEES

a. Average number of persons employed during the year, including Directors:	**2019 Number**	2018 Number
Group	**319**	286
Parent Company	**265**	202

b. Group employment costs were as follows:	**2019 £'000**	2018 £'000
Wages and salaries	**12,723**	11,431
Social security costs	**1,620**	1,540
Pension costs - defined contribution scheme	**717**	463
Pension costs - defined benefit scheme (see note 26)	**19**	44
Accrued under Long-Term Incentive Plan	**0**	509
	15,079	13,987

c. Parent Company employment costs were as follows:	**2019 £'000**	2018 £'000
Wages and salaries	**11,694**	10,781
Social security costs	**1,513**	1,463
Pension costs - defined contribution scheme	**678**	455
Pension costs - defined benefit scheme (see note 26)	**19**	44
Accrued under Long-Term Incentive Plan	**0**	509
	13,904	13,252

A credit of £199,000 was recognised during the year in relation to benefits accuring under the Group's Long-Term Incentive Plans (2018: charge of £509,000) as disclosed in the Statement Of Changes In Equity.

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 44.

	2019 £'000	2018 £'000
Wages and salaries	**1,537**	1,394
Pension costs	**30**	32
Accrued under Long-Term Incentive Plan	**0**	306
	1,567	1,732

The highest paid Director has received £577,000 (2018: £492,000) excluding pension contributions.

Benefits are accruing to 3 Directors (2018: 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 Long-Term Incentive Plan is provided in the Remuneration Committee Report on pages 56 to 57.

7. TAXATION

a. Analysis of expense recognised in the consolidated income statement	2019 £'000	2018 £'000
Current taxation:		
UK Corporation Tax on income for the year	**5,743**	5,998
Adjustments in respect of prior years	**25**	(31)
Total current tax charge for the year	**5,768**	5,967
Deferred tax:		
Origination and reversal of temporary differences	**158**	283
Adjustments in respect of prior years	**(339)**	(12)
Total deferred tax charge for the year	**(181)**	271
Total tax expense in the consolidated income statement	**5,587**	6,238

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation	2019 £'000	2018 £'000
Profit before taxation	**32,422**	31,753
Profit before taxation multiplied by the standard rate of Corporation Tax in the United Kingdom of 19.00% (2018: 19.00%)	**6,160**	6,033
Effect of:		
Non-deductible expenses	**47**	151
Other tax adjustments, reliefs and transfers	**33**	124
Other timing differences	**(21)**	(23)
Adjustments to the tax charge in respect of prior years	**(314)**	48
Income not taxable for tax purposes	**(237)**	(19)
Depreciation for the year (greater than)/ lower than capital allowances	**(40)**	51
Impact on deferred tax due to rate change	**(68)**	(39)
Amounts relating to other comprehensive income	**27**	(88)
Total tax expense in the consolidated income statement	**5,587**	6,238

The effective rate of tax for the year of 17.20% (2018: 19.60%) is lower than the standard rate of Corporation Tax in the United Kingdom (19.00%).

c. The effective rate of tax on profit is 17.20% (2018: 19.60%).

d. Tax on items recognised in other comprehensive income/ (expense)
In addition to the amount charged to the consolidated income statement, a charge of £297,000 (2018: charge of £44,000) has been recognised in other comprehensive income/ (expense), being the movement on deferred taxation relating to retirement benefit obligations and employee benefits.

8. EQUITY DIVIDENDS

	2019 £'000	2018 £'000
Interim dividend 12.40p (2018: 11.30p) paid 30 August 2019	**4,576**	4,170
Final dividend for 2018 26.80p (2017: 23.40p) paid 3 May 2019	**9,890**	8,633
	14,466	12,803

The interim dividend for the prior year of £4,170,000 was paid on 31 August 2018.

The 2019 final proposed dividend of £10,351,000 (28.0p per share) has not been accrued as it had not been approved by the year end. The 2018 final proposed dividend was £9,890,000 (26.80p per share).

9. EARNINGS PER SHARE

	2019	2018
Earnings per share (basic)	**72.81p**	69.23p
Earnings per share (diluted)	**72.77p**	69.19p

Earnings per share

	Earnings £'000	2019 Weighted average number of shares	Earnings per share	Earnings £'000	2018 Weighted average number of shares	Earnings per share
Basic earnings per share	**26,835**	**36,857,224**	**72.81p**	25,515	36,857,758	69.23p
Dilutive effect of share options		**19,249**			18,398	
Diluted earnings per share	**26,835**	**36,876,473**	**72.77p**	25,515	36,876,156	69.19p

10. PROPERTY, PLANT AND EQUIPMENT

Group

Cost	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Right-of-use assets motor vehicles (note 24) £'000	Right-of-use assets property (note 24) £'000	Total £'000
At 1 January 2018	**3,444**	**15,320**	**0**	**0**	**18,764**
Additions	0	3,857	0	0	3,857
On acquisition of subsidiary	0	759	0	0	759
Disposals	0	(373)	0	0	(373)
At 1 January 2019	**3,444**	**19,563**	**0**	**0**	**23,007**
Additions	0	5,910	2,170	2,365	10,445
On acquisition of subsidiary	0	611	0	0	611
Disposals	0	(556)	0	0	(556)
At 31 December 2019	**3,444**	**25,528**	**2,170**	**2,365**	**33,507**

Depreciation	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Right-of-use assets motor vehicles (note 24) £'000	Right-of-use assets property (note 24) £'000	Total £'000
At 1 January 2018	**247**	**6,458**	**0**	**0**	**6,705**
Charge for the year	69	1,585	0	0	1,654
On disposals	0	(246)	0	0	(246)
Impairment of assets on prior acquisition	0	322	0	0	322
At 1 January 2019	**316**	**8,119**	**0**	**0**	**8,435**
Charge for the year	69	2,782	637	367	3,855
On disposals	0	(525)	0	0	(525)
At 31 December 2019	**385**	**10,376**	**637**	**367**	**11,765**
Net book value at 31 December 2019	**3,059**	**15,152**	**1,533**	**1,998**	**21,742**
Net book value at 31 December 2018	3,128	11,444	0	0	14,572

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2019

Parent

Cost	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Right-of-use assets motor vehicles (note 24) £'000	Right-of-use assets property (note 24) £'000	Total £'000
At 1 January 2018	**3,444**	**3,950**	**0**	**0**	**7,394**
Additions	0	663	0	0	663
Disposals	0	(57)	0	0	(57)
At 1 January 2019	**3,444**	**4,556**	**0**	**0**	**8,000**
Additions	0	414	2,170	1,417	4,001
Disposals	0	(88)	0	0	(88)
At 31 December 2019	**3,444**	**4,882**	**2,170**	**1,417**	**11,913**

Depreciation	Land and buildings £'000	Plant, machinery fixtures and fittings £'000	Right-of-use assets motor vehicles (note 24) £'000	Right-of-use assets property (note 24) £'000	Total £'000
At 1 January 2018	**247**	**3,002**	**0**	**0**	**3,249**
Charge for the year	69	290	0	0	359
On disposals	0	(38)	0	0	(38)
At 1 January 2019	**316**	**3,254**	**0**	**0**	**3,570**
Charge for the year	69	365	637	262	1,333
On disposals	0	(88)	0	0	(88)
At 31 December 2019	**385**	**3,531**	**637**	**262**	**4,815**
Net book value at 31 December 2019	**3,059**	**1,351**	**1,533**	**1,155**	**7,098**
Net book value at 31 December 2018	3,128	1,302	0	0	4,430

11. GOODWILL

Group

Cost	£'000
At 1 January 2018	30,666
Re-statement of goodwill on prior acquisition	322
Acquisition	3,463
At 1 January 2019	**34,451**
Acquisitions (see note 19)	4,134
At 31 December 2019	**38,585**

Parent

Cost	£'000
At 1 January 2018, 1 January 2019 and 31 December 2019	**2,504**

The Group's goodwill acquisitions for 2019 relate to the acquisition of 100% of the issued share capital of Adrian Mecklenburgh Limited, completed on 1 February 2019. 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 the acquisition are shown in note 19.

Goodwill within the Parent Company arose in 2005 on a trade and assets acquisition.

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.

	2019 £'000	2018 £'000
Still	**23,853**	21,786
Carbonate	**14,732**	12,665
	38,585	34,451

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 2018 and 2019.

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 cash-generating unit is based on its value in use. Value in use is the present value of the projected cash flows of the cash-generating unit. 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 13% is a pre-tax rate and reflects the risks specific to the relevant cash-generating unit. 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.

12. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent

Cost and net book amount	£'000
At 1 January 2018, 1 January 2019 and at 31 December 2019	**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.

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

* Directly owned by Nichols plc.
** Directly owned by Vimto (Out of Home) Limited.
*** Directly owned by Nichols Dispense (S.W.) 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	Contractual Agreement £'000	Brand name £'000	Customer list £'000	Total £'000
At 1 January 2018	0	3,889	4,418	8,307
Acquisitions	0	0	280	280
At 1 January 2019	**0**	**3,889**	**4,698**	**8,587**
Acquisitions (see note 19)	180	0	823	1,003
At 31 December 2019	**180**	**3,889**	**5,521**	**9,590**
Amortisation				
At 1 January 2018	0	0	314	314
Charge in the year	0	0	525	525
At 1 January 2019	**0**	**0**	**839**	**839**
Charge in the year	33	0	653	686
At 31 December 2019	**33**	**0**	**1,492**	**1,525**
Carrying value at 31 December 2019	**147**	**3,889**	**4,029**	**8,065**
Carrying value at 31 December 2018	0	3,889	3,859	7,748

Parent

	Brand name £'000
Carrying value at 1 January 2018, 1 January 2019 and 31 December 2019	**1,316**

14. DEFERRED TAX ASSETS AND LIABILITIES

Movement in temporary differences during the year

Group	Net balance at 1 January 2019 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2019 £'000**
Property, plant and equipment	(559)	0	(90)	0	**(649)**
Goodwill and intangibles	(1,114)	(170)	232	0	**(1,052)**
Employee benefits	685	0	(214)	(297)	**174**
Provisions	22	0	3	0	**25**
	(966)	(170)	(69)	(297)	**(1,502)**

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)**

Parent	Net balance at 1 January 2019 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2019 £'000**
Property, plant and equipment	(55)	0	(27)	0	**(82)**
Goodwill and intangibles	183	0	(17)	0	**166**
Employee benefits	685	0	(214)	(297)	**174**
Provisions	22	0	3	0	**25**
	835	0	(255)	(297)	**283**

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**

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	**(649)**	(559)	**(649)**	(559)
Goodwill and intangibles	**84**	128	**(1,136)**	(1,242)	**(1,052)**	(1,114)
Employee benefits	**174**	685	**0**	0	**174**	685
Provisions	**25**	22	**0**	0	**25**	22
	283	835	**(1,785)**	(1,801)	**(1,502)**	(966)

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	**(82)**	(55)	**(82)**	(55)
Goodwill and intangibles	**166**	183	**0**	0	**166**	183
Employee benefits	**174**	685	**0**	0	**174**	685
Provisions	**25**	22	**0**	0	**25**	22
	365	890	**(82)**	(55)	**283**	835

15. INVENTORIES

	Group		Parent	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Finished goods	**7,494**	6,108	**4,308**	3,840
Raw materials	**867**	1,056	**94**	54
Total inventories	**8,361**	7,164	**4,402**	3,894

In 2019, the Group write-down of inventories to net realisable value amounted to £191,000 (2018: £99,000).

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2019

16. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade receivables	**35,557**	35,030	**27,458**	27,074
Less: provision for impairment of trade receivables	**(577)**	(748)	**(475)**	(717)
Trade receivables - net	**34,980**	34,282	**26,983**	26,357
Amounts owed by Group undertakings	**0**	0	**10,704**	7,209
Other receivables	**2,220**	1,938	**1,744**	801
Prepayments	**1,163**	1,933	**796**	872
	38,363	38,153	**40,227**	35,239

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 £577,000 (2018: £748,000) 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 2019 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2019 £'000**
Expected credit loss provision	748	114	(252)	(33)	**577**

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**

Parent	At 1 January 2019 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2019 £'000**
Expected credit loss provision	717	0	(242)	0	**475**

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**

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

17. TRADE AND OTHER PAYABLES AND CURRENT TAX LIABILITIES

	Group		Parent	
Current liabilities	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Trade payables	**7,595**	7,402	**5,733**	6,053
Amounts owed to Group undertakings	**0**	0	**12,885**	6,214
Other taxes and social security	**1,474**	1,002	**511**	218
Other payables	**2,224**	2,236	**41**	37
Accruals	**10,949**	11,699	**9,320**	9,726
IFRS 16 lease liabilities (note 24)	**1,018**	0	**921**	0
	23,260	22,339	**29,411**	22,248
Current tax liabilities	**2,675**	2,814	**99**	391
	25,935	25,153	**29,510**	22,639

	Group		Parent	
Non-current liabilities	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Other payables	**462**	0	**0**	0
IFRS 16 lease liabilities (note 24)	**2,566**	0	**1,791**	0
	3,028	0	**1,791**	0

The difference between the carrying value and fair value of all payables is not considered to be material.

18. SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, issued and fully paid 36,968,772 (2018: 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 2019 and 31 December 2018.

19. ACQUISITIONS

2019 ACQUISITIONS

On 1 February 2019, the Group acquired 100% of the issued share capital of Adrian Mecklenburgh Limited (AML) for initial consideration of £4.7m. AML is 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 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	611		611
Inventory	271		271
Trade and other receivables	408		408
Cash	1,068		1,068
Trade and other payables	(614)		(614)
Tax liabilities	(230)		(230)
Customer list		822	822
Contractual agreement		180	180
Deferred tax on acquired intangibles		(170)	(170)
Total assets acquired	**1,514**	**832**	**2,346**

Fair value of consideration	**Fair value £'000**
Cash paid	4,893
Contingent cash consideration (see below)	1,587
Total fair value of consideration	**6,480**
Goodwill arising on acquisition (note 11)	**4,134**

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 AML 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 £139,000 arose as a result of the transaction. These have been recognised within administrative expenses.

The contingent cash consideration is payable in stages based on sales and profitability targets established with the vendor. The first stage of contingent consideration is linked to growth in gross profit in the twelve months following initial acquisition and is payable in February 2020. The second stage of contingent consideration is linked to growth in coffee sales in the three year period following initial acquisition, payable in 2021 and 2022.

As at 31 December 2019, a fair value assessment of the first stage of contingent consideration was performed. Based on actual performance in the twelve months following initial acquisition, it was determined that the performance criteria had not been met. As a result, the £1,050,000 initially recognised at acquisition has been taken as a credit within administrative expenses during the year. There has been no material movement on the second stage of contingent consideration since initial recognition.

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 sales and profit are volumes distributed to customers, maintenance of the gross profit margin and overheads.

Since the acquisition, AML has contributed £4.2m to revenue and £0.6m to net profit for the Group. Revenue of £4.6m and gross profit £0.7m would have been achieved had the business combination occurred at the beginning of the reporting period.

19. ACQUISITIONS (CONTINUED)

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 regard 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 resulted in the acquisition being accounted for in substance as though the Group had 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 consolidated 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, 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. 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 £4.6m to revenue and £0.1m to net profit for the Group. Revenue of £5.0m and gross profit of £0.1m would have been achieved to 31 December 2018 had the business combination occurred at 1 January 2018.

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. This acquisition further consolidated 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 was paid in full in July 2019 and was based on the performance of customer accounts acquired in the 12 month period following acquisition.

20. CASH AND CASH EQUIVALENTS

Group	At 1 January 2019 £'000	Cash flow £'000	**At 31 December 2019 £'000**
Cash at bank and in hand	38,896	2,048	**40,944**

Parent	At 1 January 2019 £'000	Cash flow £'000	**At 31 December 2019 £'000**
Cash at bank and in hand	20,070	24	**20,094**

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 Group does this through the use of rolling cash flow forecasts, which are reviewed periodically. 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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

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 (USD) and Euros (€). During 2019 the Group entered into foreign currency transactions that over the course of the year resulted in the Group having a natural hedge. Despite this, the Group continually monitors the need to enter into forward contracts to minimise the impact of movements in foreign currency rates on the spot market.

Foreign currency assets	**2019 £'000**	2018 £'000
US Dollar	**1,444**	3,158
Euro	**4,285**	5,851
Swiss Franc	**0**	61
	5,729	9,070

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% (2018: 5%), then this would have had the following impact:

	2019			2018		
	US Dollar £'000	**Euro £'000**	**Total £'000**	US Dollar £'000	Euro £'000	Total £'000
Net result for the year	**(110)**	**(116)**	**(226)**	(261)	(337)	(598)

If Sterling had weakened against the US Dollar and Euro by 5% (2018: 5%), then this would have had the following impact:

	2019			2018		
	US Dollar £'000	**Euro £'000**	**Total £'000**	US Dollar £'000	Euro £'000	Total £'000
Net result for the year	**30**	**323**	**353**	43	243	286

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	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Trade and other receivables	**0**	0	**37,777**	**36,220**	**0**	0	**39,906**	34,367
Cash and cash equivalents	**0**	0	**40,944**	**38,896**	**0**	0	**20,094**	20,070
Total financial assets	**0**	0	**78,721**	**75,116**	**0**	0	**60,000**	54,437

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	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Trade and other payables	**2,537**	2,000	**7,744**	7,638	**0**	0	**18,618**	12,267
IFRS 16 lease liabilities	**0**	0	**3,584**	0	**0**	0	**2,712**	0
Total financial liabilities	**2,537**	2,000	**11,328**	7,638	**0**	0	**21,330**	12,267

The following table sets out the Group contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2019	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	**9,819**	**0**	**215**	**247**	**0**
Total	**9,819**	**0**	**215**	**247**	**0**

At 31 December 2018	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	**7,638**	**0**	**2,000**	**0**	**0**
Total	**7,638**	**0**	**2,000**	**0**	**0**

The contractual maturities of IFRS 16 lease liabilities are disclosed in note 24.

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 2018.

At 31 December 2019, the Group had no debt and therefore the capital structure consists of equity only.

As the Group has no debt there is no exposure to interest rate risk.

24. LEASES

The Group has identified non-cancellable operating lease commitments totalling £3.6m as at 1 January 2019, relating to property leases for operational sites and motor vehicles. The Group has applied 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, with no adjustment to opening reserves. The impact of adopting IFRS 16 on a modified retrospective basis was therefore to recognise a right-of-use asset and a lease liability of £3.1m at 1 January 2019.

The right-of-use asset and lease liability were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4%.

The Group has presented right-of-use assets within property, plant and equipment, with the corresponding liabilities presented within trade and other payables split between current and non-current liabilities on the consolidated statement of financial position.

The Group has classified the principal portion of lease payments within financing activities and the interest portion within operating activities on the consolidated statement of cash flows. Lease payments for short-term leases and low-value assets not included in the measurement of the lease liability are classified as cash flows from operating activities.

The following tables reconcile the Group right-of-use assets and lease liabilities to 31 December 2019:

		Group			Parent		
Assets	Note	31 December 2018 As originally presented £'000	IFRS 16 £'000	**1 January 2019 £'000**	31 December 2018 As originally presented £'000	IFRS 16 £'000	**1 January 2019 £'000**
Right-of-use assets		0	3,106	**3,106**	0	2,269	**2,269**
Liabilities							
Lease liabilities	(a)	0	3,106	**3,106**	0	2,269	**2,269**

(a) The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	Group £'000	Parent £'000
Minimum operating lease commitment at 31 December 2018	**2,958**	**2,494**
Plus: effect of extension options reasonably certain to be exercised	1,360	784
Less: short-term leases not recognised under IFRS 16	(713)	(713)
Undiscounted lease payments	3,605	2,565
Less: effect of discounting using the incremental borrowing rate	(499)	(296)
Lease liabilities as at 1 January 2019	**3,106**	**2,269**

The following tables reconcile the Group right-of-use assets and lease liabilities to 31 December 2019:

	Group			Parent		
Right-of-use assets	Property £'000	Motor Vehicles £'000	**Total £'000**	Property £'000	Motor Vehicles £'000	**Total £'000**
At 1 January 2019	2,027	1,079	**3,106**	1,190	1,079	**2,269**
Additions	338	1,091	**1,429**	227	1,091	**1,318**
Depreciation	(367)	(637)	**(1,004)**	(262)	(637)	**(899)**
At 31 December 2019	1,998	1,533	**3,531**	1,155	1,533	**2,688**

	Group			Parent		
Lease liabilities	Property £'000	Motor Vehicles £'000	**Total £'000**	Property £'000	Motor Vehicles £'000	**Total £'000**
At 1 January 2019	2,027	1,079	**3,106**	1,190	1,079	**2,269**
Additions	338	1,090	**1,428**	228	1,090	**1,318**
Interest expense	81	87	**168**	42	87	**129**
Lease payments	(431)	(687)	**(1,118)**	(316)	(688)	**(1,004)**
At 31 December 2019	2,015	1,569	**3,584**	1,144	1,568	**2,712**

The following table sets out the Group maturities of IFRS 16 lease liabilities:

Group

At 31 December 2019	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Lease liabilities	**321**	**843**	**839**	**1,291**	**768**

Parent

At 31 December 2019	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Lease liabilities	**282**	**750**	**715**	**911**	**370**

24. LEASES

The following table reconciles the changes in IFRS 16 liabilities from financing activities during the year to 31 December 2019:

	Group			Parent		
	Current loans and borrowings £'000 (note 17)	Non-current loans and borrowings £'000 (note 17)	**Total £'000**	Current loans and borrowings £'000 (note 17)	Non-current loans and borrowings £'000 (note 17)	**Total £'000**
At 1 January 2019	606	2,500	**3,106**	253	2,016	**2,269**
Cash Flows	(1,118)	0	**(1,118)**	(1,004)	0	**(1,004)**
Non-cash flows						
- interest paid	168	0	**168**	129	0	**129**
- lease adjustments	1,362	66	**1,428**	1,543	(225)	**1,318**
At 31 December 2019	**1,018**	**2,566**	**3,584**	**921**	**1,791**	**2,712**

Lease payments incurred in 2019 for short-term leases not included in the measurement of lease liabilities under IFRS 16 were as follows:

	Group £'000	**Parent £'000**
Short-term lease expense	**432**	**377**

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**	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Sale of goods and services (including recharge of costs)	**1,606**	1,341	**(2,182)**	995

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 £213,000 (2018: £169,000). An accrued amount of £21,000 (2018: £37,000) will be paid in the subsequent financial year.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2019

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 £695,000 (2018: £455,000).

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 2019 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 2019 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 2019 and 2018 is shown below.

	31 December 2019 £'000	31 December 2018 £'000
Present value of funded obligations	**(28,942)**	(28,286)
Fair value of plan assets	**28,689**	25,531
Deficit in the plan	**(253)**	(2,755)
Related deferred tax asset	**62**	563
Net liability recognised	**(191)**	(2,192)

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS (CONTINUED)

Defined benefit obligation

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

	31 December 2019 £'000	31 December 2018 £'000
Opening defined benefit obligation	**28,286**	30,167
Current service cost (Company only)	**19**	44
Interest cost	**760**	714
Actual contributions paid by plan participants	**3**	6
Experience adjustment	**(408)**	0
Actuarial losses / (gains) from changes in financial assumptions	**3,247**	(1,801)
Actuarial gains from changes in demographic assumptions	**(687)**	(197)
Benefits paid - including insurance premiums	**(2,279)**	(847)
Past service cost	**0**	200
Closing defined benefit obligation	**28,941**	28,286

Plan assets

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

	31 December 2019 £'000	31 December 2018 £'000
Fair value of plan assets at start of accounting period	**25,531**	27,246
Interest income	**696**	655
Return on plan assets (excluding amounts included in net interest)	**3,840**	(2,441)
Contributions paid by the employer	**898**	912
Actual contributions paid by plan participants	**3**	6
Benefits paid	**(2,279)**	(847)
Fair value of plan assets at end of accounting period	**28,689**	25,531

The actual return on plan assets was a gain of £4,536,000 (2018: loss of £1,786,000). 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 2019 £'000**	31 December 2018 £'000
Equities	**2,605**	2,421
Gilts	**-**	0
Bonds	**-**	0
Liability driven investments	**3,056**	3,325
Diversified growth funds	**5,377**	4,534
Absolute return bonds	**4,593**	4,136
Equity-linked bonds	**11,004**	8,951
Other, including cash	**204**	314
Total fair value of assets	**26,839**	23,681

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2019

Assets included which do not have a quoted market value:	**31 December 2019 £'000**	31 December 2018 £'000
Property	**1,850**	1,850
Total	**1,850**	1,850

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 2019**	31 December 2018
Future salary increases	**2.95%**	3.20%
Rate of increase in (post 1997) pensions in payment (a)	**3.20%**	3.30%
Discount rate at 31 December	**2.00%**	2.80%
Expected rate of inflation - RPI	**2.95%**	3.20%

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 (2018: 88 years) and 89 years for women (2018: 89 years). For current pensioners life expectancies have been estimated as 87 years for men (2018: 87 years) and 89 years for women (2018: 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 2019 £'000**	31 December 2018 £'000
Current service cost (Company)	**19**	44
Net interest cost (on net defined benefit liability)	**64**	59
Past service cost	**0**	200
Total amount recognised in the Consolidated Income Statement	**83**	303

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS (CONTINUED)

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 income/ (expense) relating to the Group's defined benefit plan are as follows:

Remeasurements recognised in other comprehensive income/ (expense):	**31 December 2019 £'000**	31 December 2018 £'000
Actuarial gains/ (losses) on the assets	**3,840**	(2,441)
Experience adjustment	**408**	0
Actuarial (losses)/ gains from changes in financial assumptions	**(3,247)**	1,801
Changes in demographic assumptions	**687**	197
Other movements	**16**	31
Total gain/ (loss) recognised in other comprehensive income/ (expense)	**1,704**	(412)

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 2020.

The weighted average duration of the defined benefit obligation at 31 December 2019 is 20 years (2018: 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 2019 £'000	**31 December 2019 %**	31 December 2018 £'000	31 December 2018 %
Increase in discount rate by 0.5%	**(2,315)**	**-8.00**	(2,263)	-8.00
Increase in price inflation adjustment by 0.5%	**579**	**2.00**	566	2.00
1 year increase in life expectancy	**1,158**	**4.00**	849	3.00

The sensitivities may not be representative 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 00238303, guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year (being the year ended 31 December 2019 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
Adrian Mecklenburgh Limited (period ended 31 December 2019)	01481282
Beacon Drinks Limited	01732905
Ben Shaws Dispense Drinks Limited	00231218
Cabana Soft Drinks Limited	00938594
Dayla Liquid Packing Limited	00603111
Dispense Solutions (Wales) Limited (year ended 30 September 2020)	08671127
DJ Drink Solutions Limited (year ended 31 May 2020)	05787898
Festival Drinks Limited	01256006
Nichols Dispense (S.W.) Limited	08766560
The Noisy Drink Company North West Limited (year ended 31 January 2020)	05024347
The Noisy Drinks Co. Limited	05905631
Vimto (Out of Home) Limited	08795779

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.

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Revenue	**146,985**	142,037	132,789	117,349	109,279
Operating profit before exceptional items, IAS 19 and Long-Term Incentive Scheme charges	**32,259**	32,441	30,884	31,622	28,888
Exceptional items	**0**	0	(1,801)	0	0
IAS 19 operating profit charges	**(19)**	(44)	(41)	(29)	(37)
IAS 19 past service cost - GMP equalisation	**0**	(200)	0	0	0
Long-Term Incentive Scheme operating profit charges	**199**	(559)	(300)	(1,268)	(1,017)
Operating profit after exceptional items, IAS 19 and Long-Term Incentive Scheme charges	**32,439**	31,638	28,742	30,325	27,834
Net finance (expense)/ income	**(17)**	115	(20)	1,167	12
Share of post-tax profits of equity accounted associate	**0**	0	0	0	190
Profit before taxation	**32,422**	31,753	28,722	31,492	28,036
Taxation	**(5,587)**	(6,238)	(5,548)	(6,015)	(5,803)
Profit after taxation	**26,835**	25,515	23,174	25,477	22,233
Dividends paid	**(14,466)**	(12,803)	(11,213)	(9,806)	(8,589)
Retained earnings	**12,369**	12,712	11,961	15,671	13,644
Earnings per share - (basic)	**72.81p**	69.23p	62.88p	69.13p	60.33p
Earnings per share - (diluted)	**72.77p**	69.19p	62.81p	69.07p	60.25p
Earnings per share - (basic) before exceptional items	**72.81p**	69.23p	67.76p	66.18p	60.33p
Earnings per share - (diluted) before exceptional items	**72.77p**	69.19p	67.69p	66.12p	60.25p
Dividends paid per share	**39.20p**	34.70p	30.40p	26.60p	23.30p

Notice is hereby given that the twenty eighth 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, 29 April 2020 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 2019.
2. To declare a final dividend for the year ended 31 December 2019 of 28.0 pence per ordinary share of £0.10 in the capital of the Company, to be paid on 1 May 2020 to shareholders whose names appear on the register of members at the close of business on 20 March 2020.
3. To re-elect A Milne, who retires by rotation, as a Director of the Company.
4. To re-elect P J Nichols, who retires by rotation, as a Director of the Company.
5. To elect D Rattigan, who has been appointed by the Board since the last Annual General Meeting, as a Director of the Company.
6. To reappoint BDO LLP as auditors of the Company.
7. To authorise the Directors to determine the remuneration of the auditors.
8. 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 £1,233,913.40 (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 2021 (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:

9. That, subject to the passing of resolution 8 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 8 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:

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

9.1.1 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

9.1.2 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

9.2 otherwise than pursuant to paragraph 9.1 of this resolution, up to an aggregate nominal amount of £185,087.01 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 2021 (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).

10. 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:

10.1 the maximum aggregate number of Shares which may be purchased is 3,701,740:

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

10.3 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 2021 (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
25 February 2020

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

Registered in England and Wales No. 00238303.

1. To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2019.

2. Biographical details of all those Directors who are offering themselves for re-election at the meeting are set out on pages 48 to 49 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, 27 April 2020 (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 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

   • 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, 27 April 2020 (or, in the event that the meeting is adjourned, no l ater 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 11:00a.m. on Monday, 27 April 2020 (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 timestamp 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 16 March 2020 (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 48,112 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 16 March 2020 are 36,920,660.

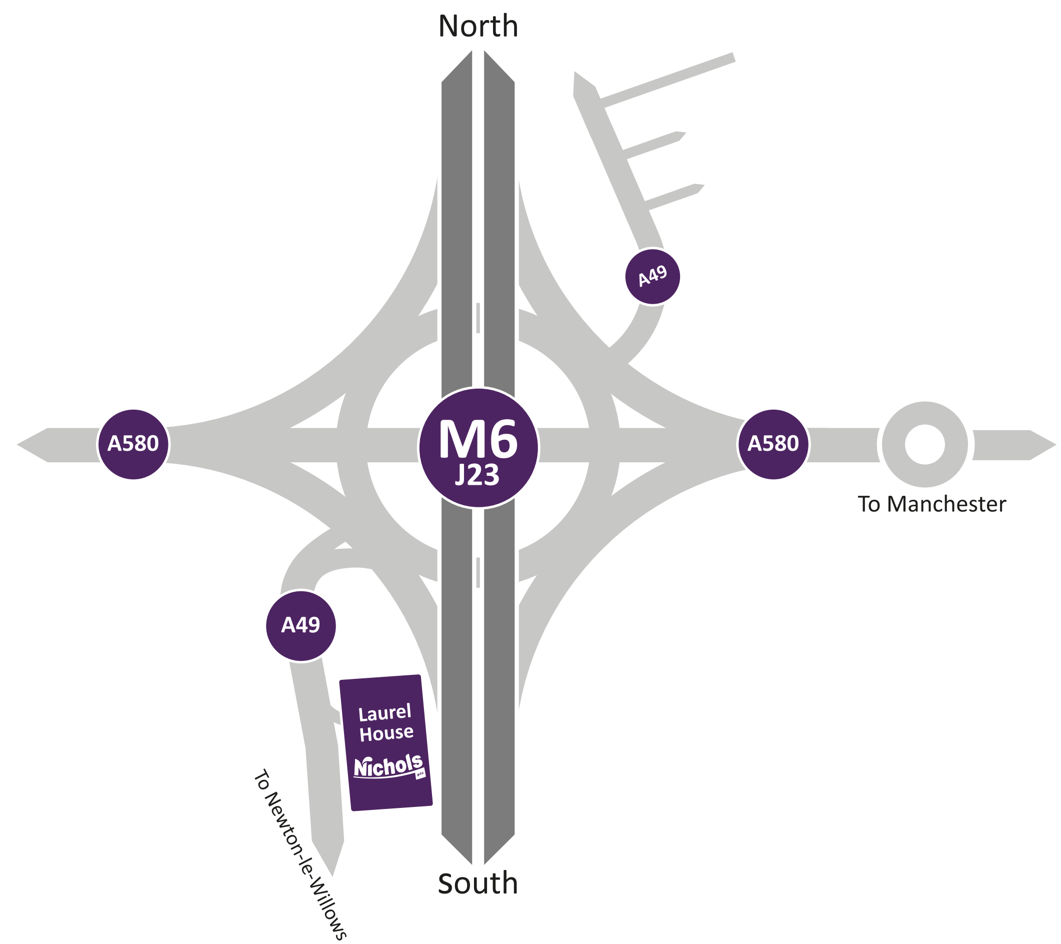
12. You may not use any electronic address provided either in this notice of general meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.

GENERAL NOTES

DIRECTIONS TO THE ANNUAL GENERAL MEETING

Car:

Leave the M6 at Junction 23 and take the A49 south 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.



PUBLIC 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.

NOTES

NOTES

FINANCIAL CALENDAR

PRELIMINARY RESULTS ANNOUNCED

26 February 2020

ANNUAL GENERAL MEETING

29 April 2020

INTERIM RESULTS ANNOUNCED

22 July 2020

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