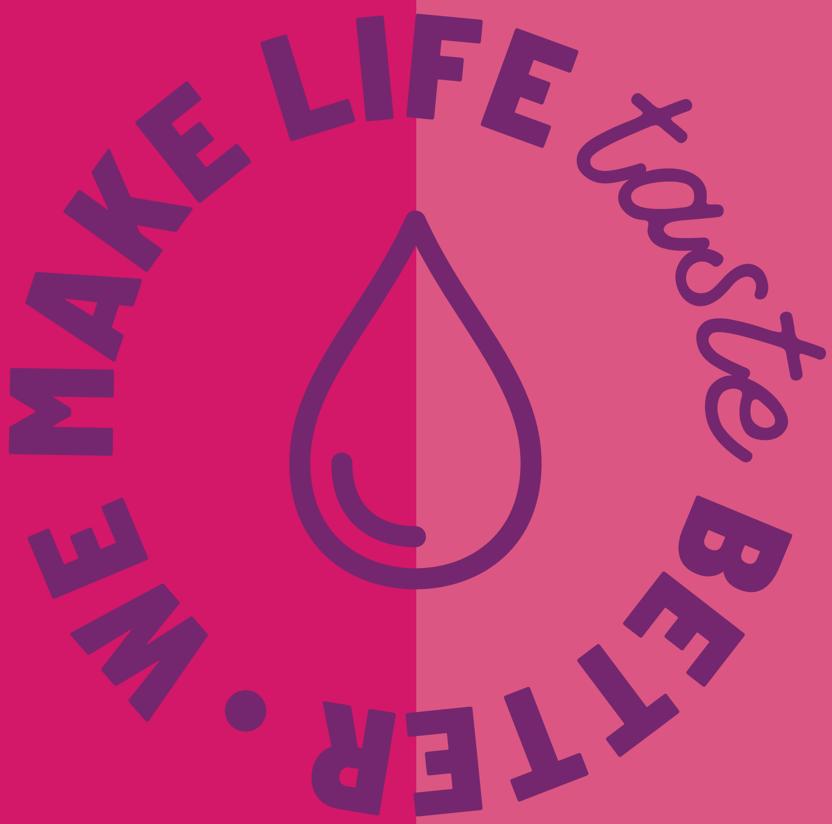
ANNUAL REPORT • WE MAKE LIFE *a little* BETTER • 2020

Nichols plc

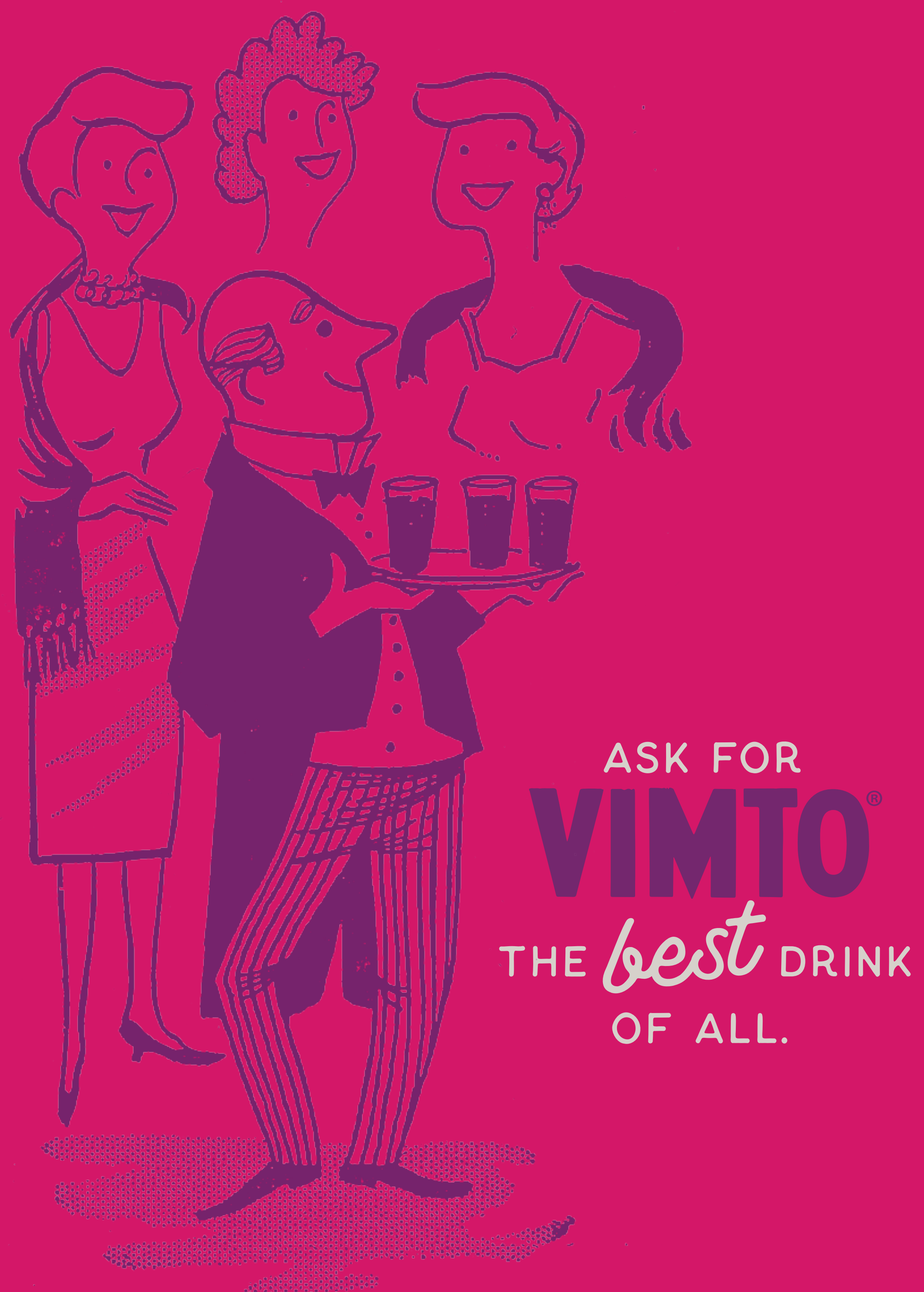


Welcome to the 2020 Nichols plc Annual Report.

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

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

VIMTO Loved SINCE 1908



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01

STRATEGIC REPORT

VIMTO *brand* VALUE IS NOW £96.5M*

*Source Nielsen Total Coverage Year to Date 26 December 2020

Financial HEADLINES

REVENUE (£M)

2020	**118.7**
2019	147.0
2018	142.0
2017	132.8
2016	117.3
-£28.3m	**-19.3%**

ADJUSTED* OPERATING PROFIT (£M)

2020	**11.7**
2019	32.4
2018	31.6
2017	30.5
2016	30.3
-£20.7m	**-64.1%**

OPERATING PROFIT (£M)

2020	**6.6**
2019	32.4
2018	31.6
2017	28.7
2016	30.3
-£25.8m	**-79.7%**

ADJUSTED* PROFIT BEFORE TAX (£M)

2020	**11.6**
2019	32.4
2018	31.8
2017	30.5
2016	30.4
-£20.8m	**-64.2%**

PROFIT BEFORE TAX (£M)

2020	**6.5**
2019	32.4
2018	31.8
2017	28.7
2016	31.5
-£25.9m	**-79.8%**

ADJUSTED* BASIC EARNINGS PER SHARE (PENCE)

2020	**25.56**
2019	72.81
2018	69.23
2017	67.76
2016	66.18
-47.25p	**-64.9%**

BASIC EARNINGS PER SHARE (PENCE)

2020	**13.14**
2019	72.81
2018	69.23
2017	62.88
2016	69.13
-59.67p	**-82.0%**

CASH AND CASH EQUIVALENTS (£M)

2020	**47.3**
2019	40.9
2018	38.9
2017	36.1
2016	39.8
+£6.4m	**+15.6%**

* There were no adjusting items in financial years 2019 or 2018 and therefore the adjusted and reported measures were identical.

STRATEGIC REPORT

The CHAIRMAN'S STATEMENT

JOHN NICHOLS

NON-EXECUTIVE CHAIRMAN

The Covid-19 pandemic presented us with unequalled challenges in 2020 and our first and most important objective through this unprecedented period has been the protection and wellbeing of our employees and customers. Throughout these difficult times, our colleagues have consistently demonstrated their values and commitment to our business, and I would like to wholeheartedly thank everyone for their efforts.

The strength of the Vimto brand, the Group's robust balance sheet and our diversified business model has ensured a resilient financial performance in the period despite the challenging trading conditions across our markets. We have achieved significant outperformance from the Vimto brand in the UK, solid growth in Africa and a good performance in the Middle East despite the impact of the recently introduced Sweetened Beverage Tax (SBT) and Covid-19 restrictions.

Cash and cash equivalents at the end of the period amounted to £47.3m (2019: £40.9m), marginally ahead of the half year position of £46.8m. Management took prudent measures to conserve cash within the business throughout the year, ensuring that Nichols is in the best possible place to 'Build Back Better' from the impact of the pandemic.

TRADING

Ahead of the pandemic, the Group was achieving good revenue growth with a 6.2% increase in Q1 versus the prior year.

The arrival of the pandemic in our markets at the end of Q1 was a watershed moment for the year. The introduction of social distancing, the enforced closure of the Group's Out of Home ('OoH') customers and the various lockdown measures introduced across the globe materially impacted our business.

Q2-Q4 2020 revenues were 26.1% lower compared to the prior year. As a result, total Group revenue for the period was 19.3% lower at £118.7m (2019: £147.0m).

The Still and Carbonates product categories were impacted significantly by the pandemic, predominantly as a result of the enforced closures of the Group's OoH customers. In addition, the introduction of the SBT (reported against the revenue line) in the Middle East impacted performance. As a result, revenue of Still products decreased by 8.3% to £65.7m (2019: £71.7m). Revenue from Carbonates was down 29.7% to £53.0m (2019: £75.3m) as outlets closed and impulse sales reduced.

In the UK, revenue decreased by 22.0% to £91.6m (2019: £117.5m) driven by a 61.4% reduction within the OoH sector. However, within this, the Vimto brand's value increased by 6.7% against a soft drinks market performance of +2.5% (Nielsen to 26 December 2020), reflecting further market share gains.

Sales across our International markets were £27.0m (2019: £29.5m). This represented a year on year decrease of 8.3%. Despite Covid-19 restrictions in the Middle East and the introduction of the SBT, the Vimto brand was resilient throughout Ramadan and 'in-market' sales were broadly in line with the prior year. This performance, combined with African sales growth of 7.4% to £14.0m (2019: £13.0m) and rest of world sales growth of 17.3% to £5.7m (2019: £4.9m), demonstrates the continuing strength of the Vimto brand internationally. The Group supported its local partner with brand investment to mitigate the impact of the introduction of the SBT in the Middle East.

DIVIDEND

In March 2020, the Board made the decision to withdraw the final dividend (28.0p) for 2019, due to the uncertainties concerning the financial impact of Covid-19. At the half year, the Board agreed the rebalancing of dividend policy to consider the two financial years 2019 and 2020 as a single review period and paid 28.0p, as the Interim Dividend for 2020, in September 2020.

In the second half year, the Board has agreed to evolve the dividend policy to reflect the balance of shareholder needs and the clear opportunities for growth that will exist in the soft drinks market post the pandemic. Dividend cover going forward will move to broadly 2x.

Therefore, the final dividend proposed is 8.8p, which will become ex-dividend on the 25 March and paid subject to shareholder approval on 6 May 2021.

BOARD CHANGES DURING THE YEAR

Andrew Milne was appointed CEO of the Group with effect from 1 January 2021, replacing Marnie Millard OBE. Andrew has been with the Group for eight years and brings significant industry expertise and excellent knowledge of our business to the role. I am delighted to welcome Andrew as CEO and wish him every success in leading the business during the next phase of its development, and I thank Marnie for her significant contribution over the years.

We were also pleased to welcome David Rattigan to our business as our new CFO during the year. David became CFO with effect from 2 March 2020, replacing Tim Croston.

The Board entered into a Relationship Agreement with the Nichols Family on 22 July 2020. The purpose of the Relationship Agreement is to formalise Board representation for the Nichols Family whilst also ensuring that the Group conducts its business independently at all times. As a result, James Nichols joined the Board on the 22 July 2020 as a Non-Executive Director.

OUTLOOK

Whilst recognising the current and near-term impact of the pandemic on the soft drinks market, the Board continues to believe that Nichols, underpinned by the strength of the Vimto brand, the Group's diversified business model and the skill and commitment of our colleagues, remains well placed to deliver its long-term strategic ambitions. Given the continued near-term uncertainty, 2021 guidance remains withdrawn.

John Nichols
Non-Executive Chairman
3 March 2021

STRATEGIC REPORT

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

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!*

Chief Executive OFFICER'S REPORT

Chief Executive OFFICER'S REPORT

“The foundation of our performance in 2020 has been our unique Vimto brand, which remains as relevant for our consumers today as it was when it was established 112 years ago.”

ANDREW MILNE

CHIEF EXECUTIVE OFFICER

I am sure 2020 has proven to be one of the most challenging in our 112 year history. From the outset of the pandemic back in March our first priority was to protect the safety and well being of all of our people, continue to serve our customers and support the local communities in which we work.

I wanted to start by saying an enormous thank you to each and every member of the Vimto team who have ensured we have delivered against these priorities every single day.

I feel very privileged and immensely proud to have been given the opportunity to lead the business into 2021 and beyond.

We are a business that was founded in the North West of England 112 years ago, and are home to a range of branded soft drinks products that we sell in the UK and Internationally.

To enhance our portfolio we also work with a number of key strategic partners whose global brands complement our own ranges.

We employ almost 350 people right across the UK and are proud of the unique culture we have in the business that ensures our people feel engaged and connected to our business. This engagement with our people has been the key ingredient to our achievements in 2020.

I am delighted with the work we do to support our communities and minimise the impact on our environment.

The value of the Group's diversification across multiple geographies and routes to market has once again been proven during 2020. The foundation of our performance in 2020 has been our unique Vimto brand, which remains as relevant for our consumers today as it was when it was established 112 years ago.

In line with the market, trading conditions in the UK on-trade have been extremely challenging due to closures across the hospitality sector throughout the majority of the year. However, the UK retail sector has proved to be more resilient as people have consumed more products at home, bought from stores or via fast-growing online platforms.

Operating across a range of International markets has also been beneficial during the year. Our Middle East markets have been impacted by the introduction of a sweetened beverage tax at 50%, but we have achieved good growth across our African, American and European markets as a result of outstanding in-market execution. Across all our geographies we have focused on driving strong in-market execution of our commercial programmes, coupled with focused new product launches to ensure we have taken market share. We have also continued to build long term partnerships with all our key customers and distributors, who I would like to thank for their continued loyalty and support during 2020.

UK Soft Drinks

(Market statistics given below are as measured by Nielsen in the year to 26 December 2020)

In 2020, volumes in the £8.9bn UK soft drinks market grew by 3% whilst value sales grew by 2.5% versus the prior year.

Within the soft drinks market, the strongest value growth was delivered across Cola, Mixers, Dilutes and Energy drinks. Plain water, Flavoured water, Fruit drinks and Sports drinks were all sectors that suffered declines versus 2019.

The Vimto brand delivered strong value growth of 6.7%, gaining significant market share and adding £6m to its brand value (Nielsen data) in the twelve-month period to a record £96.5m.

The soft drinks category remains intensely competitive and promotionally driven, but we continue to focus on adding value through strong in-market execution, product innovation and new distribution gains.

Within the UK packaged sector, our dilutes portfolio has been at the heart of our exceptionally strong performance. We have delivered value sales growth of 24% versus the dilutes sub-category growth of 12.8% growth. This has further consolidated our position as the UK's No.2 dilutes brand.

We have also continued to ensure all new product innovation and marketing activity focuses heavily on driving our 'No Added Sugar' ranges, promoting healthier options to consumers as part of our sustainability strategy to achieve a 'Happier Future'. As a result, we have once again delivered accelerated growth on this part of our portfolio.

Innovation has again been central to our success in 2020. Although certain planned new product launches were delayed due to the pandemic, we added an exciting new flavour to our Remix range and released a Vimto 'Winter Warmer' limited edition squash proposition. Offering new flavours and concepts is crucial to attracting new consumers to the Vimto brand and ensuring we stay relevant to evolving consumer needs and tastes.

Core to the brand's growth in 2020 has been our award winning 'I see Vimto in you' marketing campaign. The campaign was first launched in 2018 and has played a vital role in underpinning our continued growth over the last three years. We have focused on delivering a social, digital and influencer communications plan during 2020 and we have seen our brand penetration reach record levels at 7.1m households (+407K households vs. 2019 as measured by Kantar).

During 2020 we had planned to relaunch our Feel Good brand into the marketplace. We repositioned the brand as a 100% natural product, targeted to go to market in early April 2020. Due to the pandemic our launch plans have been delayed until 2021.

We continue to work in close collaboration with our customers across the UK grocery, foodservice, wholesale and discount channels. Ensuring the strength of these relationships has been more important than ever during 2020, and we will continue to keep our customers' needs at the heart of what we do to ensure that consumers can enjoy our products every day.

The UK On-Trade

(As measured by CGA Total Out Of Home, Licensed & Foodservice. Last 12 months to 30 November 2020)

It has been the most challenging trading period in the on-trade sector for 80 years, but we believe consumer demand remains strong, with a clear willingness to re-engage in hospitality once restrictions eventually ease.

Soft Drinks remain a hugely important part of Out of Home sales, representing 1.1bn litres, worth £3.9bn in the last 12 months. In Licensed outlets, soft drinks volume is 348m litres, £2.2bn in the last year. This represents approximately a quarter share of total drinks volume.

In comparison to other categories in Licensed, the sales performance of soft drinks is in line with total drinks sales and performing at a similar rate to Wine & Spirits. The Eat Out to Help Out scheme and national heatwave during Q3, combined with the temporary lifting of certain pandemic-related social restrictions, contributed towards a lift in sales of soft drinks for a limited period.

In the UK, sales of soft drinks in Licensed & Foodservice combined saw a drop in consumption during 2020 vs. 2019 as volume declined 41%, delivering 1.1bn litres in the year. This was driven by a 53% decline in Licensed and a 36% decline in Foodservice.

Category performance has retracted significantly due to the impact of the coronavirus pandemic reflected in the 40% decline in annual turnover in the overall UK hospitality sector over the past year.

As the pandemic took hold during 2020, 64% of UK consumers ate and drank out less frequently than they usually would between July and October. That equates to 88m fewer visits during a key trading period of the year.

Due to the challenges highlighted above our business was severely affected by the closures from March onwards. The first two months of the year proved strong, despite the fact that traditionally they are the quietest time of the trading year. During the first quarter we also launched our frozen carbonated range, ICEE, into the cinema chain Showcase, which we had been successful in securing as incremental business for 2020.

Throughout the remainder of 2020 our primary focus was on supporting our customers and partners across our Out of Home trading division. Making sure we did everything possible to ensure that these valued customers can survive in the long term as the hospitality sector re-opens was our team's priority. I am extremely

proud of the effort we have put in to support our partners during this challenging period.

Vimto International

During 2020, the Covid-19 pandemic affected all our International regions as lockdowns were put in place on a global scale. In our Middle East region this has been coupled with VAT increases and the implementation of a 50% excise tax on sweetened beverages. As a result, trading conditions have been extremely challenging throughout the year.

We have taken the long term strategic decision in conjunction with our long standing partner of over 90 years, Aujan Coca-Cola Bottling Company (ACCBC) to invest in an enhanced marketing programme to protect our market share of Vimto in this key region, and I am pleased to report that, as a result, our market share in the Middle East has not been impacted.

Over the key Ramadan trading period, a comprehensive digital campaign and outstanding in-store execution delivered one of the most successful campaigns in the brand's history.

We have accelerated our innovation pipeline on the Vimto brand across the region in recent years, and in 2020 we launched new products including a No Added Sugar cordial product, an orange still ready-to-drink variant, and a sour cherry carbonated drink. These new products have increased the availability and visibility of the brand across a number of key customers. Adapting the brand to changing consumer needs has played a key role in ensuring our continued success.

During 2020 we again achieved strong growth in our African region. We delivered sales revenue of £14.0m, representing 7.4% growth versus 2019. This was driven by our core red can carbonated range, supported by our strong integrated marketing campaign and new distribution wins. We also successfully launched our Vimto Watermelon flavour within Algeria and Mali in a bottled format. Local consumer reaction has been extremely positive, resulting in a strong sales performance.

We have achieved strong momentum within the USA over recent years working alongside our partner, Ziyad. 2020 saw another excellent performance, with double digit sales revenue growth supported by focusing our commercial activity on key trading periods.

Across our European territories we continued to focus on delivering new points of distribution for our core products within our key customers, which has resulted in the Group making market share gains and delivering strong sales momentum.

Our Vimto Home

Our 'Vimto Home' has continued to encompass the strategic direction for our business during 2020. Our core purpose as a business is to 'Make Life Taste Better' which our people live and breathe everyday. We want this purpose to inspire all of the partners we work with and the consumers across the globe who enjoy our brands on a daily basis.

STRATEGIC REPORT

CORE PRODUCTS, CORE CUSTOMERS, CORE MARKETS.

Growth Pillars

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. 2020 has again shown how important our core products are, as demonstrated by the growth we have seen in our dilutes business in the UK, our carbonated cans in Africa and the cordial sales we have delivered during Ramadan.

WHEREVER, WHENEVER

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. 2020 has seen us with our exciting ICEE brand continue to penetrate the cinema channel in the UK via Showcase. 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. Even during the pandemic we have launched numerous new products across the globe.

Happier Future

We introduced you to our Happier Future Home in 2019, and throughout 2020, despite the global pandemic, we have continued to work hard on our ESG agenda.

Nichols' purpose is to ensure "We Make Life Taste Better". To achieve our purpose, we believe we need to create a happier future for our planet by doing the right things in the right way, with our partners and for our communities. In order to achieve our goals, we are working closely with our partners to agree shared commitments on carbon consumption, sustainable packaging, health and wellbeing and to give back to the local communities we operate in.

With Our Partners

We are focusing on three key pillars of our Happier Future strategy with our partners.

Carbon Footprint

Our focus has been and continues to be reducing our Scope 1 and 2 emissions. We are at the beginning of assessing Scope 3 impact with our partners. We are pleased to have delivered on two key initiatives with our partners in 2020 that have reduced our environmental impact:

- We have further reduced the weight of our Aluminium 330ml cans by an additional 0.4g, saving 21 tons of aluminium over the year; and we have reduced the weights of the caps and bottles in our squash range, saving 115 tonnes of plastic in total in 2020.

Environmental sustainability is a core priority for Nichols, which we have embedded within our "Happier Future" strategy, which outlines the ways the business is working with its partners and for its communities to make life taste better for everyone. From the manufacture of our product range at our Ross-on-Wye factory, through to all supporting areas of the business we promote our vision for a sustainable business strategy.

In accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have prepared a Streamlined Energy & Carbon Report (SECR) for the financial year of 2020.

This measurement and reporting of environmental performance will drive direct benefits for the business such as lower energy and resource costs, improved understanding of exposure to the risks of climate change and by allowing the business to demonstrate sustainable leadership within the soft drinks industry.

We engaged Carbon Architecture via the BSDA in 2016, and we have been working with them since to provide independent analysis of our carbon footprint. Therefore, the following report has been prepared in conjunction with Carbon Architecture. We have selected tCO2e/kL as our SECR ratio as we feel this is most aligned to the activities of the Group. Nichols' total energy consumption for this financial year was 4,785 MWh, resulting in gross carbon emissions of 1,227 tCO2e.

These figures correspond to a 36% decrease in total energy consumption and a 31% decrease in gross emissions compared to 2019. Normalised gross emissions increased from 0.1434 tCO2e/kL to 0. 2437 tCO2e/kL drinks produced .

The business' energy and carbon usage has been profoundly affected by the COVID-19 pandemic. Production volume at our Ross-on-Wye factory has reduced by 59% from 12,430 kL in 2019 to 5,037 kL in 2020. Total energy consumption has reduced as a result of this, but as our production facility has a significant baseload and the fuel demand of our logistics function is not linearly related to drinks output, our normalised emissions have been driven up by 70%.

To continue reducing the business' carbon impact, in 2020 Nichols took the decision to procure green electricity for the Ross-on-Wye factory and our Head Office in Newton-le-Willows. The purchase of green electricity (backed by Renewable Energy Guarantees of Origin certificates - REGOs) covered 22% of all electricity consumed in 2020, resulting in a reduction of net emissions of 74 tCO2e, or 6% of total emissions. Therefore, the 4,785 MWh energy consumed resulted in net carbon emissions of 1,153 tCO2e, corresponding to a 35% reduction compared to the 2019 benchmark year. Normalised net emissions increased from 0.1434 tCO2e/kL to 0.2289 tCO2e/kL drinks produced.

Nichols have directed increasing focus on our sustainability agenda in the last year. A number of energy-saving measures have been implemented at the Ross-on-Wye factory. We have made improvements to lighting systems through replacing old units with high-efficiency LED lighting, including where appropriate motion sensors for greater total electricity savings. Additionally, a boiler steam efficiency and reliability report identified system improvements which have been carried out by the equipment OEM. Furthermore, by replacing our aged server air conditioning unit with a new unit which utilises a lower global warming potential refrigerant gas and has a higher energy efficiency rating, we have reduced electricity consumption and the impact of unintentional f-gas leaks.

Parameter	Units	Current reporting year 01/01/20 - 31/12/20	Comparison calendar year 01/01/19 - 31/12/19
Natural gas consumed	kWh	638,415	1,101,269
Grid electricity consumed	kWh	876,145	1,069,003
Transport fuels consumed	kWh	3,270,397	5,275,955
Total energy consumption used to calculate emissions	**kWh**	**4,784,957**	**7,446,227**
Emissions from combustion of gas (scope 1)	tCO2e	117	202
Emissions from transportation in vehicles owned or controlled by reporting company (scope 1)	tCO2e	786	1,287
Fugitive emissions from refrigeration plant (scope 1)	tCO2e	120	20
Emissions from purchased electricity (scope 2)	tCO2e	204	273
Emissions from business travel in vehicles owned or operated by 3rd parties (scope 3)	tCO2e	-	-
Total gross carbon emissions	**tCO2e**	**1,227**	**1,783**
Carbon reduction through green electricity tariff backed by REGOs	tCO2e	(74)	-
Total net carbon emissions	**tCO2e**	**1,153**	**1,783**
Intensity ratio: Total gross emissions / 1000 Litre product	**tCO2e/kL**	**0.2437**	**0.1434**
Intensity ratio: Total net emissions / 1000 Litre product	**tCO2e/kL**	**0.2289**	**0.1434**

Methodology

This report has been prepared following the GHG Reporting Protocol – Corporate Standard and using the guidance set out in Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance – HM Government (March 2019).
Energy consumption data has been sourced from utility supplier invoices, or where this is not available calculated from site records and travel expense data.
As this is the first SECR reporting year, a comparison year is not mandatory but we have included data from 2019 to act as a baseline.
Conversion from energy to emissions was completed by application of the relevant emissions factor from UK Government GHG Conversion Factors for Company Reporting for the appropriate year.

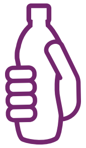
Energy Efficiency Action

Throughout 2020, a number of light fittings have been replaced with LED lighting, including sensor controls fitted on five. This has been calculated to save 1.4 MWh of electricity p.a., equating to 0.8 tCO2e.
In February 2020, a boiler steam efficiency and reliability report were conducted at the Ross-on-Wye site, with system improvements subsequently enacted by the equipment OEM.
In June 2020, a new air conditioning unit was purchased for the server room. This new unit utilised low global warming potential and high energy efficiency refrigerant gas R32, replacing R410A gas which was used in the previous unit. R32 requires 20% less charge and is 3-5% more efficient than R410A gas.

Prepared in line with guidance from: Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance H M Government, March 2019

Sustainable Packaging

100% OF OUR UK DRINKS PACKAGING IS RECYCLABLE



WE USE RPET IN OVER 60% OF OUR UK PACKAGED DRINKS RANGE

RPET SOURCED FROM UK ONLY

FIRST EVER VIMTO REFILL STATION

WE USE OPRL (ON PACK RECYCLING LOGOS) ON ALL OF OUR UK PACKAGED DRINKS RANGE

For Nichols, *"Sustainable Packaging"* is about recyclability, considering the materials we use, and promoting responsible consumer behaviour. We are committed to having a sustainable but achievable plan surrounding the use of plastic within every aspect of the organisation. We continue to work closely with our suppliers to use more recycled PET into our packaged portfolio. Our cordial range is made up of 51% rPET, all of which is sourced from within the UK to ensure our carbon footprint remains as low as possible.

In line with the recent plastic straw ban, we offer a full range of consumables to our customers, including paper straws and spoon straws. Our Slurper Scooper 'Instant Win' Frozen drink promotion, launched in 2020, encouraged and incentivised consumer behavior change from plastic cups to paper alternatives.

Every piece of packaging we use or supply on our UK packaged products is 100% recyclable, and we continue to invest in the UK's recycling infrastructure by purchasing UK only Packaging Recovery Notes (PRN). All our cordial shrink film contains 50% post-consumer recycled waste, meaning material that would otherwise have been directed to landfill is diverted and used to produce our shrink film.

The Scottish Government has approved legislation for a Deposit Return Scheme (DRS). We fully support the introduction of a well-designed DRS, as this will ensure we create a sustainable infrastructure in the UK. A key component of the DRS is its support of wider recycling initiatives, improving consumer awareness of the need to recycle. This will increase availability of r-PET for the entire industry. Nichols acknowledges the need for a unified UK-wide system embraced by all parties within the supply chain – from national and local governments, to soft drinks manufacturers and retailers, and to end-consumers.

Through the BSDA we continue to work with Government to reform the current Producer Responsibility Obligations Regulations related to the DRS and any associated taxes that are levied to the industry.

In the second half of 2020, we installed our very first in-store refill station in Asda for our dilutes range, an initiative intended to help shoppers reduce, re-use and recycle packaging – making the lives of our customers and their consumers taste better.

We have reduced our use of sugar by 36% in the last 5 years
(*based upon % per Litre)

All UK packaged drinks innovation is No Added Sugar
(in the past 5 years)

Healthier Future

Innovation is 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 centre on providing solutions that address both the health and sustainability agenda. Our objective is twofold: firstly, to re-ignite growth in core product segments, and secondly, to identify the new product segments of the future that will deliver both consumer and customer value growth.

The Soft Drinks Industry Levy (SDIL) was introduced in April 2018, and as previously reported, we are delighted with the performance of the Vimto brand, which has not been impacted by the introduction of the Levy. We have been focused on reducing sugar since 2012 and this work continues today, both in the UK and Internationally.

All our products in the UK are exempt from the SDIL. Since 2015, our sugar usage* has reduced by 36% despite our volume in litres growing by 34%, and on our flagship Vimto brand, No Added Sugar (NAS) commands a greater share of our overall brand sales, having moved from 33% to 52%. Within dilutes, we have seen an equally positive and significant shift, with the share of NAS products rising from 46.8% to 60.5% of sales**, while average calories per litre have fallen by 22% over the same period.

Our focus on consumer health extends to our international business. We launched a new NAS cordial in the Middle East. We've also reduced sugar levels in our carbonated products in a number of markets across Africa.

Finally, in our Out of Home route to market, we have reduced sugar content* across our own postmix and frozen brands, by over 5% year-on-year.

Our continued commitment to product innovation and providing consumers with healthier choices ensures we are well placed as new regulations on the promotion of HFSS*** products come into effect in the future.

*per litre of product
** 2020 vs 2015
*** high in fat, salt & sugar

STRATEGIC REPORT

CASE STUDIES

Asda Refill Station

In October 2020, the first ever Vimto Refill station was launched at the Asda Middleton store as part of an inaugural trial for Asda's first sustainable store format. Asda partnered with a number of popular household brands for the trial, including Vimto. We installed new equipment within the store to enable customers to bring their own containers to fill with Vimto.

Asda are using the new-look store to test and learn which elements appeal most to their customers that can then be developed at scale in order to roll out to more locations in 2021. The new store has 15 refill stations, offering customers a selection of over 30 household staples sold in refillable format.

Products at the refill station include a selection of different Kellogg's cereals, PG Tips tea bags, Quaker Oats, Lavazza and Taylors of Harrogate coffee beans, Vimto cordial and Asda's own brand rice and pasta, as well as popular brands of shampoo, conditioner, detergent, handwash and shower gels sold in refillable format – a retail first.

Asda want more suppliers to partner on Refill Solutions by 2023 and this initiative is closely aligned with our Happier Future strategy. So far, Vimto has proven to be the most popular brand within the Refill Zone in Middleton.

Roger Burnley, CEO of Asda, commented:

> "Vimto is already proving a hit with Asda shoppers with it being the most popular product on the Refill Zone so far"

100%
NATURAL INGREDIENTS

3%
FOR PEOPLE & PLANET

Feel Good Drinks

Feel Good Drinks creates 100% natural drinks packed in primary plastic free packaging. We seek to give back to people and the planet by donating money from every can sold through our 3% People & Planet fund. In 2020 Feel Good supported 'Every Can Counts', focusing on the circular economy and closing the Out of Home recycling loop, 'Only a Pavement Away', who support homeless people by providing support and employment opportunities in the food and drink sector and 'FareShare', where we delivered over 60,000 cans to vulnerable households across the UK through FareShare's network of food banks.

In 2021, the business continues to focus on giving back and reducing the negative impact we have on the planet starting with addressing one of the really important impacts of our brand; carbon. We are currently working on assessing our carbon footprint and developing a carbon reduction strategy as we transition to circular practices that limit the impact of our business on the environment.

For Our Communities

Our communities have never been more important than in 2020. Our partnerships with Warrington Youth Club, Waves for Change and Salford City FC have been different in 2020, but our commitment to doing good has remained the same. As you can see across these partnerships, a key element to our Giving Back approach is to support young people living in our communities in particular.

Warrington Youth Club

When the Covid-19 pandemic hit in 2020, Warrington Youth Club (WYC) needed to re-shape its offer to local young people to ensure the club could continue to provide access to activities and support, albeit in a different format. Initiatives included Youth Zone @ Home; an online offer of digital activities to engage with young people, a new childcare provision for children of NHS key workers over the summer, which was a first for the Club, a "Zone to Home" delivery service, for vulnerable families facing hardship during the pandemic and Education Mentors; a new mentoring programme for young people who struggled to go back to school in September after the first lockdown. The Club also waived its usual £5 annual membership fee, and reduced capacity at the Youth Club and Gym to ensure the safety of young people.

The Club has been on an epic journey to become Warrington Youth Zone, which first started 12 years ago, and like many ambitious projects, has encountered several obstacles over the years. However, the team were delighted when construction started in November 2020 on a new facility that will transform services for young people and become an iconic, state-of-the-art, £6.9million building for all young people in the Warrington area to enjoy.

Membership numbers will swell to over 7,000 young people aged 7 – 19, and the Youth Zone will be developed in partnership with national charity OnSide Youth Zones. The team are aiming to officially open the 3,200sq metre Youth Zone in Spring 2022. The high-quality facilities will include a four-court sports hall, fully

equipped gym, recording studio, health and wellbeing room, skate park, 3G Astroturf pitch, radio station, climbing wall and dance studio.

What has been particularly impressive, is that young people have been at the heart of the project throughout. A Young People's Development Group, made up of local young people, has steered some of the major decisions, including the Club's new logo and branding, and the interviewing of new staff. The Group has also taken part in fundraising activities and promoted the Youth Zone to other young people, and will continue to be involved over the next 12 months.

The new facility is the culmination of all the hard work, tenacity and dedication of the team over the past 12 years and it was a special moment to be part of at the end of 2020, when we gathered at the site to see construction begin.

Dave McNicholl, CEO of Warrington Youth Club, commented:

> *"We are indebted to Nichols for their generous support as one of our Founder Patrons and it was wonderful to welcome Marnie to the site and see the vision that they have invested into becoming a physical reality. What Nichols plc are helping to create will transform and enhance the lives of thousands of young people in Warrington."*

WAVES FOR CHANGE
Changing Lives One Wave At A Time

Waves for Change (W4C) began in 2009 as a small, informal weekend surf club for a handful of children from Masiphumelele (Cape Town, South Africa). Every weekend co-founders Tim Conibear (from the UK) and Apish Tshetsha (a local Masiphumelele youth leader) would take the children surfing at Muizenberg beach, a historically "whites" only beach with perfect beginner waves. Most of the children have never been in the water but Tim, Apish and the team do more than simply teach surfing.

The charity takes South African children from disadvantaged backgrounds, often township environments, where they experience an average of eight traumatic events each year yet have no access to much needed mental health services, to experience the thrill of surfing, and to feel safe, heard, and connected. The children have often been exposed to gang culture, drug and alcohol abuse and W4C offers respite from the stress caused by the adversity they experience daily through surf therapy. The sessions build on a "positive self" concept by independently mastering difficult new tasks such as surfing and meditation as well as teaching life skills, behaviours and community interaction. At the heart of the programme are young people from the same or similar contexts to the participants, recruited because of their values and commitment to being change-makers in their community.

Vimto has been a proud partner of W4C right from the first formation of that wave 11 years ago. We support the surf therapy mentors by investing in their skills and understanding, and providing the resources such as transport, surf boards, wetsuits, and access to psychologists that allow this inclusive wellbeing service to be delivered through the impactful surf therapy sessions.

WFC now has sites across South Africa, Liberia and Sierra Leone with plans to extend into Kenya, Tanzania and Senegal. 65 coaches reach 2,000+ children per week. It is the proud Winner of 5 major awards, including Laureus Sport for Good 2017.

Salford City FC

The Vimto and Salford City FC partnership has grown from strength to strength over the past three years. Whilst 2020 has thrown its challenges, Salford City FC has shown a great attitude and positive approach to dealing with the limitations in fulfilling their day to day passion for football.

Vimto has supported Academy 92 since 2018. Academy 92 gives young talent within Greater Manchester the opportunity to develop and excel in their passion, whether it is through football or the dedicated program at Trafford College, attended by all Academy 92 players. At Trafford College, players receive training in subjects beyond football that will help individuals develop life skills that they can use for the rest of their career.

As an Academy 92 partner, Vimto is very proud of the Academy's developments this year. The Under-18s finished top of the EFL Youth Alliance North West division in their debut season. Their success has led to first team contracts being offered to three of the Academy 92 players. Additionally, 14 players from the development squad have all made appearances in the first team, showing the progression and opportunity the Academy 92 players have access to in the Salford City FC set-up.

We are proud to share that we have extended our partnership with Salford City FC and the Academy 92. It has been a pleasure to be a part of the club's growth over the past three years and we are even more excited to see what the future holds.

STRATEGIC REPORT

Day to Make A Difference

As part of our Giving Back to Local Communities Happier Future Pillar, in 2020 we introduced "A Day to Make A Difference," in which employees were given time and encouraged to volunteer in their local communities. Despite some of the unexpected obstacles that Covid-19 presented, many of our employees were able to get involved in their local communities and make a difference this year.

Our People

Throughout 2020 and in the midst of the global pandemic, our priority has been to care for and protect our Vimto family – both our employees, and those in our local communities.

Our communities have never been more important than in 2020. Our employees quickly responded with a call to arms across the business to support the pressure on charities, recognising the fantastic and selfless key workers in communities they live in across the UK. A multi-disciplined team of colleagues collaborated to successfully ship over 120,000 soft drinks across the country. Recipients included Food banks, London & Regional Ambulance Services, the North West NHS Hospital Trust, Calderdale & Huddersfield hospitals and The Greater Manchester Mayor's charity, with a particular focus on helping the homeless.

Like many businesses, we had to quickly adapt and many of our employees moved to working from home, which was not a widely established way of working for our business. Very quickly we were up and running with new technologies and ways of working, and what sometimes felt like welcoming work friends and colleagues into our homes through our screens.

The wellbeing of every single one of our colleagues was paramount to us. We created a programme which focused on wellbeing, supporting our people to work from home safely and to develop new tools and approaches to adapt to a new work environment. Our #makeyourselfathome series supported people to "Do What You Can," recognising that colleagues were juggling family life, home-schooling and shared work and living spaces. "Free From Friday" encouraged people to use Fridays to take a break from virtual meetings to focus on other work and wellbeing. We created a WellBeing Hub with a wealth of resources that provided practical support on a broad range of wellbeing topics. All of this was delivered via our internal communications platform, which enabled our people to connect and collaborate, sharing experiences and creating much needed fun in the working day.

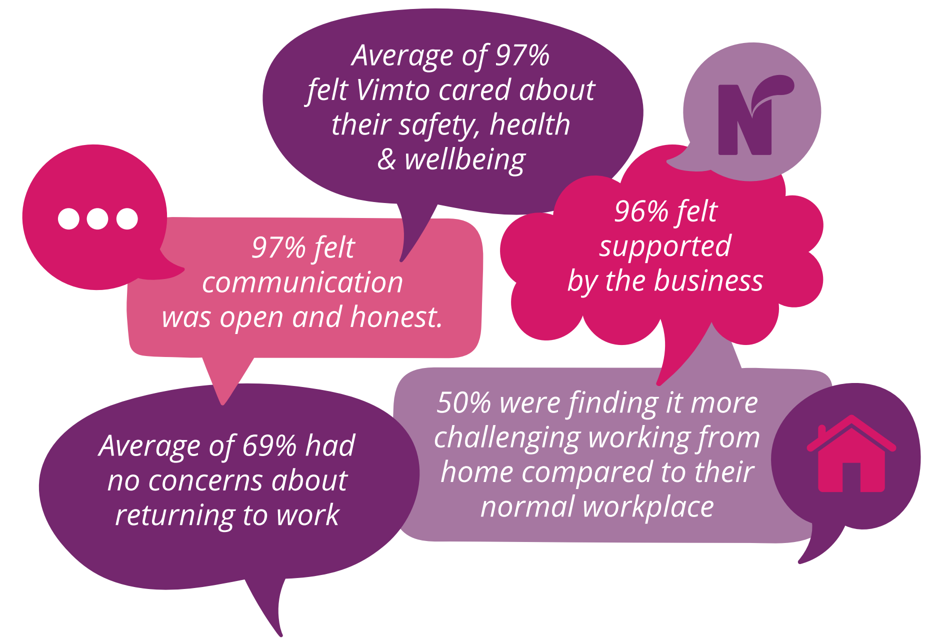
Across our Out of Home (OOH) business, many of our colleagues spent time on furlough during the year given the impact on the hospitality and leisure industry. We recognised the challenges this could bring to our colleagues around purpose and wellbeing. Staying connected with everyone at home was a priority.

We organised training for many colleagues, regular wellbeing check-ins and virtual social activities. As the year progressed we needed our colleagues to quickly and regularly adapt in what became a complex and ever-changing context in the hospitality and leisure industry. They responded with flexibility, grace and commitment.

We recruited a new Health & Safety (H&S) Team to ensure that, as the business grows, we retain and develop the appropriate H&S policies and procedures, and equip our people through training and best practice doing the right things to keep themselves, colleagues and customers safe. This was vitally important in ensuring workplaces were Covid-secure and our employees felt safe and confident.

Our people have carried us through these most unusual times with all the passion and commitment we see every day in every year. It is testament to our people and our culture that engagement has remained high and been sustained during the pandemic. More than ever, our values have proven to be a key foundation to our home and our Vimto family.

During 2020, we used employee surveys to listen and respond to our colleagues' feedback on their experiences during the pandemic. This included new working arrangements, sharing insights into their mental and physical wellbeing as well as seeking to understand levels of confidence in the leadership response to the pandemic including the effectiveness of communication. Between May and October, we ran three surveys and an average of 78% colleagues responded to each survey. The key insights across the surveys were:



The insights the survey results gave us enabled us to quickly respond to immediate concerns or opportunities to improve working arrangements and in 2021 we are building our plan on how we will 'Build Back Better' coming out of the pandemic, recognising the opportunity to leverage some of the positive changes that our colleagues have experienced with changes to their working lives.

Our next full engagement survey will be during 2021, the results of which will be included in the 2021 annual report.

The Senior Leadership Team have held a number of workshops, including engaging with an external partner to help us accelerate the development of our Diversity & Inclusion Strategy.

Summary:

As we enter 2021 I have no doubt that we will continue to operate in a challenging and changing environment that will continue for a sustained period. Over many years soft drinks has proven to be a highly resilient category and even throughout 2020 during the global pandemic we have seen value growth. I feel confident that given our strong portfolio of brands, diverse business model and exceptional people we can continue to deliver our long-term strategic objectives in 2021 and beyond.

Andrew Milne
Chief Executive Officer
3 March 2021

Chief Financial OFFICER'S REPORT

DAVID RATTIGAN

CHIEF FINANCIAL OFFICER

FINANCIAL HEADLINES

- Vimto Brand Value in the UK +6.7% versus soft drink market of +2.5%[1]
- Vimto Brand 'in-market' Middle East sales remained resilient through Ramadan despite Sweetened Beverage Tax (SBT) and Covid-19 restrictions
- Vimto in Africa delivered strong revenue growth of +7.4%
- Vimto continues to progress across the rest of the world, delivering revenue growth of +17.3%
- Out of Home (OoH) significantly impacted by the pandemic with revenues down 61.4% and fixed costs weighing heavily on overall financial performance
- Strong cash performance in the period, Free Cash Flow[2] +£17.6m, Cash Conversion[3] at 186%.
  - Working capital focus with slower end of year 2020 due to Covid-19
- Exceptional charge of £5.1m
  - Of which £3.8m, non-cash Impairment of Feel Good Goodwill and Intangible Assets
  - £1.3m operational review and restructuring
- Final dividend proposed of 8.8p reflecting 2x cover[4] for combined 2019 and 2020 performance period

	Year ended 31 December 2020	Year ended 31 December 2019	Movement
Group Revenue	**118.7**	147.0	(19.3%)
Adjusted Operating Profit[5]	**11.7**	32.4	(64.1%)
Operating Profit	**6.6**	32.4	(79.7%)
Adjusted Profit Before Tax (PBT)[5]	**11.6**	32.4	(64.2%)
Profit Before Tax (PBT)	**6.5**	32.4	(79.8%)
Adjusted PBT Margin[5]	**9.8%**	22.1%	(12.3ppts)
PBT Margin	**5.5%**	22.1%	(16.6ppts)
EBITDA[6]	**16.5**	37.0	(55.5%)
Adjusted earnings per share (basic)	**25.56p**	72.81p	(64.9%)
Earnings per share (basic)	**13.14p**	72.81p	(82.0%)
Cash and cash equivalents	**47.3**	40.9	+15.6%
Proposed Final Dividend	**8.8p**	28.0p[7]	(68.6%)
Full year dividend	**36.8p**	12.4p[7]	+196.8%

1 Nielsen Total Coverage Year to Date 26 December 2020.
2 Free Cash Flow is the net increase in cash and cash equivalents before acquisition funding and dividends.
3 Cash Conversion is the Free Cash Flow/ Adjusted Profit After Tax.
4 Dividend cover is the adjusted basic earnings per share divided by the dividend per share.
5 Excluding Exceptional items; impairment charges of £3.8m, operational review and restructuring costs of £1.3m (2019: £nil).
6 EBITDA is the statutory profit before tax, interest, depreciation and amortisation.
7 2019 Final Dividend was cancelled on 31 March 2020 due to the effect of the Covid-19 pandemic.

REVENUE

Group revenues were £118.7m, a decrease of 19.3% compared to 2019, as Covid-19 restrictions significantly impacted the OoH sector (where revenues were down 61.4%), impacting both Still and Carbonate performance.

The Group's packaged routes to market had an excellent year, delivering growth in both the UK and internationally in volume terms. Across the globe, Vimto performed well and delivered solid progress. Internationally, reported numbers were impacted in value terms through the Group's investment to offset some of the pricing impact of the newly introduced Middle East SBT.

UK packaged revenues improved by 2.7%, driven by the performance of the Vimto brand, in particular within Multiple and Discount Retailers, where revenues increased by 9.5%. Revenues across Convenience, Delivered Wholesale and Cash and Carry fell 10.9% as a result of Covid-19 closures and restrictions.

Internationally, Middle East volumes performed well through Ramadan, with 'in market' sales broadly flat year on year. In Africa, progress continued at pace with revenues improving 7.4%. Elsewhere, sales into the US performed particularly well.

The impact of movements in foreign exchange rates on revenue year on year was immaterial, at less than £0.1m.

GROSS PROFIT

Gross profit at £49.6m was £20.4m lower than 2019 (£70.0m) and 5.8 percentage points lower at 41.8% (2019: 47.6%). Of this, £11.8m was the net volume effect of the OoH route to market Covid-19 impact and the growth seen across the UK packaged and International markets.

The International route to market experienced a range of gross margin pressures in the period. The Group supported its local partner with brand investment to mitigate the impact of the introduction of the SBT in the Middle East and encouragingly 'in market' volumes were flat in the year despite the impact of the SBT and Covid-19 restrictions. Additionally, there was a £0.4m gross profit impact across the African business as supply moved to imported cans from concentrate to support local supply chains impacted by Covid-19 closures. A further £0.3m of gross profit was invested to develop the Group's rest of world markets which performed strongly during the year in volume terms.

UK raw material cost increases in the year combined with some positive one-offs in 2019, resulted in a further negative gross profit impact of £2.3m when compared with 2019.

Within OoH under recovery of costs largely associated with the factory at Ross-on-Wye led to further gross profit pressure of £1.1m as a result of Covid-19.

In addition, the Group supported OoH customers with new for old stock following the re-opening from lockdown 1 and provided for stock write offs as owned stock became obsolete, impacting gross profit by a further £1.0m.

DISTRIBUTION EXPENSES

Distribution expenses totalled £8.0m (2019: £7.4m), an increase of 7.5%. Distribution costs within the Group are largely associated with the UK packaged route to market and the increase is largely due to the higher trading volumes reported in the period but also additional disruption within our outbound supply chain as a result of the Covid-19 pandemic.

ADMINISTRATION EXPENSES

Administration expenses, excluding exceptional items, totalled £30.0m (2019: £30.1m), a decrease of 0.3%.

Management focused on reducing discretionary spend and realigning marketing investment resulting in cost reductions of £1.2m. No bonuses or LTIPs were accrued during the year and labour costs were managed closely, resulting in cost reductions of £1.1m.

The Group incurred further bad debt provisioning and asset write offs associated with the OoH business totalling £1.9m versus 2019. As smaller customers in the hospitality sector failed to re-open following lockdowns, the Group has made additional provisions for bad debt. A detailed exercise been undertaken to trace and verify assets held at customer outlets and as a result they have been written off when determined to be obsolete, lost or unlikely to deliver economic benefit.

The Group's prior year investment in OoH, acquisitions and machinery increased the Group's depreciation charge by £0.4m year on year.

EXCEPTIONAL COSTS

The Group has incurred £5.1m of exceptional costs during the year (2019: £nil).

Following a strategic review of the Group's 'Feel Good' Brand and its recognition as a separate Cash Generating Unit ('CGU'), the Group has incurred a non-cash impairment to Goodwill and Intangible Assets of its 'Feel Good' Brand of £3.8m. The Group remains committed to the 'Feel Good' Brand, which has recently been relaunched in the UK. Further detail is provided in note 12 to the financial statements.

The Group commenced a review of its UK packaged supply chain in Q4, engaging third party consultants and this is expected to conclude with implementation through 2021. Costs incurred to date amount to £0.3m with further costs expected in 2021.

The Group completed a review of its operational and leadership structures in Q4.

Operational changes followed the integration of prior year acquisitions and the implementation of new systems into the OoH route to market. These changes were implemented in Q4, making a number of roles redundant at the year-end incurring costs of £0.7m.

The Group decided to move from three Executive Directors to two at the year-end following a review of the Executive Board members portfolios. Early termination costs associated with these changes were £0.3m.

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

OPERATING PROFIT

Adjusted Operating Profit was £11.7m was down £20.7m, a 64.1% decrease on prior year (2019: £32.4m). Operating Profit of £6.6m (2019: £32.4m) is after charging exceptional items of £5.1m (2019: nil) during the period.

The impact of movements in foreign exchange rates on operating profit year on year was highly immaterial, amounting to less than £0.1m.

FINANCE COSTS

Net Finance costs of £nil (2019: £0.1m) were broadly in the line with the prior year.

STRATEGIC REPORT

PROFIT BEFORE TAX AND TAX RATE

Reported profit before tax was £6.5m, a decrease of 79.8% compared to the prior year (2019: £32.4m). Adjusted profit before tax reduced by 64.2% to £11.6m (2019: £32.4m). The tax charge on adjusted profit before tax for the period of £2.2m (2019: £5.6m) represents an effective tax rate of 18.7% (2019: 17.2%).

BALANCE SHEET AND CASH AND CASH EQUIVALENTS

Despite the impact of the pandemic on trading, cash and cash equivalents at the end of the period remained strong at £47.3m (2019: £40.9m), marginally ahead of the half year position of £46.8m.

The Group focused significantly on cash management throughout this unique year with particular emphasis on balancing the needs of its various stakeholders by working flexibly with shareholders, staff, customers, and the UK Government as events developed. At the same time, the Board has remained focused on ensuring the Group remains well positioned to deliver its long-term growth plans and exploit growth opportunities across the business as the impact of the pandemic subsides.

Whilst the Group took mitigating actions to conserve cash, including the rebalancing of its dividend policy as described in the Chairman's Statement, Nichols also supported its stakeholders by:

- Topping up all furloughed staff's pay to 100% throughout the furlough period (£0.3m) having utilised the Government furlough scheme (£1.4m);
- Replacing old stock with new (£0.4m), free of charge for its OoH customers following lockdown 1 as well as providing enhanced credit terms; and
- Continued full payment of taxes and by not participating in loan or payment deferral opportunities.

The Group's focus on working capital management, the restriction of non-essential capital expenditure, and maintenance of customer relationships resulted in lower debtor and inventory balances than the prior year. Creditor balances were broadly in line year on year. The strength of the Group's closing balance sheet reflects its diversified routes to market, asset light model, and insourced OoH manufacturing.

The Group was pleased to generate Free Cash Flow of £17.6m, with a cash conversion of 186%, recognising the unwinding of 2019 working capital balances in 2020. Whilst recognising the current and near-term impact of the pandemic on the soft drinks market, the Board expects the Group's debtors and inventories to return to 2019 levels over the medium term. As noted at the half year, the Group benefitted from a prior year insurance claim during the period, which provided £2.0m of cash (there was no 2020 income statement impact and this is reported within the movement in trade and other receivables line in the Consolidated Cash Flow statement).

EARNINGS PER SHARE

On an adjusted basis, diluted earnings per share (EPS) was 25.54 pence (2019: 72.77p). Total adjusted EPS decreased to 25.56 pence (2019: 72.81p) with basic EPS at 13.14 pence (2019: 72.81p).

PENSIONS

The Group operates two employee benefit plans, a defined benefit plan that provides benefits based on final salary, which is now closed to new members, and a defined contribution group personal plan. At 31 December 2020, the Group recognised a surplus on its UK defined benefit scheme of £0.3m (31 December 2019: deficit £0.3m).

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

BREXIT

In light of the EU–UK Trade and Cooperation Agreement being signed on 30 December 2020, the Board continues to monitor the impact of Brexit. A multi-functional project steering committee has been working to identify the impact of Brexit on the Group's operations with a comprehensive mitigation plan now in place.

The free trade agreement implemented between the EU and UK has eliminated the risk of significant incremental trade tariffs that a no deal Brexit would have posed to the Group. The Group has experienced an increased administrative burden post Brexit although its exposure to EU-UK trade is relatively low given our outsourced manufacturing supply chain (UK and EU).

The Board will continue to closely monitor the impact of the agreement and the implications this has on the movement of products into and from the EU.

David Rattigan

David Rattigan
Chief Financial Officer
3 March 2021

Risk MANAGEMENT

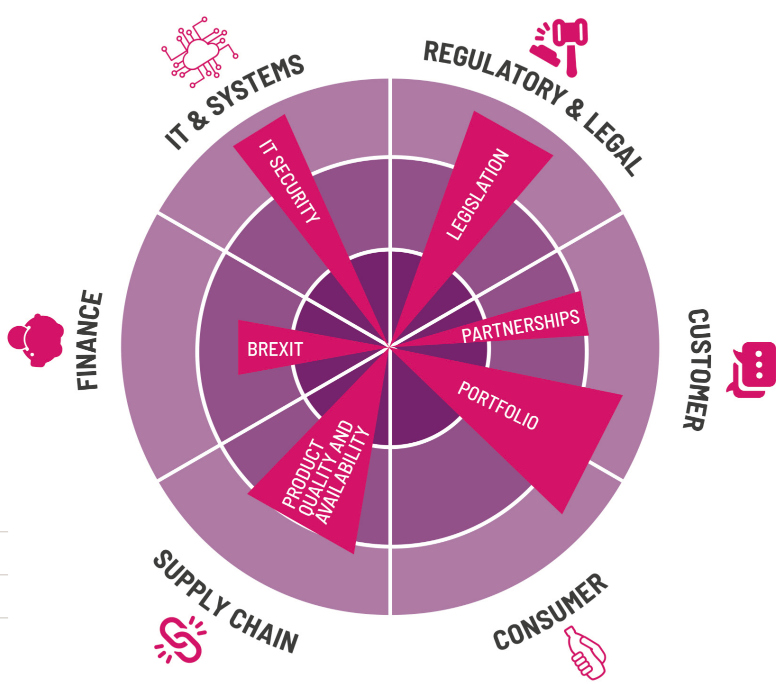
PRINCIPAL RISKS AND UNCERTAINTIES

The primary aim of the Group's risk management process is to assist the business in meeting its strategic and operational objectives.

The Board identifies the principal risks while operational risks are identified via a bottom up approach and managed via functional risk registers. Both current risks and emerging risks are regularly reviewed using both this top down and bottom up approach. The Board has created a Risk Management Team (RMT) which regularly meets to discuss, monitor and oversee the risks and controls within the Group. Updates and progress from the RMT are presented back to the Audit Committee regularly who review the effectiveness of the process.

The outbreak of Covid-19 and the resultant nationwide lockdown significantly impacted the Out of Home route to market. The Board identified the risks arising from the pandemic and highlighted the welfare of our employees, suppliers and customers as paramount. The Group quickly transitioned to being home based for office-based colleagues where possible and for office and operational locations which have remained open strict 'Covid Secure' measures have been in place. While the short-term effects of the pandemic have been significant on the Group's financial performance our strategy has not changed. The Board continues to closely monitor and respond to the situation.

The following set of risks are the principal risks the Board identifies as currently being faced by the Group. As stated, there are other risks affecting the business but with a lower risk score and perceived to be less impactful. The Senior Leadership Team regularly review the output from the RMT and the Board has confidence that the current risk management process highlights any relevant changes in both current and emerging risks that may be strategically important.



Risk management key
- Short term
- Medium term
- Long term

Risk score movement key

Increased ↑ Decreased ↓ No change →

LOSS OF SYSTEM AVAILABILITY ↓

Impact

In common with many other businesses we are highly dependent on the availability of IT systems. The supply chain function specifically is heavily reliant on technology, therefore, disruption to IT systems could limit availability of products and consequently impact sales.

Mitigation

Nichols operates several 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.

Development

Throughout the year the business has successfully transitioned to a diversified hosting platform which will provide further prevention against loss of availability.

In addition, the introduction of business continuity 'failover' servers help to significantly reduce the impact if system availability were an issue.

THREAT OF CYBER-ATTACK ↓

Impact

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.

Mitigation

Nichols operates several preventative systems and controls, including regular penetration testing, 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.

Development

The Group have invested in further measures to reduce the risk from cyber-attack, including enhanced end user authorisation protocols, improved cyber prevention measures and continued investment in security training.

SINGLE SOURCE OF SUPPLY OF VIMTO CONCENTRATE →

Impact

The unique Vimto flavour is created across our supply base using the Vimto compound. Unavailability of the Vimto compound could impede our ability to produce and therefore significantly impact the Group's revenue. As a result, it is vital that we have surety of supply of the compound.

Mitigation

Working in partnership with our suppliers, we have established alternate production capability at more than one location to ensure continuity of supply.

Development

There has been ongoing work with our strategic suppliers to review business continuity plans.

HEALTH & SAFETY INCIDENT

Impact

The Group operates with multiple office locations, a large field-based team and one manufacturing site. A health and 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 evolving nature of the Covid-19 pandemic has presented further concerns from a H&S point of view. Management have monitored closely the developing nature of the pandemic including the increased rates of transmissibility connected with new variants of the virus.

Mitigation

The Group is supported by an effective Health & Safety Management system, comprising of suitable and sufficient policies and procedures to support all functions. The review and delivery of the health and safety management system is supported by a cross functional committee, chaired by our new Group H&S Manager. One of the key roles for the committee is to ensure the embedding and effectiveness of our policies and procedures across the Group.

All operating functions within the Nichols Group have been Covid-19 risk assessed, with each of our locations maintaining a certified 'Covid Secure' status throughout the pandemic, following government guidelines. Covid awareness training is provided to all colleagues along with regular updates and briefing on process and procedures via a dedicated Covid Resources Hub.

Development

The Group has appointed a Group H&S Manager, bringing extensive knowledge and experience from across several industries. This knowledge and experience has been used to further develop and strengthen our existing health and safety management system, introduce new ways of working and reduce operational risk.

A dedicated, cross functional leadership team continue to monitor and assess our Group Covid-19 response, ensuring all applicable processes and procedures remain suitable and sufficient and colleagues remain appropriately informed of our Covid management strategy.

PRODUCT QUALITY ISSUES

Impact

Inconsistent quality or contamination of any products across the Group's portfolio reduce demand within the market. This could have significant impact on the Group's financial performance and cause reputational damage.

Mitigation

The business demands strict quality controls from all manufacturers and suppliers of our materials and finished goods. We seek independent validation of these controls by Global Food Safety Initiative (GFSI) approved bodies such as the British Retail Consortium (BRC).

We adopt a comprehensive risk-based monitoring approach to all suppliers and manufacturers across all routes to market, specifically designed to mitigate quality risks.

Development

Throughout 2020 we very quickly adapted to use virtual audits where physical auditing has not been possible.

In addition, we have implemented an online supplier portal system to increase our data gathering capability and improve ongoing supplier control.

FAILURE TO SUCCESSFULLY EVOLVE OUR BRAND AND PRODUCT PORTFOLIO IN LINE WITH CHANGING CONSUMER NEEDS

Impact

Consumer needs, preferences and behaviours in relation to soft drinks purchase and consumption are constantly evolving. Failure to anticipate and respond to these changes and adapt our portfolio through renovation and innovation, may result in a loss of volume or impede our ability to deliver growth.

Mitigation

We continually track and monitor market and category trends and consumer attitudes and behaviours to ensure our continued relevance to consumers. This insight is the foundation for our Portfolio, Brand and Innovation Strategies.

We have a rolling 3-year pipeline of Innovation and Renovation across both new and existing brands.

Development

We have continued to innovate, extending our owned and licensed brands into new flavours and consumption occasions in the UK and Internationally.

An Innovation Steering Committee has been put in place to ensure appropriate governance & prioritisation of strategic product launches, aligned to market and consumer requirements.

ADVERSE PUBLICITY IN RELATION TO THE SOFT DRINKS INDUSTRY, THE GROUP OR OUR BRANDS, LEADING TO REPUTATIONAL DAMAGE OR ADVERSE CONSUMER OR TRADE PERCEPTIONS

Impact

Negative publicity affecting the brand could reduce consumer demand for the Group's products.

Mitigation

The business adheres to core values of originality, authenticity and ethics which result in a strong brand.

Development

We have appointed a new trade communication agency and continue to use media monitoring and social listening to track media coverage and consumer sentiment.

LOSS OF A MAJOR CUSTOMER ACCOUNT OR KEY PARTNER

Impact

Loss of a major customer or key partner could limit availability of our products and consequently impact sales.

Mitigation

We are dedicated to maintaining long-term relationships with all our customers and key partners. However, the Group's diverse income streams across markets and regions mean we are not overly reliant on any one customer or partner. We do not have any one customer that attributes more than 10% of total revenues and we are working to ensure that our key supplier partnerships are not limited to either one supplier or one site where possible.

Development

We have been reviewing our key partnerships to evolve contingency plans and business continuity planning.

INTRODUCTION OF NEW GOVERNMENT LEGISLATION

Impact

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.

Mitigation

The Group monitors its markets and any potential changes in legislation. Where such changes are identified, the Group considers several scenarios to manage the potential outcome, working with our key partners as necessary.

The introduction of the Deposit Return Scheme (DRS) is an example of a piece of Government legislation which will likely pose risk to the Group.

Development

The Group is working closely with the British Soft Drinks Association (BSDA) working group to understand the potential impact of the DRS legislation and what can be done to minimise the impact.

IMPACT OF BREXIT

Impact

The trade deal or lack thereof that would impact trade between the UK and the European Union from the 1st January 2021 posed significant risk to the Group. These risks included but were not limited to, significant tariffs, timeliness of raw material imports and increased paperwork requirements.

Following the announcement of the deal the tariff risk was greatly reduced. There has, however, been an increase in paperwork burden and complexity moving goods and materials internationally.

Mitigation

The Senior Leadership Team created both a Working Group and a Steering Committee to prepare the business for the possible outcomes of a trade deal or moving to World Trade Agreement guidelines in the absence of a deal.

The Working Group worked with customers, suppliers and other third parties to prepare the Group for what may arise and by the time a deal was agreed that the business had plans in place.

Development

Work remains ongoing by the business' Brexit Working Group, closing out the final elements of the project.

STRATEGIC REPORT

INCREASING FOCUS ON CLIMATE CHANGE, ENVIRONMENTAL AND SOCIAL ISSUES RESULTING IN NEW GOVERNMENT LEGISLATION

Impact

There is increasing focus on environmental and social issues in Government. This may result in new legislation (eg. plastic tax & High in Fat, Sugar, Salt (HFSS) foods legislation) being issued which may in turn affect both customer and consumer preferences and the Group's revenues.

Mitigation

The business has developed an Environmental, Social and Governance (ESG) strategy which is focused on creating a Happier Future for our planet by doing the right things in the right way.

The remit of this strategy includes but is not limited to, carbon consumption, sustainable packaging and health and well-being.

Development

As part of the ESG strategy a cross-functional team has been created. This team have developed a number of initiatives with our partners throughout 2020. As a result we have reduced the weight of aluminum in our cans and reduced the weight of the caps and bottles in our dilutes range.

In addition, we completed a trial in Asda's first sustainable store format where we launched a packaging free refill station as part of an initiative designed to significantly reduce packaging in the future.

David Rattigan

David Rattigan
Chief Financial Officer
3 March 2021

Section 172 STATEMENT

PROMOTING THE SUCCESS OF THE COMPANY

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 following factors:

- the likely consequences 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; and
- the need to act fairly between members of the Company.

The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. It sets the Group's strategy and objectives taking into account the interests of all its stakeholders. A good understanding of the Company's stakeholders enables the Board to factor the potential impact of strategic decisions on each stakeholder group into Boardroom discussions. Consequently, Board resolutions are determined with reference to the Company's key stakeholders: its employees, its customers, its suppliers, the community in which it operates, the environment and its shareholders.

The following section of this Annual Report serves as an overview of how the Directors, with the support of the wider business, engage with our stakeholders and consider these range of factors in the course of their s172 duties.

During 2020, the key decisions of the Board, principally related to the impact of, and the Company's response to, the Covid-19 pandemic. This section of the Report includes a 'Covid-19' case study detailing the Board's response to the pandemic.

s172 "COVID-19 - A CASE STUDY"

Covid-19 underlined society's expectations of business to combine commercial priorities with wider social considerations.

BACKGROUND:

As the effects of the global pandemic hit in March 2020, the temporary closure of all pubs, clubs, restaurants, cinemas and theme parks resulted in a marked slowdown in sales of the Group's Out of Home business. In addition, the sales outlook for UK Packaged sales over the summer months was uncertain as retailers took mitigating action themselves to protect their business, including restricting planned promotional activity.

Many of the Group's international markets were also impacted with restrictions on movement of people implemented across the Middle East, Africa, Europe and the USA.

The Company expected the impact of the pandemic to have a significant impact on the Group's 2020 financial performance. However, during these unprecedented times the initial focus of the Board and, indeed its investors, was on the health, safety and well-being of its employees.

ACTION:

The Board and Senior Leadership Team planned for multiple scenarios, using a number of sensitivities and explored various ways, to protect our people, manitain the Group's strong balance sheet, and to mitigate the impact of reduced demand on the business for a potentially sustained period. These issues were considered, updated and discussed in detail by the Board on an ongoing basis throughout 2020.

A clear set of priorities was established, namely:

- Safeguarding our people;
- Maintaining operational agility;
- Supporting our communities (for further information please see pages 32 and 36); and
- Retaining our financial strength

OUR DECISIONS AND CONSIDERATIONS:

SAFEGUARDING OUR PEOPLE

Date:	Decision:
March 2020	The health, safety and well-being of our colleagues were our primary concern. Our employees began working from home during the week commencing 16 March 2020. For our operational employees who were unable to work at home, comprehensive risk assessments were undertaken and action plans implemented at all of our sites to ensure that they were COVID-19 secure and that those employees who were unable to work from home were able to work in a safe environment. Our employees now come on site if it is operationally not possible to work at home or they have mental wellbeing issues. Further information on the initiatives instigated to protect our employees is provided on page 55
April 2020	The Board decided that in order to protect the safety and wellbeing of both its shareholders and employees, the Company's Annual General Meeting should be held as a 'closed' meeting and shareholders would not be able to attend. Shareholders were invited to submit any questions in writing prior to the AGM.

RETAINING OUR FINANCIAL STRENGTH

Date:	Decision:
March 2020	*Withdrawal of 2019 Final Dividend:* In order to protect the Group's strong cash position, the Board decided to withdraw the 2019 final dividend announced on 26 February 2020 of 28.0 pence per share (the 'Recommended Final Dividend'). Subject to shareholder approval the Recommended Final Dividend was expected to be paid on 1 May 2020, and would have resulted in a cash payment of £10.4m. The Board recognised that the cancellation of the 2019 final dividend would have a negative impact on the Company's shareholders who depend on the income received from their investments. However, the Board considered that it was essential to focus on cash management throughout H1 2020 and protecting cash flow over the critical spring and summer trading periods, given the uncertainty surrounding COVID-19 restrictions. The Board agreed to reconsider this matter following the completion of the critical trading period.

OUR DECISIONS AND CONSIDERATIONS:

RETAINING OUR FINANCIAL STRENGTH AND MAINTING OPERATIONAL AGILITY

Date:	Decision:
March 2020	*Focus on controlling overhead and operational cost of the business:* The Board approved steps to remove cost in the business, this included the re-evaluation of our marketing spend, postponing non-essential recruitment and suspending non-critical capital expenditure from the business.
March 2020	*Decision to put employees on furlough:* In March 2020, the Board agreed that, given a significant proportion of the Company's employees' duties had ceased due to temporary restrictions imposed by the Government on its UK customer base, management should consider the Government Job Retention Scheme. At the peak in Q2 we had 220 employees furloughed. The Company 'topped-up' payments to ensure that all of our furloughed employees received full pay. The majority of our furloughed employees had returned to work by 22 July 2020.
July 2020	*Payment of 2020 Interim Dividend:* In July 2020, recognising the importance of the dividend to our shareholders whilst acknowledging both performance to date and the uncertainty in the financial outlook the Board deemed it appropriate to reinstate the Recommended Final Dividend from 2019 of 28.0 pence per share as the interim dividend for 2020. The interim dividend was paid to shareholders on 4 September 2020.
H2 2020	*Controlling costs:* During H2 2020, the Board considered the ongoing challenges in the Group's OoH sector. The Board placed a strong focus on controlling overhead and operational costs of the business, to ensure that the business was able to 'Build Back Better' post the pandemic. As part of its review of costs, and ensuring that the Group had the right structure in place to deliver its long-term strategy, the Board took the difficult decision to propose, subject to consultation, that a number of roles are removed from the Group. This decision was announced to the Group's employees on 18 November 2020, with the expectation that, subject to consultation, a number of roles would be redundant by Q1 2021.

HOW DID THE BOARD CONSIDER VARIOUS STAKEHOLDER GROUPS DURING ITS DELIBERATIONS?

By taking actions to retain the Group's financial stability and operational agility the Board considers that is has protected the business from the impact of reduced demand during 2020. The Board has adopted the principle to 'Build Back Better.' The Board remains confident in Nichols' ability to emerge from this period well-placed to continue to deliver the Group's long-term strategic plans.

The above actions were taken to protect the interests of a number of our key stakeholder groups. These included but were not limited to: employees, shareholders, customers, the community and our supply chain partners.

Throughout the pandemic we have continuously engaged with our employees and we believe that the Company has taken appropriate action to ensure the health, safety and well-being of the Group's employees throughout these unprecedented times. Our key responsibility remains the safety, health and well-being of our colleagues. Details of how we have engaged with our employees and our other stakeholders during 2020 are provided as follows.

OTHER KEY BOARD DECISIONS DURING THE YEAR:

BOARD DECISION	CONSIDERATIONS
The Board considered and approved a Relationship Agreement between the Company and the Nichols Family. The Nichols Family consist of certain members of the immediate and extended family of the Company's founder John Noel Nichols. Members of the Nichols Family hold in aggregate an interest of approximately 34.7% in the Company's issued share capital. Following execution of the Relationship Agreement, the Board approved the appointment of James Nichols as a Non-Executive Director of the Company.	The Board considered the purpose of the Relationship Agreement, namely to formalise Board representation for the Nichols Family whilst also ensuring that the Company is capable of carrying on, at all times, its business independently. The Relationship Agreement provides certain rights for the Nichols Family to appoint a Non-Executive Director to the Board, providing that they maintain an interest between 20% and 29.99% in the Company's issued ordinary share capital. In addition, it provides the Nichols Family an entitlement, but not an obligation, to appoint two Non-Executive Directors to the Board should their interest equal 30% or more in the Company's issued share capital. The Relationship Agreement contains provisions to protect our other shareholders, including preventing or obstructing the Board from managing the Company in the interests of the shareholders as a whole and ensuring the independence of the Board and management. This ensures that the Board can act in the interests of all shareholders, treating all members fairly. The Board noted that the Relationship Agreement adhered to good corporate governance arrangements, was in accordance with the recommendations of the Quoted Companies Alliance Corporate Governance Code and would be in the interests of the Company and its stakeholders.
The Board considered and approved a grant under the Company's Save-As-You Earn Share Option Scheme (SAYE Option Scheme).	The Board considered the terms of the proposed SAYE Option Scheme grant, noting that it would be open to all eligible employees.
The Board decided that the Board should comprise of two Executive Directors. Prior to the resignation of Marnie Millard on 31 December 2020, the Board had comprised the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.	As announced on 22 July 2020, Marine Millard, Group Chief Executive Officer resigned on 31 December 2020, having made a significant contribution in this role for 7 years. The Board decided that Andrew Milne, the Chief Operating Officer should replace Marnie as CEO on 1 January 2021. In addition, David Rattigan the Group's Chief Financial Officer, serves as a Director. Following consideration, and after a review of the Directors' portfolios, the Board decided that the Board should consist of two Executive Directors only. The Board now comprises the Chairman, two Executive Directors (CEO and CFO), a nominee Director under the Relationship Agreement with the Nichols Family and two Independent Non-Executive Directors. The Board considers that this balance is appropriate and ensures that there is sufficient independence on the Board, providing an appropriate level of challenge to the Executive Directors. The Company has a strong and experienced Senior Leadership Team, which includes the CEO and CFO, and supports the Board.

OTHER KEY BOARD DECISIONS DURING THE YEAR:

BOARD DECISION	CONSIDERATIONS
The Board considered and approved an Executive matching award to the Chief Executive Officer and Chief Financial Officer.	The Board considered and approved nil cost options over Nichols plc ordinary shares of 10 pence each ('Ordinary Shares') to Andrew Milne, Chief Executive Officer and David Rattigan, Chief Financial Officer (the 'Awards'). Awards, equal to 50% of their annual salaries at the date of award, were granted on 18 December 2020. The Awards will vest on the third anniversary based on the number of Ordinary Shares purchased and retained by the Directors over the vesting period of the Award. The Awards will be matched on a 1:1 basis for every Ordinary Share purchased. No other performance conditions apply. The intention of the Awards is to assist the Directors to meet a newly imposed shareholding guideline of 100% of salary as part of a revised remuneration policy. The Directors have five years from the date of appointment to meet this guideline. The Chairman of the Remuneration Committee and the Committee's advisers consulted with some of the Company's major shareholders prior to the date of the Awards. Shareholders were supportive of these Awards recognising the alignment of the interest of the Directors with shareholders. It is proposed that Awards will be made to other members of senior management following the announcement of the Company's 2020 annual results. These Awards will also act as a retention tool, mitigating against the risk of senior and experienced personnel leaving the Group.

STRATEGIC REPORT

HOW THE GROUP ENGAGED WITH ITS KEY STAKEHOLDERS THROUGHOUT THE PANDEMIC

EMPLOYEES

Why we engage

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.

How we engaged during 2020

During the Covid-19 pandemic we instigated a number of initiatives to engage with our employees, and to support their well-being. Our initiatives included:

- A live webinar by our Senior Leadership Team to all employees every 2 weeks to update them on key issues, including a 'live' hosted Q&A session;
- Developing physical and mental health initiatives to ensure that the welfare of our people was maintained as they adapted to different ways of working;
- Ensuring a clear communication process to those individuals who were put on furlough;
- The launch of a new well-being hub in August 2020, which has received positive feedback from our employees;
- Where possible we have provided a safe working environment to allow those individuals who wish to return to office working, to return safely; and
- We have conducted two employee surveys during the pandemic to understand how our colleagues are feeling. The response rate for the second survey was 72% with 96% of respondents feeling supported by the business during the pandemic.

The feedback from our employees on how they have been treated during 2020 has been very positive.

CUSTOMERS

Why we engage

Communications and relationships with our direct customers is a fundamental ingredient to our success.

How we engaged during 2020

The Nichols plc commercial teams have continuous communications with our direct customers, through face-to-face meetings – this year we have relied heavily on virtual meetings - to understand their needs, share our plans, seek feedback, and nurture collaborative working practices. We engage with our end consumers through our on-going promotional and advertising activity.

During 2020, we have worked hard to understand the concerns of our customers and the impact of the Covid-19 pandemic on their business. In OoH, we assisted some of our valued customers by replacing out of date stock and extending credit terms. In turn, we sought support from our partners to enable us to do this.

SUPPLIERS

Why we engage

Given Nichols' outsourced manufacturing model, having long-term strategic 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.

How we engaged during 2020

The Nichols plc supply chain team and senior management have regular review meetings with our supplier base.

During 2020, we have worked hard to understand the concerns and impact of the Covid-19 pandemic on our suppliers and the impact on their business.

THE COMMUNITY

Why we engage

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.

How we engaged during 2020

Nichols plc supports a number of local charities including Warrington Youth Club which provides facilities, opportunities and support to children in our community. The Group also supports Salford City FC and its Club Academy 92, to support aspiring football stars, developing their skills and education through a dedicated partnership.

During 2020, Nichols plc also supported a number of additional charities including the London Ambulance Service, NHS Trust Manchester and Warrington Hospital recognising their contribution to the community throughout the Covid-19 pandemic. In support and recognition of our NHS workers, the Company provided a number of free vending machines.

THE ENVIRONMENT

Why we engage

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.

How we engaged during 2020

Nichols plc is an active member of the British Soft Drinks Association, which has reducing plastic waste high on its agenda.

We are also signatories to the Soft Drinks Red Map. This scheme is run in collaboration with Defra and WRAP (Waste Reduction action plan) and sets out opportunities for business in the soft drinks supply chain to enhance the sustainability of the sector and help secure its future prosperity.

We also employ the services of Valpak, ensuing our compliance with waste regulations and minimising the direct impact our business activities have on the external environment.

SHAREHOLDERS

Why we engage

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.

How we engaged during 2020

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.

During 2020, our AGM, was held as a 'closed' meeting in order to protect both our Shareholders and our employees.

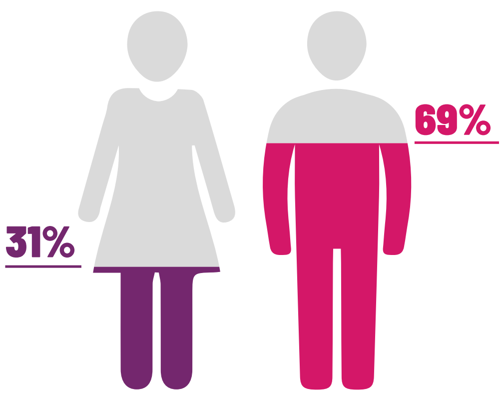
In addition, our Executive Directors specifically seek to meet retail investors at investor conferences and events and are available to meet shareholders on request and at a number of ad-hoc meetings, which are held during the year.

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.

Gender PAY GAP REPORT

Nichols Plc is pleased to present its gender pay gap reporting results as of 5 April 2020

% Employees SPLIT BY GENDER



This was a stable period of employment levels for the business and with lower levels of recruitment, this constrained our ability to grow the female representation in the business. We have a large employee group within our Out of Home (OOH) technical, distribution and manufacturing functions and males make up a significant proportion of these roles, reflecting the external talent pool for these roles in the market. This will continue to be an area of focus for the business.

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

HOURLY PAY*

MEAN 2%

MEDIAN 2%

BONUS*

MEAN 22%

MEDIAN 10%

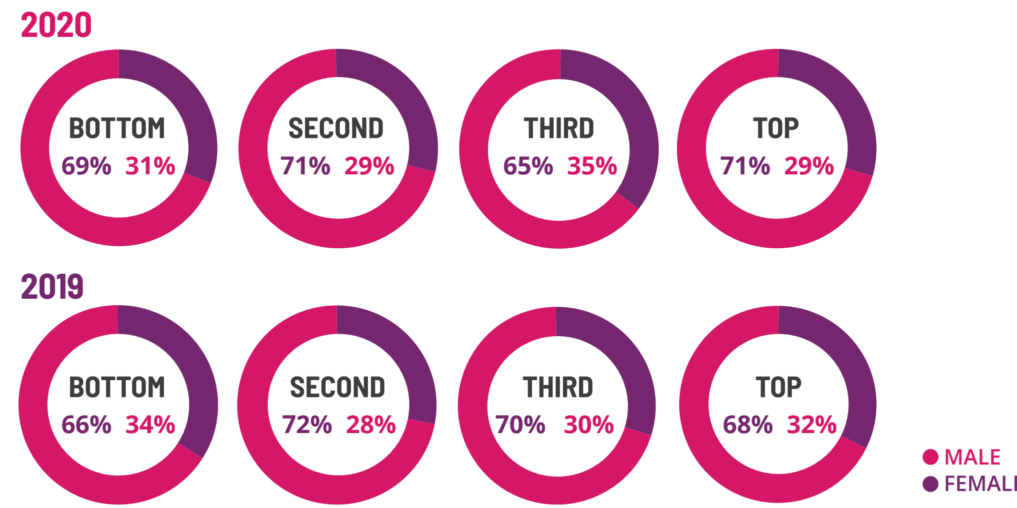
Through a continued focus, we have seen a swing in the variance of both the pay and bonus measures to females since last year, most significantly in the Mean measure. One contributory factor is that there is a higher proportion of females represented in the top two pay quartiles of the female population than within the male population distribution.

*Variance in male pay to female pay.

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. We are developing our female talent through our talent framework with a focus on our management and leadership succession. The proportion of females in the Senior Leadership Team is higher than the overall population split by gender.

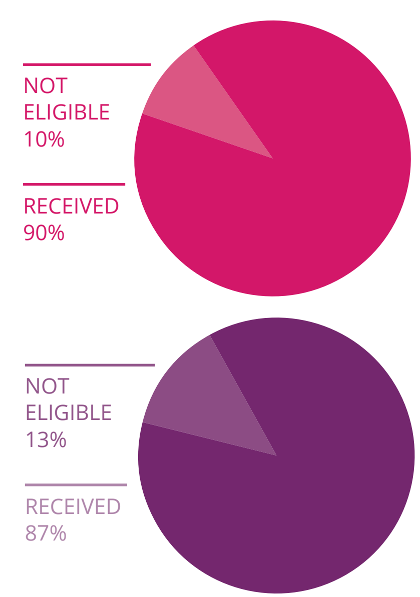
A key enabler to realising a greater proportion of females in each quartile is a more balanced gender split across our workforce and focussing on our talent acquisition approach is key to achieving this.



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.
Data shows those employees not eligible for a bonus in 2020 due to their start date.

MALE
FEMALE



The Strategic Report has been approved by the Board on 3 March 2021.

02

GOVERNANCE

Directors' REPORT

Nichols plc (the "Company") is a public limited company, registered in England and is listed on AIM of the London Stock Exchange. The Directors present their report for the year ended 31 December 2020, in accordance with section 415 of the Companies Act 2006. The Corporate Governance Statement set out on pages 70 to 77 forms part of this report.

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 9 to 59. These matters relate to a full review of the performance of the Company and its subsidiaries (together the "Group") for the year, current trading and future outlook.

The statement by the Directors in performance of their statutory duties in accordance with section 172(1) Companies Act 2006 is provided on pages 50 to 57.

RESULTS AND DIVIDENDS

The Group's Profit Before Taxation from continuing operations for the year ended 31 December 2020 amounted to £6.5m (2019: £32.4m). The Directors will recommended a dividend of 8.8p at the 2021 annual general meeting to be held on 28 April 2021 (the '2021 AGM').

On 26 February 2020, the Board recommended a final dividend of 28.0 pence per share, for shareholder approval at the Company's 2020 annual general meeting (the '2019 Recommended Dividend'). On 31 March 2020 the Board made the decision to withdraw the 2019 Recommended Dividend due to uncertainties concerning the financial impact of Covid-19.

As a result of the Company's Adjusted Profit After Tax in the six months ended 30 June 2020, and its strong cash performance during this period, the Board reinstated the value of the 2019 Recommended Dividend of 28.0 pence per share as the interim dividend for the six months ended 30 June 2020 (the 'Interim Dividend') (2019: 12.4 pence per share). The Interim Dividend was paid to shareholders on 4 September 2020.

DIRECTORS AND THEIR INTERESTS

The Directors who have held office during the year ended 31 December 2020 and to the date of this report are as follows:

Executive Directors

Marnie Jane Millard[1]
Andrew Paul Milne
Timothy John Croston[2]
David Thomas Rattigan[3]

Non-Executive Directors

Peter John Nichols, Chairman
James Edward Nichols[4]
Helen Margaret Keays
John Anthony Gittins

[1] Resigned as a Director and Chief Executive Officer on 31 December 2020

[2] Resigned as a Director and Chief Financial Officer on 2 March 2020

[3] Appointed as a Director and Chief Financial Officer on 2 March 2020

[4] Appointed as a Director on 22 July 2020

The roles and biographies of the Directors in office as at the date of this report are set out on pages 68 to 69. Details of their interests in ordinary shares of the Company as at 31 December 2020 are shown in the table opposite.

GOVERANCE

Summary of Director's Interests in the Company

Director	Shares held as at 1 January 2020 or date of appointment if later	2020 movement	Shares held as at 31 December 2020 or date of departure if earlier
P J Nichols	2,000,000	-	2,000,000
M J Millard	10,442	-	10,442
A P Milne	1,665	-	1,665
T J Croston[1]	13,190	-	13,190
D T Rattigan[2]	-	-	-
J A Gittins	1,280	-	1,280
H M Keays	-	-	-
J E Nichols[3]	835,476	-	835,476

[1] Mr T J Croston resigned as a Director and Chief Financial Officer on 2 March 2020.

[2] Mr D Rattigan was appointed as a Director and Chief Financial Officer on 2 March 2020.

[3] Mr J E Nichols was appointed as a Director on 22 July 2020. On 25 September 2020, Mr J E Nichols pledged 560,000 shares as security against a personal loan.

Details of Directors' remuneration, including pension arrangements, service agreements and Long-Term Incentive Plan Awards are provided in the Directors' Remuneration Report on pages 82 to 87.

RELATIONSHIP AGREEMENT

On 22 July 2020, the Company entered into a Relationship Agreement with the Nichols Family. The Nichols Family consists of certain members of the immediate and extended family of the Company's founder John Noel Nichols. Members of the Nichols Family hold in aggregate an interest of approximately 34.7% in the Company's issued share capital.

The purpose of the Relationship Agreement is to formalise Board representation for the Nichols Family whilst also ensuring that the Company is capable of carrying on, at all times, its business independently.

In accordance with the terms of the Relationship Agreement, so long as the Nichols Family retain (i) an aggregate interest of equal to or greater than 20 per cent in the issued ordinary share capital of the Company, they shall be entitled (but not required) to appoint one Non-Executive Director; and (ii) an aggregate interest of equal to or greater than 30 per cent in the issued ordinary share capital of the Company, they shall be entitled (but not required) to appoint one further Non-Executive Director to the Board.

In accordance with the terms of the Relationship Agreement John Nichols, the Chairman of the Company and James Nichols, Non-Executive Director are the Family Representative Directors.

COMPANY SECRETARY

Mr T J Croston resigned as Company Secretary and Mr D T Rattigan was appointed as Company Secretary on 2 March 2020.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Risk Management section on pages 44 to 49 and financial risks are set out in note 22 to the financial statements.

EMPLOYEES

Detail of how the Board has engaged with its employees is included in the Section 172 Statement on pages 50 to 57.

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

Full details of the issued share capital of the Company are set out in note 19 to the Financial Statements.

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 to be held on 28 April 2021.

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 (the 'ESOT') to enable shares to be bought in the market to satisfy the demand from option holders. As at 31 December 2020, the ESOT held 8,975 Nichols plc Ordinary 10 pence shares (2019: 518).

On 18 December 2020, the Company made the following awards of nil cost options over Ordinary Shares of 10 pence each to Mr Andrew Milne, Chief Executive Officer and Mr David Rattigan, Chief Financial Officer.

	Number of Ordinary Shares subject to Award	Vesting period of Award
Andrew Milne	9.668	Three years from the date of Award
David Rattigan	7,734	Three years from the date of Award

The Awards, equal to 50% of their annual salaries at the date of award, will vest on the third anniversary based on the number of Ordinary Shares purchased and retained by the Directors over the three-year vesting period of the Award. The Awards will be matched on a 1:1 basis for every Ordinary Share purchased. No other performance conditions apply.

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 (2019: £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 59. The financial position of the Group is described in the Financial Review on pages 40 to 43.

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

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

In addition to the continued impact of COVID-19, alternative scenarios, including the potential impact of key principal risks from a financial and operational perspective, have been modelled with the resulting implications considered.

In all cases, the busines model remained robust. The Group's diversified business model and strong balance sheet entering 2021, combined with its strong cash generation in 2020 all provide resilience against these factors and the other principal risks that the Group is exposed to. At the 31 December 2020 the Group had cash and cash equivalents of £47.3m with no external bank borrowings. This equates to 95% of 2020 gross profit.

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

INFORMATION TO THE INDEPENDENT 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.

RESOLUTION TO RE-APPOINT INDEPENDENT AUDITORS

In accordance with Section 489 of the Companies Act 2006, a resolution will be proposed at the 2021 AGM that BDO LLP be re-appointed auditors.

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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 and Company 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 accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on

GOVERANCE

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.

David Rattigan

David Rattigan
Secretary

3 March 2021
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 and three grandchildren. John's two sons both work in the Company. John enjoys spending time with his family and using his spare time sailing, playing golf and walking his dog on the beach in Wales.

ANDREW MILNE

CHIEF EXECUTIVE OFFICER

Andrew joined Nichols as the Commercial Director for Vimto Soft Drinks in July 2013. He was appointed to the plc Board on 1st January 2016.

Andrew also 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 is married to Debbie and they have two children. Andrew is a keen Manchester United fan and spends what spare time he has either watching or playing sport.

DAVID RATTIGAN

CHIEF FINANCIAL OFFICER

David joined the Group as CFO at the end of February 2020 from McBride PLC where he had worked for the previous 6 years. David has previously held senior financial and general management positions at Cheshire Constabulary, Premier Foods PLC and United Biscuits Limited having started his career with ICI PLC.

David is married to Debbie and has four sons. He enjoys football, sailing and generally being in the great outdoors as much as possible in his spare time.

JAMES NICHOLS

NON-EXECUTIVE DIRECTOR

James is the great grandson of the founder of the Company and inventor of Vimto, John Noel Nichols; and son of the non-executive chairman, John Nichols. James has a commercial background and has worked in the business since 2005, undertaking a wide variety of sales and marketing roles.

James is married to Anna, with two young children who take up much of their free time. James and his family enjoy travelling and spending time on, in, or around the sea.

JOHN GITTINS

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

John is currently Audit Committee Chair of AIM listed Appreciate Group plc 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 previously an Independent Non-Executive Director and the Audit Committee chair of Electricity North West Limited.

HELEN KEAYS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Helen was appointed to the Board of Nichols as an Independent Non-Executive Director in September 2017 and is a member of the Remuneration Committee (which she chairs) as well as the Audit and Nomination Committees.

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 was previously Senior Independent Director at Dominos Pizza Group plc, chair of the Remuneration Committee at Communisis plc and has also previously held NED roles at Majestic Wines plc, Skin Clinics and Chrysalis plc.

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

GOVERNANCE

Corporate GOVERNANCE STATEMENT

JOHN NICHOLS

NON-EXECUTIVE CHAIRMAN

CHAIRMAN'S INTRODUCTION

I have pleasure in introducing Nichols' Corporate Governance Statement.

Due to the Covid-19 pandemic, 2020 has been an extremely challenging year for the Company. However our commitment to supporting high standards of corporate governance and our strong governance framework have enabled the Company to take appropriate actions expediently. This included action to ensure the welfare and safety of our employees, which was the Board's priority, whilst protecting our business. This culminated in our 'Build Back Better' programme.

In this section of the Annual Report, we set out our governance framework and describe the work that we have done during the year to ensure good corporate governance throughout Nichols plc and its subsidiaries ('the Group').

During 2020, we continued to follow the Quoted Companies Alliance Corporate Governance Code (the 'Code'). As an AIM listed company the Board considers that this is the most appropriate Code for the Company.

As in previous years, the report below is organised under headings which show how the Company has complied with the ten broad principles of the Code. Our Section 172 statement is included within the Strategic Report (the 's172 Statement'). The Section s172 Statement 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 apply the Code. Further detail on our approach to corporate governance can be found at www.nicholsplc.co.uk

John Nichols
Non-Executive Chairman
3 March 2021

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, business model and purpose are set out in the Strategic Report on pages 9 to 59.

The Annual Report also contains a Section 172 statement, on pages 50 to 57, 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 (the "SLT") 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 SLT. 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. During 2020, we have maintained a constant dialogue with our shareholders. We have recognised the importance of ensuring that shareholders have been kept fully informed via public announcements and, to the extent possible, we have engaged with our shareholders either via socially distanced meetings or via video conference.

Overall, feedback from our shareholders has been supportive during this challenging year. Following the release of our interim results, our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer attended investor meetings. These shareholders expressed complete support of the decision to cancel the 2019 final dividend, but were equally supportive of the payment of the 2020 interim dividend. Other matters discussed included succession planning, with shareholders pleased with the announcement of Andrew Milne as Chief Executive Officer, following Marnie's decision to resign as CEO on 31 December 2020, the resilience of the Vimto brand and the Company's use of the UK Government's Job Retention Scheme.

In addition, Helen Keays, Chair of our Remuneration Committee, consulted with certain shareholders in December 2020 to obtain their feedback on a proposed new Long-Term Incentive (the 'LTIP') arrangement for the Executive Directors and certain members of the Senior Leadership Team. The LTIP awards will assist the Executive Directors to meet a recently announced shareholding guideline of 100% of salary introduced as part of the Company's revised remuneration policy. Directors will be given five years from the date of their appointment to meet this guidance. Shareholders were supportive of the new LTIP and the shareholding guidelines, which will help align the interest of the Executive Directors with our shareholders. We welcomed their feedback and support. Following this consultation, LTIP Awards were made to Andrew Milne, Chief Executive Officer and David Rattigan, Chief Financial Officer on 18 December 2020. Further details of these awards are provided on pages 82 to 87 of this Annual Report.

Due to the Covid-19 pandemic, and to protect the safety and wellbeing of both our shareholders and our employees, the 2020 AGM was held as a closed meeting. However, shareholders were given the opportunity to send in questions prior to the AGM, a representative sample of these questions were answered on the Company's website after the AGM.

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.

Information on how the Company engages with these key stakeholders in provided on pages 50 to 57.

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 72%. 96% of respondents felt very well supported by the business during the Covid-19.

Throughout the Covid-19 pandemic, the Senior Leadership Team presented to all employees every two weeks, and latterly every month, via a live webinar to update them on key issues. This also included a live 'Question and Answer' session. Feedback from employees was extremely positive. The monthly presentation also included an outline of the Group's plans for 2021 and beyond.

We also launched a well-being hub for employees during August 2020.

The Senior Leadership Team have held a number of workshops, including engaging with an external partner to help us accelerate the development of our Diversity & Inclusion Strategy.

The spirit and application of our people during this challenging year has been outstanding.

Further details of how we engaged with our workforce throughout 2020, including how we regularly communicated with our furloughed employees is detailed in our section 172 Statement on page 55 of this report.

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.

During the Covid-19 pandemic, we supported customers across our Out of Home trading division by replacing out of date stock and extending credit terms. In turn, we sought support from our partners to enable us to do this.

OUR SUPPLIERS

Given Nichols' outsource 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.

During the year, we made donations to a number of charities including the London Ambulance Service, NHS Trust Manchester and Warrington Hospital. In addition, and in support of our NHS workers, the Company provided a number of free vending machines.

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 waste. As stated in our 2019 Annual Report we have committed to increasing the proportion of recycled plastic which is already at 51% in our cordial range. Nichols plc is an active member of the British Soft Drinks association which has reducing plastic waste high on its agenda.

The Board recognises that a long-term plan built around sustainability is vital in ensuring our business is successful for many years to come. Our Happier Future is an essential part of our strategy in this respect. Details of this programme are on pages 24 to 39 of this Annual Report.

RISK MANAGEMENT

The fourth principle of the Code requires that the Company embed effective risk management, considering both opportunities and threats, throughout the organisation.

During the year, and as part of our continuing commitment to enhance the Group's internal control processes and management of risk, the Company relaunched a new risk approach within the business. This has evolved throughout the year. A Risk Management Team ('RMT') was created comprising members of the SLT, the Risk Controller and both a legal and H&S representative. The RMT has met regularly throughout 2020. The RMT reports to the SLT who will provide an update to the Audit Committee three times a year.

GOVERNANCE

Considerable focus was given to certain areas during the year, including Brexit and cyber security. With regards to Brexit, our Working Group and Steering Committee have continued to evaluate the Brexit risk to the business, ensuring that appropriate robust mitigation plans were prepared and were ready to implement. Cyber security remains a high risk and the Group has taken appropriate mitigating action. Other actions taken during the year included the appointment of an HSE Manager.

After consideration by the Audit Committee, the Company has entered into a co-sourcing relationship with EY for the provision of certain internal audit services from 2021. This will provide further assurance to members of the Committee and additional specialist resource to our in-house teams. Further details are included in the Audit Committee Report on pages 78 to 81.

A culture of challenge and continuous improvement is encouraged to ensure that risk management and controls evolve with the business.

The Group's significant risks and related mitigation/control are disclosed in the Strategic Review on pages 44 to 49.

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.

In addition James Nichols was appointed as a Non-Executive Director on 22 July 2020. James also holds the position of Commercial Controller at Vimto Out of Home and has worked within the business for 16 years. James was appointed as a representative of the Nichols Family pursuant to a Relationship Agreement dated 22 July 2020 between the Company and the Nichols Family. The purpose of the Relationship Agreement is to formalise Board representation for the Nichols Family whilst ensuring that the Company is capable of carrying on, at all times, its business independently. Further details of the terms of the Relationship Agreement are provided on page 63.

The Board also comprises of two Executive Directors, Andrew Milne and David Rattigan. Andrew was appointed as Chief Executive Officer on 1 January 2021, following the retirement of Marnie Mallard on 31 December 2020. Andrew has been a Director of the Company since 1 January 2016, and until his appointment as Chief Executive Officer held the position of Chief Operating Officer.

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 meetings of these Committees are disclosed in the Audit Committee Report and Remuneration Committee Report on pages 78 and 87 respectively.

There were 11 Board meetings held during the year. The following table sets out individual attendance by members:

DIRECTORS	MEETINGS ATTENDED & NUMBER OF MEETINGS ELIGIBLE TO ATTEND
P J Nichols	11/11
J A Gittins	11/11
H M Keays	11/11
J E Nichols	2/2
M J Millard	11/11
T J Croston	2/2
A P Milne	11/11
D T Rattigan	9/9

In addition, the Board held a Strategy Day at which all Directors were present.

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, is communicated and is 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.

During 2020, Mr Nichols had a pivotal role in ensuring the smooth running of the Board during the Covid-19 lock-down, such that it was able to make timely decisions during the pandemic including taking appropriate mitigating actions to protect the Company. The Chair was also cognisant of the risk to both employees and the Company's shareholders of attending the 2020 annual general meeting to be held on 29 April 2020 and agreed with the Board that this should be held as a closed meeting.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr John Gittins and Ms Helen Keays are considered by the Company as Independent Non-Executive Directors (NED). 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.

Our Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties and normally expect to spend at least 12 days per annum on Company business, after the induction phase, normally including attendance at six board meetings, the AGM, committee meetings plus other events as required, including meetings with our employees and attendance at strategy meetings. However, the INEDs and the Company recognise that due to the nature of their role, it is impossible to be specific about the required time commitment, and additional time commitment required when the Company is undergoing a period of increased activity. In accordance with their appointment letter, our INEDs agree to commit sufficient time to perform their duties.

During 2020, and as detailed above, there were 11 Board meetings, at which all Directors were present. Several additional meetings were convened principally to consider issues relating to the impact of the Covid-19 pandemic on the Company and its business. This ensured that appropriate mitigating action was considered and approved, protecting our colleagues and customers and mitigating against the financial impact of the pandemic on our business. Further details of decisions taken by the Board are on pages 50 to 57.

EXECUTIVE DIRECTORS

Throughout 2020 the Company had three Executive Directors: the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer. Following the retirement of Marnie Millard on 31 December 2020 and the appointment of Andrew Milne, formerly COO, as CEO, the Company now has two Executive Directors: Andrew Milne and David Rattigan.

Non-Executive Directors communicate with Executive Directors and senior management between formal Board meetings. Due to the Covid-19 pandemic and the requirement for the Board to act swiftly on certain matters, the Board met 11 times during 2020. In addition, the Board held a strategy day in October 2020 to review its medium term strategic plans.

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. Due to the Covid-19 pandemic, and as detailed above, the Company convened 11 Board meetings during 2020 compared with five in 2019. All Directors attended every meeting which they were eligible to attend.

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 broad experience in the soft drinks industry and in manufacturing.

David Rattigan who was appointed as Chief Financial Officer on 2 March 2020, was also appointed as Company Secretary on that date. Prism Cosec Limited is engaged to provide certain company secretarial services to the Company to support David in this role. This includes the attendance at, and minuting of, Board meetings to ensure that David is able to fully participate in these meetings as a Director and Chief Financial Officer.

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 matters and a written report on governance developments is presented at each Board meeting by Prism Cosec, the Company's corporate governance advisor.

Biographies on all Directors giving details of their experience and roles on the Board are shown on

pages 68 to 69.

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.

A formal Board performance evaluation was undertaken in September 2020, the outcome of which has been communicated to, and discussed by the Board. The performance evaluation was led by the Group's People Director and took the form of a questionnaire completed by each member of the Board. The questionnaire specifically included matters relating to the effectiveness of the Board during the Covid-19 pandemic, particularly during the lockdown periods and the ability of the Board to be flexible and agile in these challenging times.

The evaluation also focussed on (i) the composition and effectiveness of the Board, (ii) the Board process including whether agenda items were appropriate, (iii) the quality of papers and appropriateness of meeting minutes (iv) formulation, review and consideration of strategy and (v) the Group's internal control process. The evaluation also considered progress against actions arising from the 2019 Board evaluation.

Further to the Board's consideration of the outcome of the evaluation, a number of actions were agreed and are being addressed. These include the following:

- Subject to Covid-19 guidelines, a number of the 2021 Board meetings will be held at different locations within the Group to enable the Board to visit and experience its diverse operations across the UK and engage more fully with members of its workforce.
- The role and responsibilities of the Remuneration Committee is being reviewed, to ensure that it has an appropriately focussed approach, aligning its decision making with the Group's financial calendar. A tender process was undertaken to appoint advisers to this Committee.
- The importance of shareholder feedback was fully recognised by the Board and it was agreed that this should become a more formalised process.

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. Any potential candidate for appointment as a Non-Executive Director, will be required to disclosure their other commitments before being appointed as a Director.

For the appointment of David Rattigan as Group CFO on 2 March 2020, the Board appointed a market leading recruiter to provide a shortlist of suitable candidates with the required experience and ability. From this shortlist, a number of candidates were interviewed by members of the Board, after which, the Board determined that David's significant experience, working in senior financial positions in the consumer sector, and his personal attributes made him an excellent candidate for the role and the Company's culture.

Succession planning for the Board is an ongoing topic of discussion. This is demonstrated by the recent appointment of Andrew Milne as Chief Executive Officer on 1 January 2021, following the retirement of Marnie Millard. The Board considers that Andrew is the right candidate to lead the business during the next phase of its development. In addition, the Executive Directors and other members of the SLT attend talent calibration meetings to ensure that the business has clear development and succession plans in place.

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'.

Our Values:

- People: We value and respect our employees. Their enthusiasm, ideas and hard work are fundamental to the success of our Company and we recognise that the education and development of our people is important. We believe that developing our talent at Nichols is essential to our success and we identify the development needs of all our employees through our appraisal programme. We support the professional development of our employees.
- Sustainable Business: We value our commitment to having a sustainable business. Our sustainable business strategy takes into account our wider corporate, environmental and social responsibilities. Further details are included in pages 24 to 39 of the Strategic Report.
- Customers and Suppliers: We believe in building long-term partnerships with our customers and suppliers.
- Community: We actively encourage our employees to give something back to the wider community.

The Company has adopted a Slavery and Human Trafficking Transparency Statement (the "Statement") and has an anti-bribery policy. These set out the ethical behaviour expected of our employees, with our Human Slavery Statement also including details of actions that we have taken to ensure that human slavery does not exist within Nichols or within our supply chain. We have a zero-tolerance approach for giving or receiving of bribes or corrupt payments in any form. In addition, to ensure that any of our employees can raise any matters of genuine concern without fear of any action being taken against them, we also operate a whistleblowing policy. Further detail of the anti-bribery and whistleblowing policies, which are monitored by the Audit Committee, is provided in the Committee's Report on page 81 of this Annual Report. In addition, these policies and the Human Slavery Statement are available on the Company's website at www.nicholsplc.co.uk.

During the Covid-19 pandemic, the most important objective of the Board was to protect the health and wellbeing of the Company's employees, customers and suppliers. At the beginning of the first UK lockdown we were acutely aware of the mental well-being of our employees and a number of initiatives were instigated to help our colleagues cope. In April 2020, a start-up plan was developed to assist in a phased return to work with health and safety uppermost on our minds. We received very positive feedback from our employees as to how they have been treated throughout lockdown - this is testament to the culture that we have cultivated.

As detailed in 'Our Community' above, the Company also made donations throughout the year in recognition of our Key Workers and those charities who have provided supported during Covid.

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.

2020 was an intense period for the Board due to the Covid-19 pandemic. The Board met 11 times, rather than the five meetings held during 2019. This ensured that the Board was kept fully informed and enabled the Board to react quickly during a period of global uncertainty. The Board was able to take appropriate mitigating actions to ensure that the business is able to 'Build Back Better' post the pandemic. The majority of these meetings were held remotely.

In addition the Audit Committee and Remuneration Committees met four and two times respectively.

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 external by the Company's external audit provider, BDO LLP. In addition, the Company has recently appointed EY, as its co-sourcing partner to assist management in the development of a 3-year internal audit strategy. Further detail of the Group's internal audit process is provided on page 80.

During 2020, and as part of the Board's continuing commitment to adhere to best corporate governance practice, the Board constituted a Nomination Committee. The Committee, constituted on 20 July 2020, comprises of John Nichols, as Committee Chair and John Gittins and Helen Keays, both Independent Non-Executive Directors. The Nomination Committee Report is on page 88 of this Annual Report.

The Board does not consider that the appointment of a Senior Independent Director is required at this time, although this will matter be kept under review. Shareholders have access to our Independent Non-Executive Directors, John Gittins, Chairman of the Audit Committee and Helen Keays, Chairman of the Remuneration Committee.

This culture of challenge and continuous improvement is encouraged to ensure that controls evolve with the business.

The Nichols plc website at 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 prospective investors. In addition the Company issued several trading updates during 2020 to ensure that shareholders were kept fully informed of the impact of the Covid-19 pandemic on the Company's operational and financial performance.

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 78 to 87.

Audit COMMITTEE REPORT

JOHN GITTINS

INDEPENDENT NON-EXECUTIVE DIRECTOR

With both the Covid-19 pandemic and the Brexit transition period due to end on 31 December 2020, 2020 was a particularly challenging year for the Company. During this period, and on behalf of the Board, the Committee continued to discharge its duties, including a focus on continued development of the Group's internal controls and risk management processes.

On behalf of the Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2020 which includes actions taken by the Committee in this respect.

MEMBERSHIP OF THE AUDIT COMMITTEE

The Committee comprises three Non-Executive Directors: I continue to act as Committee Chair, with my colleagues John Nichols and Helen Keays. Helen 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 currently chair of the audit committee of Appreciate Group plc and previously of Electricity North West Limited.

The Audit Committee met four times during 2020. The following sets out individual attendance by members:

NON-EXECUTIVE DIRECTORS	MEETINGS ATTENDED
J A Gittins	4
P J Nichols	4
H M Keays	4

The Audit Committee reviews its terms of reference annually and recommends to the Board any changes required as a result of these reviews. These terms of reference are available on the Group's website.

THE COMMITTEE'S FOCUS IN 2020

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 consideration of key audit matters and risks. During 2020, key matters for the Committee's consideration included a determination of the 'Feel Good' business as an independent cash generating unit (CGU), an impairment review across the Group's CGU's, expected credit loss provisions, it's approach to the HMRC investigation into prior year incentive schemes and the presentation in the Group's financial statements of exceptional items. In each case, the Committee reviewed accounting papers prepared by management. In addition, notwithstanding the Group's strong cash balance, the Committee reviewed the going concern assessment prepared by management, given the impact of the Covid-19 pandemic.
- 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. This assessment covered key areas including (i) the audit partner and team (ii) the audit approach and execution (iii) the Committee and Company interactions with the external auditor and (iv) the added value and insights that the external auditors bring. The Committee's findings were subsequently discussed with 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 any control recommendations.
- reviewing the Group's risk management process, key risk register and risk mitigations.
- receiving a presentation from management on the development of the Company's internal control framework, including the co-ordination of risk management and enhancement of the Company's internal audit activities. This is explained further in this report;

GOVERNANCE

- Engaging with the Financial Reporting Council ('FRC') with regard to its review of the Group's 2019 financial statements. The Committee received a report from management on matters raised by the FRC and discussed these with management and the external auditor. The Committee was pleased to note that none were material in terms of the Group's financial statements or financial reporting. Following the Group's response, the FRC closed its enquiry. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The review therefore provides no assurance that the 2019 financial statements are correct in all material respects;
- receiving a presentation from the Company's legal department, on a compliance review programme of the Company's policies and procedures in connection with a number of regulatory matters, including anti-bribery and anti-money laundering.

EXTERNAL AUDIT

The Audit Committee monitors the relationship with the external auditor, BDO, to ensure that auditor independence and objectivity are maintained. The external auditor is not engaged to perform any non-audit services, in line with the Group's policy. BDO have been the Company's auditor for seven years and the Committee remains satisfied with their effectiveness and independence. The Committee has adopted a policy of tendering external audit services at least every ten years.

INTERNAL AUDIT

During 2020, audits were conducted by relevant in-house teams, in order to provide assurance to the Committee on the adequacy and effectiveness of internal controls and risk management procedures. The Committee received an update on these reviews at each meeting. The Company did not have a dedicated internal audit function during 2020.

The Committee considered a proposal from management to enter into a co-sourcing relationship with a third-party provider for the provision of certain internal audit services from 2021. This will provide further assurance to the Committee and additional specialist resource. Following a formal tender process, EY has been selected by the Committee as its preferred partner.

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.

During the year the Company has taken action to further develop its internal control and risk management environment. In addition to the development of internal audit, detailed above, this has included the establishment of a number of management committees with remits over risk management, treasury management and capital expenditure. These committees will regularly report to future Audit Committees.

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.

John Gittins
Chair of the Audit Committee
3 March 2021

Remuneration COMMITTEE REPORT

HELEN KEAYS

INDEPENDENT NON-EXECUTIVE DIRECTOR

I am pleased to present this remuneration report, which sets out our revised remuneration policy, the remuneration paid to the Directors for the year and how remuneration will operate in 2021.

MEMBERS OF THE REMUNERATION COMMITTEE

The Committee comprises the three Non-Executive Directors: I continue to act as Committee Chair, with my colleagues John Nichols and John Gittins. John Gittins and I are considered independent Directors. John Nichols is not considered independent as a result of his significant shareholding and previous executive role. PwC, our independent external consultants also attend on a regular basis

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 three times during the year and plans to meet at least three times a year going forward.

IMPACT OF COVID-19

As noted previously, the business has faced a number of challenges over 2020, particularly arising from COVID-19. Consequently, the Committee made the decision early in the year that no bonuses should be paid to the incumbent leadership team for this current financial year's performance. With the exception of the plan to support Executives in reaching a new Shareholding Guideline (see below), no long-term incentive awards were granted in the year.

Executive Director changes over the year

As has been previously announced Tim Croston stepped down as CFO from the Board in 2020 and was replaced in role by David Rattigan. David joined the Group at the end of February 2020 and joins with significant experience, having worked in several senior financial positions within the consumer sector.

Furthermore, Marnie Millard stepped down with effect from 31 December 2020 and was replaced in role by Andrew Milne from 1 January 2021. Andrew has been with the Group for eight years and brings significant industry expertise and excellent knowledge of our business to the role. It has been agreed that Marnie will continue to act as the Company's representative at the British Soft Drinks Association (BDSA) following employment until July 2021.

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.

Over the course of the year, the Committee undertook a detailed review of the Remuneration Policy for Executive Directors. Together with the management team, the Committee established the following principles for Executive Director remuneration at Nichols:

- Motivating
- Simple
- Aligned to Group strategy
- Flexible
- Transparent
- Fair

Building on these principles, the Committee intends to implement a revised remuneration structure in 2021 onwards for Executive Directors and other senior management. Specifically, the bonus and long-term incentive will be combined into a hybrid incentive plan which will have value based on both short and long-term performance in a combination of cash and deferred shares.

Furthermore, as part of our review and reflecting on the appointment of Andrew Milne and David Rattigan, the Committee decided to introduce a Shareholding Guideline for Executive Directors of 100% of salary (to be built up over 5 years from appointment). The intention of this requirement is to enhance the alignment between the Executive Directors and shareholders, reflecting on feedback received from shareholders over the past few years.

In order to support Executives reaching this new shareholding policy guideline, the Committee introduced a one-off nil cost option award in 2020 over shares equating to 50% of salary. This award will vest on the third anniversary of grant based on the number of shares bought by the Executive Directors in the intervening period matched on a 1:1 basis. As noted above, there are no other LTIP awards that have been made in 2020 to the Executive Directors.

The Committee consulted with major shareholders as a part of the design process, to confirm that the proposal aligns to shareholder expectations in relation to good corporate governance.

The table below summarises the key elements of the revised remuneration policy for Executive Directors.

Element and link to strategy	Operation	Maximum potential Value	Performance conditions and assessment
Base salary Supports the recruitment and retention of Executive Directors, reflecting their role, skills, and experience.	Base salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. In setting appropriate salary levels, the Committee considers data for similar positions in comparable organisations. The data is independently commissioned, and the Committee aims to position Executive Directors competitively within this reference group.	Increases to base salary are determined annually by the Committee considering: • Individual performance. • The scope of the role. • Pay levels in comparable organisations and • Pay increases for other employees.	Nonapplicable, although individual performance is considered when determining base salary increases.
Pension Supports recruitment and retention of Executive Directors.	Generally, the Company contributes to a defined contribution pension scheme for the Executive Directors. The contribution can instead be paid in cash (which is excluded from incentive calculations) if the Executive Director is likely to be affected by the limits for tax-approved pension saving.	Up to 9% of base salary	Nonapplicable

Element and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Benefits Supports recruitment and retention of Executive Directors.	Executive Directors are entitled to the following benefits: • Life assurance; • Directors and Officers Liability Insurance; • Private medical insurance; and • Company car/car allowance and fuel The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, considering typical market practice and practice throughout the Company.	The value of such benefits is not capped.	Non-applicable.
All-employee Share Plan – Save As You Earn ("SAYE") To encourage equity ownership across all employees and create a culture of ownership.	The Company offers a SAYE scheme for all employees. The operation of these plans will be at the discretion of the Committee, and Executive Directors will be eligible to participate on the same basis as other employees.	Maximum permitted based on HMRC limits from time to time.	Non-applicable.
Hybrid Incentive Plan Supports the recruitment and retention of Executive Directors. Supports a high performance culture, rewards performance in the context of achieving key goals, and encourages sustainable performance that supports the achievement of strategic goals.	A combination of financial and non-financial measures and targets are set annually. Outcome levels will be determined based on performance against this scorecard. For Executive Directors, 60% of awards will be deferred into shares. The deferred proportion of awards will pay out 3 years from the start of the performance period. The Committee retains discretion to adjust the pay-out level of deferred incentives based on performance in the deferral period. The deferred element of the award will attract dividend equivalents for the period between assessment and pay-out.	The maximum incentive which may be earned in any year under the Hybrid Incentive Plan is 200% of base salary.	For 2021 awards, performance conditions will be weighted 70% towards financial performance and 30% towards Strategic Goals. The financial element of the performance conditions will act as an underpin on pay outs from the remainder of the award.

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.

ANNUAL REPORT ON REMUNERATION IN 2020

The following table summarises the total gross remuneration of the Directors who served during the year to 31 December 2020.

	Fixed remuneration			Performance related			
	Salary and fees £'000	Benefits in kind[4] £'000	Pension contributions £'000	Bonuses payable in respect of 2020 £'000	LTIP £'000	**Total 2020 £'000**	Total 2019[5] £'000
Executive Directors							
M J Millard[1]	353	18	4	100	-	**475**	745
A P Milne	267	15	4	-	-	**286**	487
T J Croston[2]	39	7	-	-	-	**46**	524
D T Rattigan	179	12	14	-	-	**205**	-
						1,012	1,756
Non-Executive Directors							
P J Nichols	101	1	-	-	-	**102**	102
J Nichols[3]	9	-	-	-	-	**9**	-
H M Keays	40	-	-	-	-	**40**	40
J A Gittins	40	-	-	-	-	**40**	40
						191	182
						1,203	1,938

1 MJ Millard stepped down from the Board as Group CEO as of 31 December 2020, in addition to the bonus illustrated above (paid in recognition of her leadership throughout the COVID-19 pandemic) she received payments in relation to early termination amounting to £223,000. These are not included in the above table.

2 TJ Croston stepped down from the Board as Group CFO as of 2 March 2020, and received payments in relation to early termination from the Board amounting to £332,000. These are not included in the above table.

3 The fee disclosed above relating to J Nichols is that for his Non-Executive Director duties as a Representative Director pursuant to the Relationship Agreement that exists between Nichols plc and the Nichols family. Separately, J Nichols is also a Commercial Controller within the Vimto Out of Home business.

4 Benefits consist of the provision of a company car (or cash equivalent) and fuel, private healthcare.

5 The element of LTIP included within 2019 remuneration is valued at a share price of £15.77 as at 31 December 2019.

The Executive Directors were eligible for annual bonus relating to profit and personal performance metrics through the year. Achieving stretch targets would have given rise to a bonus of circa 90% of base pay. The Committee determined early in the year that no bonuses should be paid to the incumbent leadership team in respect of 2020. (2019: 56% of base salary).

OUTSTANDING SHARE AWARDS

The table below sets out details of all outstanding share awards in respect of current Executive Directors:

Award	Grant date	Vesting date	Recipient	Exercise price	Number of shares out-standing	Number of shares lapsed
2016 SAYE	12 April 2016	12 April 2021	Andrew Milne	£9.939	603	-
2018 SAYE	11 April 2018	11 April 2021	Andrew Milne	£12.25	587	-
2017 LTIP vesting[1]	6 June 2017	8 June 2020	Andrew Milne	£0	6,609	30,107
2018 LTIP award	13 June 2018	13 June 2021	Andrew Milne	£0	13,578	-
				£15.55	1,929[2]	-
2019 LTIP award	1 May 2019	1 May 2022	Andrew Milne	£0	12,828	-
2020 SAYE	15 April 2020	15 April 2023	Andrew Milne	£7.93	1,513	-
	15 April 2020	15 April 2023	David Rattigan	£7.93	2,269	-
2020 shareholding policy guideline - matching award	18 December 2020	18 December 2020	Andrew Milne	£0	9,668	-
			David Rattigan	£0	7,734	-

[1] The 2017 LTIP vested in 2020 based on performance between 1 January 2017 and 31 December 2019. Based on performance against the agreed targets, 18% of the award vested. No discretion was applied by the Committee in relation to these awards.

[2] Options granted under the 2018 LTIP are linked to CSOP options which were granted together to allow, where possible, the option holder to receive any gain on their LTIP option in a tax efficient manner. The holder will receive the same gross gain as they would have received had they only been granted the LTIP option. At the time of exercise, to the extent that there is a gain on the CSOP option, the option granted under the LTIP will be forfeited to the same value.

IMPLEMENTATION OF REMUNERATION POLICY IN 2021

The following table summarises Executive Director salaries, pension levels and incentive opportunities for the 2021 financial year. This table excludes benefits in kind which are referenced in the table above.

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	Basic salary/ fee £'000	Pension[1] £'000	Maximum incentive £'000	
			Cash element	Deferred element[2]
Executive Directors				
A P Milne	325	29	260	390
D T Rattigan	210	17	168	252
Non-Executive Directors				
P J Nichols	101	-	-	-
J E Nichols	20	-	-	-
H M Keays	40	-	-	-
J A Gittins	40	-	-	-

[1] Pension may be paid as a cash sum in lieu of.

[2] As per the policy, 60% of pay outs from the Hybrid Incentive Plan will be deferred into shares for a further 2 years.

In 2021, the hybrid incentive plan will be assessed against profit and Strategic Objectives. Threshold performance under the profit target will act as an underpin on the remainder of the award. The bonus outcome will range from zero at a threshold performance, up to 100% for a stretch performance.

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

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

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

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

CONCLUSION

On behalf of the Committee, I hope this report gives you a clear view of how we have implemented the policy in 2020 and our plans for 2021. The Committee recommends that shareholders vote in favour of the 2020 Annual Remuneration Report at the forthcoming AGM.

Helen Keays
Chair of the Remuneration Committee
3 March 2021

GOVERNANCE

Nomination COMMITTEE REPORT

JOHN NICHOLS

NON-EXECUTIVE CHAIRMAN

During the year, and as part of the Board's continuing commitment to adhere to best corporate governance practice, the Board constituted a Nomination Committee.

On behalf of the Committee, I am pleased to present our first Nomination Committee Report.

MEMBERSHIP OF THE NOMINATION COMMITTEE

The Committee, which was constituted by the Board on 20 July 2020, comprises three Non-Executive Directors: I act as Committee Chair, with my colleagues John Gittins and Helen Keays. John and Helen are considered independent Directors. I am not considered independent as a result of my significant shareholding and previous Executive role.

ROLE OF THE NOMINATION COMMITTEE

The Committee's primary responsibilities are to:

- Keep under review the Board's structure, size and composition, including diversity and the balance of independent and non-independent Non-Executive Directors, and make recommendations to the Board with regard to any changes required.
- Ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession.
- Keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- Be responsible for identifying and nominating for the approval of the Board, candidates to Board vacancies as and when they arise.
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board.
- Review annually the time required from Non-Executive Directors.
- Make recommendations to the Board on the re-election by shareholders of Directors under the annual re-election provisions of the QCA Code or the retirement by rotation provisions in the Company's articles of association.

The Terms of Reference of the Nomination Committee, which were adopted by the Board on 20 July 2020, are available on the Company's website.

SUCCESSION PLANNING

On 1 January 2021, Andrew Milne succeeded Marnie Millard OBE as Chief Executive Officer. Andrew was formerly our Chief Operating Officer, having held this position since 1 January 2016. The transition from Marnie to Andrew has gone smoothly and we thank Marnie for her significant contribution to the Company.

One of the roles of the Committee is to consider succession planning for the Board and senior management and this will be an item for consideration during 2021.

John Nichols
Chair of the Nomination Committee
3 March 2021

03

FINANCIAL STATEMENTS

Independent AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NICHOLS PLC

OPINION ON THE FINANCIAL STATEMENTS

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Nichols plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of the going concern status of the Group and the Parent Company which included forecasts and stress-testing covering a period of 12 months from the date of sign off of the financial statements;
- Evaluating management's method of assessing going concern in light of market volatility and the current uncertainties associated with COVID-19;
- Considering the appropriateness and accuracy of these forecasts and robustly challenging their inputs; and
- Challenging management's assumptions and judgements made with regards to stress-testing of forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	124% (2019: 98%) of Group profit before tax 98% (2019: 97%) of Group revenue 98% (2019: 97%) of Group total assets		
Key audit matters		2020	2019
	Brand Support Arrangements	✓	✓
	Goodwill and Intangible Asset Impairment	✓	
	Goodwill and intangible asset impairment is now considered to be a key audit matter because of the uncertainty that the current macroeconomic environment presents to forecasting on which the impairment assessment relies, this risk is greater in FY20.		
Materiality	Group financial statements as a whole £1,200,000 (2019: £1,500,000) based on 5% (2019: 5%) of the 3 year average of profit before tax, after adjusting for exceptional items		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 those components, we performed audit procedures on specific balances within that component that we considered had the potential for the greatest impact on the significant account balances and transactions in the group financial statements, either because of the size of these balances or their risk profile. All work was carried out by the group auditor. For non-significant components, we performed other procedures, including analytical review, and specified audit procedures over specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

As a consequence of the audit scope determined, we achieved coverage of approximately 98% (2019: 97%) of revenue, 124% (2019: 98%) of profit before tax and 98% (2019: 97%) of total assets.

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) that 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 (accounting policy in note 2)

Consistent with industry practice, the Group incurs significant costs or rebates to customers in the support and development of the Group's brands. These include promotional discounts, long term discounts, rebates and account development funds. 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 and rebates 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. As described in note 2, the estimation of the fair value of variable consideration requires a level of estimation and judgement to be applied by management. Judgement is required in determining the period over which these costs and rebates should be recognised for these arrangements, requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data. Estimates are based on past history and the level of recent sales made to each customer. Whilst the majority of costs and rebates incurred on these arrangements have been settled at 31 December 2020, 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 or rebates have not been fully settled by the year end date. As a result of the level of estimation and judgements applied in this area, as well as management being in a position to be able to override controls, we consider there to be a risk of fraud within this area and therefore consider brand support arrangements to be a key audit matter. 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 tested 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 or rebate 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 complied with IFRS, had been appropriately applied and that the classification of charges in the income statement was appropriate;
- to address the fraud risk, we performed detailed cut-off testing to verify that brand support arrangements were 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 consider the estimates and judgements applied by management in this area to be appropriate, and brand support arrangements have been calculated appropriately and classified in accordance with accounting standards.

KEY AUDIT MATTER

Goodwill and Intangible Asset Impairment (note 12 and accounting policy in note 2)

The Group has significant goodwill and other intangible assets including brands with indefinite lives. There is a risk that the underlying results of the separately identified cash generating units (CGUs) do not support the carrying value of indefinite life intangible assets and goodwill.

Given the uncertainty that the current macroeconomic environment presents to forecasting on which the impairment assessment relies, this risk is greater in FY20.

Our risk was focused on the most sensitive CGUs being Vimto Out of Home and Feel Good Drinks. An impairment of £3,820,000 was recognised in the period relating to Feel Good Drinks relating to goodwill of £2,504,000 and separately recognised intangibles of £1,316,000.

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

We undertook the following audit procedures in relation to goodwill and intangible asset impairment:

- We assessed whether management's identification of cash generating units was in accordance with accounting standards by comparing the identified CGUs to internal management reporting demonstrating how the cash flows are monitored;
- We agreed 2020 financial performance data used in the models for each CGU to the audited consolidation system;
- We reconciled the forecasts used in the CGU impairment models for 2021 and beyond to the scenario analysis prepared for use elsewhere in the group – for example, the going concern review. We checked that these forecasts were aligned to the Board approved forecasts which include an estimate of the continued impact of the COVID-19 pandemic;
- We have assessed the key assumptions in the impairment analysis, identified as the discount rates and long term growth rates, with the support of valuation specialists to conclude on our independent range of values for these assumptions;
- We have performed sensitivity analysis over key assumptions to understand the impact of reasonable changes in assumptions on the impairment models and conclusions;
- We reviewed the disclosures in the financial statements (note 12) for compliance with accounting standards requirements.

Key observations:

Based on our procedures, we concur with management's assessment of the carrying value of the goodwill and indefinite lived assets and the impairment charge recognised in the period. The disclosures prepared by management comply with accounting standards.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

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 and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020	2019	2020	2019
Materiality	£1,200,000	£1,500,000	£700,000	£950,000
Basis for determining materiality	3 year average basis utilising 5% of profit before tax, after adjusting for exceptional items.	3 year average basis utilising 5% of profit before tax.	3 year average basis utilising 5% of profit before tax, after adjusting for exceptional items.	3 year average basis utilising 5% of profit before tax.
Rationale for the benchmark applied	Adjusted 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 for the users of the financial statements.	Profit before tax was determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements.	Adjusted 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 for the users of the financial statements.	Profit before tax was determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements.
Performance materiality	£900,000	£1,125,000	£525,000	£712,000
Basis for determining performance materiality	75% of materiality	75% of materiality	75% of materiality	75% of materiality

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 60% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £360,000 to £720,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £24,000 (2019: £30,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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.

In the light of the knowledge and understanding of the Group and 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.

Matters on which we are required to report by exception

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, 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

FINANCIAL STATEMENTS

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS and the Companies Act 2006) and the relevant tax compliance regulations.
- In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to food safety, environmental, occupational health and safety and data protection.
- We understood how the group is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and challenging the assumptions made by management in their significant accounting estimates in particular in relation to estimation of brand support arrangements, impairment of goodwill and intangible assets and the recognition and measurement of litigation and contingent liabilities. Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; review of legal and professional expenditure and supporting invoices; enquiries of those responsible for legal and compliance procedures, group management, and divisional management; and focused testing on laws and regulations that could give rise to a material misstatement in the Group financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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
2 March 2021

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

Our ADVISORS

AUDITORS

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

BANKERS

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

SOLICITORS

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

STOCKBROKERS & NOMINATED ADVISOR

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

REGISTRARS

Link Group,
10th Floor,
Central Square,
29 Wellington Street,
Leeds,
LS1 4DL.

REGISTERED OFFICE

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

REGISTERED NUMBER

00238303.

CONSOLIDATED INCOME STATEMENT-YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Before exceptional items £'000	2020 Exceptional items (note 4) £'000	2020 Total £'000	2019 Total £'000
Revenue	3	118,657	-	**118,657**	146,985
Cost of sales		(69,021)	-	**(69,021)**	(77,027)
Gross profit		49,636	-	**49,636**	69,958
Distribution expenses		(7,979)	-	**(7,979)**	(7,423)
Administrative expenses		(30,003)	(5,074)	**(35,077)**	(30,096)
Operating profit	5	11,654	(5,074)	**6,580**	32,439
Finance income	6	150	-	**150**	235
Finance expense	6	(190)	-	**(190)**	(252)
Profit before taxation		11,614	(5,074)	**6,540**	32,422
Taxation	8	(2,174)	488	**(1,686)**	(5,587)
Profit for the year attributable to equity shareholders		9,440	(4,586)	**4,854**	26,835
Earnings per share attributable to the ordinary equity shareholders					
Earnings per share (basic)	10	25.56p		**13.14p**	72.81p
Earnings per share (diluted)	10	25.54p		**13.13p**	72.77p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Profit for the financial year	**4,854**	26,835
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	**(155)**	1,704
Deferred taxation on pension obligations and employee benefits (see note 15)	**32**	(297)
Other comprehensive (expense)/ income for the year	**(123)**	1,407
Total comprehensive income attributable to equity shareholders	**4,731**	28,242

STATEMENT OF FINANCIAL POSITION-YEAR ENDED 31 DECEMBER 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Parent 2020 £'000	Parent 2019 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	**20,126**	21,742	**7,344**	7,098
Goodwill	12	**36,244**	38,585	**-**	2,504
Investments	13	**-**	-	**16,566**	16,566
Intangibles	14	**6,206**	8,065	**156**	1,316
Deferred tax assets	15	**-**	283	**145**	283
Pension surplus	26	**347**	-	**347**	-
Total non-current assets		**62,923**	68,675	**24,558**	27,767
Current assets					
Inventories	16	**5,921**	8,361	**3,526**	4,402
Trade and other receivables	17	**29,814**	38,363	**38,397**	40,227
Cash and cash equivalents	21	**47,294**	40,944	**30,629**	20,094
Total current assets		**83,029**	87,668	**72,552**	64,723
Total assets		**145,952**	156,343	**97,110**	92,490
Liabilities					
Current liabilities					
Trade and other payables	18	**21,669**	23,260	**39,876**	29,411
Current tax liabilities	18	**-**	2,675	**-**	99
Total current liabilities		**21,669**	25,935	**39,876**	29,510
Non-current liabilities					
Other payables	18	**2,922**	3,028	**2,040**	1,791
Pension obligations and employee benefits	26	**-**	253	**-**	253
Deferred tax liabilities	15	**1,485**	1,785	**-**	-
Total non-current liabilities		**4,407**	5,066	**2,040**	2,044
Total liabilities		**26,076**	31,001	**41,916**	31,554
Net assets		**119,876**	125,342	**55,194**	60,936
Equity					
Share capital	19	**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		**394**	253	**1,169**	1,028
Retained earnings		**111,321**	116,928	**45,864**	51,747
Total equity		**119,876**	125,342	**55,194**	60,936

The Parent Company reported a profit for the year ended 31 December 2020 of £4,578,000 (2019: £14,948,000).

The financial statements on pages 100 to 143 were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

P J Nichols
Chairman

Registered number 00238303.

CONSOLIDATED STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Profit for the financial year			**4,854**		26,835
Adjustments for:					
Depreciation and amortisation		**4,971**		4,541	
Impairment losses on goodwill and intangible assets	4	**3,820**		-	
Impairment losses on property, plant and equipment	11	**1,016**		-	
Loss on sale of property, plant and equipment		**71**		19	
Finance income	6	**(150)**		(235)	
Finance expense	6	**190**		252	
Taxation expense recognised in the income statement		**1,686**		5,587	
Decrease / (increase) in inventories		**2,440**		(925)	
Decrease in trade and other receivables		**9,220**		1,263	
Decrease in trade and other payables		**(838)**		(2,463)	
Change in pension obligations and employee benefits		**(755)**		(798)	
			21,671		7,241
Cash generated from operating activities			**26,525**		34,076
Tax paid			**(5,017)**		(5,887)
Net cash generated from operating activities			**21,508**		28,189
Cash flows from investing activities					
Finance income		**150**		235	
Proceeds from sale of property, plant and equipment		**35**		11	
Acquisition of property, plant and equipment		**(2,701)**		(5,910)	
Acquisition of trade and assets		**(170)**		-	
Acquisition of subsidiary		**-**		(4,893)	
Payment of contingent consideration	20	**(880)**		-	
Net cash used in investing activities			**(3,566)**		(10,557)
Cash flows from financing activities					
Payment of lease liabilities	24	**(1,254)**		(1,118)	
Dividends paid	9	**(10,338)**		(14,466)	
Net cash used in financing activities			**(11,592)**		(15,584)
Net increase in cash and cash equivalents			**6,350**		2,048
Cash and cash equivalents at 1 January			**40,944**		38,896
Cash and cash equivalents at 31 December	21		**47,294**		40,944

PARENT COMPANY STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Profit for the financial year			**4,578**		14,947
Adjustments for:					
Depreciation and amortisation		**1,558**		1,333	
Impairment losses on goodwill and intangible assets		**3,820**		-	
Loss on sale of property, plant and equipment		**12**		-	
Finance income		**(150)**		(235)	
Finance expense		**154**		193	
Taxation expense recognised in the income statement		**1,767**		3,476	
Decrease / (increase) in inventories		**876**		(507)	
Decrease / (increase) in trade and other receivables		**2,572**		(4,988)	
Increase in trade and other payables		**10,597**		5,765	
Change in pension obligations and employee benefits		**(755)**		(798)	
			20,451		4,239
Cash generated from operating activities			**25,029**		19,186
Tax paid			**(2,438)**		(3,513)
Net cash generated from operating activities			**22,591**		15,673
Cash flows from investing activities					
Finance income		**150**		235	
Acquisition of property, plant and equipment		**(576)**		(414)	
Acquisition of intangible assets		**(170)**		-	
Net cash used in investing activities			**(596)**		(179)
Cash flows from financing activities					
Payment of lease liabilities	24	**(1,122)**		(1,004)	
Dividends paid	9	**(10,338)**		(14,466)	
Net cash used in financing activities			**(11,460)**		(15,470)
Net increase in cash and cash equivalents			**10,535**		24
Cash and cash equivalents at 1 January			**20,094**		20,070
Cash and cash equivalents at 31 December	21		**30,629**		20,094

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 2019	**3,697**	**3,255**	**1,209**	**666**	**103,283**	**112,110**
Dividends	-	-	-	-	(14,466)	(14,466)
Movement in ESOT	-	-	-	(214)	-	(214)
Debit to equity for equity-settled share based payments	-	-	-	(199)	-	(199)
Movement in deferred tax	-	-	-	-	(131)	(131)
Total transactions with owners	**-**	**-**	**-**	**(413)**	**(14,597)**	**(15,010)**
Profit for the year	-	-	-	-	26,835	26,835
Other comprehensive expense	-	-	-	-	1,407	1,407
Total comprehensive income	**-**	**-**	**-**	**-**	**28,242**	**28,242**
At 1 January 2020	**3,697**	**3,255**	**1,209**	**253**	**116,928**	**125,342**
Dividends	-	-	-	-	(10,338)	(10,338)
Movement in ESOT	-	-	-	24	-	24
Credit to equity for equity-settled share based payments	-	-	-	117	-	117
Total transactions with owners	**-**	**-**	**-**	**141**	**(10,338)**	**(10,197)**
Profit for the year	-	-	-	-	4,854	4,854
Other comprehensive income	-	-	-	-	(123)	(123)
Total comprehensive income	**-**	**-**	**-**	**-**	**4,731**	**4,731**
At 31 December 2020	**3,697**	**3,255**	**1,209**	**394**	**111,321**	**119,876**

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 2019	**3,697**	**3,255**	**1,209**	**1,441**	**49,858**	**59,460**
Dividends	-	-	-	-	(14,466)	(14,466)
Movement in ESOT	-	-	-	(214)	-	(214)
Debit to equity for equity-settled share based payments	-	-	-	(199)	-	(199)
Total transactions with owners	**-**	**-**	**-**	**(413)**	**(14,466)**	**(14,879)**
Profit for the year	-	-	-	-	14,948	14,948
Other comprehensive expense	-	-	-	-	1,407	1,407
Total comprehensive income	**-**	**-**	**-**	**-**	**16,355**	**16,355**
At 1 January 2020	**3,697**	**3,255**	**1,209**	**1,028**	**51,747**	**60,936**
Dividends	-	-	-	-	(10,338)	(10,338)
Movement in ESOT	-	-	-	24	-	24
Credit to equity for equity-settled share based payments	-	-	-	117	-	117
Total transactions with owners	**-**	**-**	**-**	**141**	**(10,338)**	**(10,197)**
Profit for the year	-	-	-	-	4,578	4,578
Other comprehensive income	-	-	-	-	(123)	(123)
Total comprehensive income	**-**	**-**	**-**	**-**	**4,455**	**4,455**
At 31 December 2020	**3,697**	**3,255**	**1,209**	**1,169**	**45,864**	**55,194**

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 2020 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. The accounting policies have been applied consistently by the Group, with those adopted in the previous year. An income statement is not provided for the parent Company as permitted by Section 408 of the Companies Act 2006.

Going concern

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

On the basis of these reviews, the Directors consider the Group to have adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

Impact of COVID-19 on financial statements at 31 December 2020

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

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

Reductions in sales, particularly in Out of Home (OoH), have increased the amount of potentially out-of-date and obsolete stock held by the Group. This has resulted in an increase in stock provisions of £0.7m by 31 December 2020. Following lockdown 1, within OoH the business provided customers with new stock to replace old out of date stock free of charge.

The Group has accessed the funds made available by the Government under the Job Retention Scheme. This was used to partially offset the payroll expense incurred for employees who were furloughed. In Q2 a large proportion of the UK OoH team were furloughed, largely returning to work in the early summer. Through the fourth quarter of the year (Q4) increased customer outlet closures meant a return to furlough for a number of our OoH team. The business has paid furloughed employees at 100% of salary throughout the year and only furloughed employees where reductions in workload have been deemed temporary due to Government restrictions. The financial contribution made by the Government from the scheme to Nichols was £1.4m during the year.

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

Use of adjusted measures

The performance of the Group is assessed using adjusted measures that are not defined under IFRS and are therefore deemed non-GAAP measures. These measures include adjusted operating profit and adjusted profit before tax, which both remove the impact of exceptional items. The Group also reports EBITDA which measures underlying performance having removed the impact of interest, taxation, depreciation and amortisation from profit after tax. The Group also calculates an adjusted earnings per share, based on the adjusted profit after tax which again removes the impact of exceptional items.

These adjusted measures are used to allow a better understanding of the underlying trading performance of the Group after taking account of items which due to their nature and size do not reflect the Group's underlying performance. The measures are not comparable to similar measures used by other companies.

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. However, the nature of estimation means that actual outcomes 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 the most significant effect on the carrying amounts of assets and liabilities within the next financial year.

- 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 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 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. Should management have judged the intangible assets not to be of indefinite lives, an amortisation charge would be made to the Consolidated Income Statement on an annual basis.

- 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 12).

The carrying amount of goodwill at the reporting date was £36.2 million (2019: £38.6 million).

The carrying amount of brands with indefinite lives was £2.6m (2019: £3.9m).

Customer list intangible assets have finite lives assigned. Such assets are tested for impairment if an impairment indicator exists. No impairment indicators were noted at 31 December 2020.

- 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 2020, 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.

Promotions and brand support campaigns comprise:

Long term discounts and rebates

- Fixed; a defined amount over a period of time.
- % of net revenue; a percentage of net revenue, which may have associated hurdle rates.

Short term promotional discounts

Promotional discounts consist of many individual rebates across numerous customers and represent the cost to the Group of short-term deal mechanics. The common deals typically include price reductions for specific SKU's during the promotional period.

Amounts provided for these brand support accruals at the end of a period requires estimation and historical data and accumulated experience is used to estimate the related provision using the expected value amount method. In most instances the discount can be estimated using known facts with a high level of accuracy.

- Defined benefit obligations

Accounting for retirement benefit schemes under IAS 19 requires an assessment of future benefits payable in accordance with actuarial assumptions. The assumptions include discount rate, inflation, pension and salary increases, expected return on scheme assets, mortality and other demographic assumptions (see note 26) which represent a key source of estimation uncertainty for the Group.

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 2020. 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 has 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 delivered 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.

Accruals are made for each individual promotion or rebate based on the specific terms and conditions of the customer agreement. Management makes estimates on an ongoing basis to assess customer performance and sales volume to calculate total amounts earned to be recorded as deductions from revenue and in most instances the discount can be estimated using known facts with a high level of accuracy.

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.

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 consolidated 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 consolidated 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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

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 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.

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. Changes in the amount of contingent consideration payable that results from events after the acquisition date, such as meeting a revenue or profit target, are not measurement period adjustments and are, therefore, recognised 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.

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 depreciated 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 depreciated 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 2020 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 £1,746,000 (2019: £1,543,000) 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 asset recognised in the statement of financial position for defined benefit plans is the fair value of plan assets at the reporting date less the present value of the defined benefit obligation (DBO).
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 income on the net defined benefit surplus is included in finance income. 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 three equity-settled share-based payment schemes; a Save As You Earn scheme open to all employees, a Long-Term Incentive Plan for certain directors and senior executives and an Executive share award scheme for certain directors and senior executives. All 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 2020 for the year ending 31 December 2020.

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 shares at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

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

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

Further disclosures in relation to the schemes above are provided in Note 29.

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.

Finance income

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

Finance costs

Finance costs comprise of interest expenses on leases and defined benefit pension obligations. Interest expenses are recognised as they accrue, using the effective interest method.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate.

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.

As at 31 December 2020, the ESOT holds 8,975 shares in the Company (2019: 518 shares).

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 UK):

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Annual Improvements 2018-2020
- Amendment to IFRS 16 Leases - Covid-19 Related Rent Concessions
- Amendments to IFRS 3 - Definition of a Business
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Still	**65,688**	71,661	**32,817**	42,712
Carbonate	**52,969**	75,324	**16,819**	27,246
	118,657	146,985	**49,636**	69,958

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 consolidated statement of financial position and the segment assets.

	2020 £'000	2019 £'000
Capital Expenditure	**2,871**	5,910
IFRS 16 additions	**1,226**	4,535
Depreciation	**4,258**	3,855
Impairment losses on property, plant and equipment	**1,016**	-
Amortisation	**713**	686
Impairment losses on goodwill and intangible assets	**3,820**	-

b. Reporting by geographic area

Revenue by geographic destination

	2020 £'000	**2020 %**	2019 £'000	2019 %
Middle East	**7,309**	**6.2**	11,566	7.9
Africa	**14,010**	**11.8**	13,042	8.9
Rest of the World	**5,712**	**4.8**	4,870	3.3
Total exports	**27,031**	**22.8**	29,478	20.1
United Kingdom	**91,626**	**77.2**	117,507	79.9
	118,657	**100.0**	146,985	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.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2020

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 2020 or 2019.

Total assets
The assets of the Group at 31 December 2020 and 31 December 2019 are located within the United Kingdom and Europe.

Capital expenditure
The capital expenditure of the Group for the years ended 31 December 2020 and 31 December 2019 was made within the United Kingdom and Europe.

IFRS 16 additions
The IFRS 16 additions of the Group for the years ended 31 December 2020 and 31 December 2019 were made within the United Kingdom and Europe.

Depreciation
The Group's depreciation charges for the years ended 31 December 2020 and 31 December 2019 are against property, plant and equipment retained within the United Kingdom and Europe.

Amortisation
The Group's amortisation charges for the years ended 31 December 2020 and 31 December 2019 are against intangible assets retained within the United Kingdom and Europe.

4. EXCEPTIONAL ITEMS

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

	2020 £'000	2019 £'000
Impairment of goodwill and intangible assets	**3,820**	-
Review of UK packaged supply chain	**277**	-
Redundancy costs	**723**	-
Restructuring costs	**254**	-
	5,074	-

Following a strategic review of the Group's 'Feel Good' Brand and its recognition as a separate Cash Generating Unit ('CGU'), the Group has incurred a non-cash impairment to Goodwill and Intangible Assets of its 'Feel Good' Brand of £3.8m. The Group remains committed to the 'Feel Good' Brand, which has recently been relaunched in the UK. Further detail is provided in note 12 to the financial statements.

The Group commenced a review of its UK packaged supply chain in Q4, engaging third party consultants and this is expected to conclude with implementation through 2021. Costs incurred to date amount to £0.3m with further costs expected in 2021.

The Group completed a review of its operational and leadership structures in Q4.

Operational changes followed the integration of prior year acquisitions and the implementation of new systems into the OoH route to market. These changes were implemented in Q4, making a number of roles redundant at the year-end incurring costs of £0.7m.

The Group decided to move from three Executive Directors to two at the year-end following a review of the Executive Board members portfolios. Early termination costs associated with these changes were £0.3m.

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

5. OPERATING PROFIT

	2020 £'000	2019 £'000
Operating profit is stated after charging/ (crediting):		
Inventory amounts charged to cost of sales	**69,021**	77,027
BDO LLP remuneration:		
Audit services of the Company's annual accounts	**93**	67
Depreciation of property, plant and equipment	**4,258**	3,855
Impairment of property, plant and equipment	**1,016**	-
Short-term lease rental payments	**203**	432
Charge / (credit) for equity settled share based payments	**177**	(199)
(Gain) / loss on foreign exchange differences	**(162)**	485
Loss on sale of property, plant and equipment	**71**	19
Amortisation of intangible assets	**713**	686
Release of contingent consideration on acquisition	**(1,349)**	(1,050)

Operating lease rental payments have been included within administrative expenses and represent short-term lease expenses.

6. FINANCE INCOME AND EXPENSE

	Notes	2020 £'000	2019 £'000
Finance income comprises:			
Bank interest receivable		**147**	235
Net interest income on defined benefit pension scheme surplus	26	**3**	-
		150	235
Finance expense comprises:			
Net interest on defined benefit pension scheme liability	26	**-**	(64)
Bank interest payable		**-**	(20)
IFRS 16 interest charge	24	**(190)**	(168)
		(190)	(252)

7. DIRECTORS AND EMPLOYEES

a. Average monthly number of persons employed during the year, including Directors:	2020 Number	2019 Number
Group	**352**	319
Parent Company	**268**	265

b. Group employment costs were as follows:	2020 £'000	2019 £'000
Wages and salaries	**11,738**	12,723
Social security costs	**1,534**	1,620
Pension costs - defined contribution scheme	**787**	717
Pension costs - defined benefit scheme (see note 26)	**146**	19
Equity settled share based payments charge	**177**	-
	14,382	15,079

c. Parent Company employment costs were as follows:	2020 £'000	2019 £'000
Wages and salaries	**10,889**	11,694
Social security costs	**1,428**	1,513
Pension costs - defined contribution scheme	**762**	678
Pension costs - defined benefit scheme (see note 26)	**146**	19
Equity settled share based payments charge	**177**	-
	13,402	13,904

A charge of £177,000 (2019: credit of £199,000) was recognised during the year in relation to benefits accruing under the Group's Long Term Incentive Plans and Save As You Earn schemes.

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 62.

	2020 £'000	2019 £'000
Wages and salaries	**1,181**	1,537
Pension costs	**22**	30
	1,203	1,567

The highest paid Director has received £471,000 (2019: £577,000) excluding pension contributions.

Benefits are accruing to 3 Directors (2019: 3 Directors) under a defined contribution scheme, the highest paid Director has received contributions of £4,000 in the year.

Aggregate amounts for loss of office totalled £555,000 (2019: £nil).

Further information regarding Directors' remuneration and the Incentive Plan is provided in the Remuneration Committee Report on pages 82 to 87.

8. TAXATION

a. Analysis of expense recognised in the consolidated income statement	2020 £'000	2019 £'000
Current taxation:		
UK Corporation Tax on income for the year	1,754	5,743
Adjustments in respect of prior years	(83)	25
Total current tax charge for the year	1,671	5,768
Deferred tax:		
Origination and reversal of temporary differences	(82)	158
Adjustments in respect of prior years	97	(339)
Total deferred tax charge for the year	15	(181)
Total tax expense in the consolidated income statement	1,686	5,587

The tax expense is wholly in respect of UK taxation.

b. Tax reconciliation	2020 £'000	2019 £'000
Profit before taxation	6,540	32,422
Profit before taxation multiplied by the standard rate of Corporation Tax in the United Kingdom of 19.00% (2019: 19.00%)	1,243	6,160
Effect of:		
Non-deductible expenses	41	47
Other tax adjustments, reliefs and transfers	479	33
Other timing differences	117	(21)
Adjustments to the tax charge in respect of prior years	14	(314)
Income not taxable for tax purposes	(256)	(237)
Depreciation for the year (greater than)/ lower than capital allowances	(15)	(40)
Impact on deferred tax due to rate change	31	(68)
Amounts relating to other comprehensive income	32	27
Total tax expense in the consolidated income statement	1,686	5,587

c. The effective rate of tax on adjusted profit before tax is 18.7% (2019: 17.2%) which is lower than the standard rate of Corporation Tax in the United Kingdom (19.00%). The effective rate of tax on profit before tax is 25.8% (2019: 17.2%) which is higher than this rate.

d. Tax on items recognised in other comprehensive (expense) / income
In addition to the amount charged to the consolidated income statement, a credit of £32,000 (2019: charge of £297,000) has been recognised in other comprehensive income / (expense), being the movement on deferred taxation relating to retirement benefit obligations and equity settled share based payments.

9. EQUITY DIVIDENDS

	2020 £'000	2019 £'000
Interim dividend 28.00p (2019: 12.40p) paid 4 September 2020	10,338	4,576
Final dividend for 2019 is £nil (2018: 26.80p)	-	9,890
	10,338	14,466

The interim dividend for the prior year of £4,576,000 was paid on 30 August 2019.

The Board made the decision to withdraw the final dividend (28.0p) for 2019 on 31 March 2020 due to the effect of the Covid-19 pandemic.

The 2020 final proposed dividend of 8.80p per share has not been accrued as it had not been approved by the year end.

10. EARNINGS PER SHARE

	2020	2019
Earnings per share (basic)	13.14p	72.81p
Earnings per share (diluted)	13.13p	72.77p
Adjusted earnings per share (basic) - before exceptional items	25.56p	72.81p
Adjusted earnings per share (diluted) - before exceptional items	25.54p	72.77p

Basic earnings per share is calculated by dividing the profit after tax for the year of the Group by the weighted average number of ordinary shares in issue during the financial year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

Earnings per share

	2020 Earnings £'000	2020 Weighted average number of shares	2020 Earnings per share	2019 Earnings £'000	2019 Weighted average number of shares	2019 Earnings per share
Basic earnings per share	4,854	36,932,032	13.14p	26,835	36,857,224	72.81p
Dilutive effect of share options		26,551			19,249	
Diluted earnings per share	4,854	36,958,583	13.13p	26,835	36,876,473	72.77p

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

	2020 Earnings £'000	2020 Weighted average number of shares	2020 Earnings per share	2019 Earnings £'000	2019 Weighted average number of shares	2019 Earnings per share
Basic earnings per share	4,854	36,932,032	13.14p	26,835	36,857,224	72.81p
Exceptional items after taxtation	4,586					
Adjusted earnings per share (basic) - before exceptional items	9,440	36,932,032	25.56p	26,835	36,857,224	72.81p
Dilutive effect of share options		26,551			19,249	
Adjusted earnings per share (diluted) - before exceptional items	9,440	36,958,583	25.54p	26,835	36,876,473	72.77p

11. 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 2019	**3,444**	**19,563**	**-**	**-**	**23,007**
Additions	-	5,910	2,170	2,365	10,445
On acquisition of subsidiary	-	611	-	-	611
Disposals	-	(556)	-	-	(556)
At 1 January 2020	**3,444**	**25,528**	**2,170**	**2,365**	**33,507**
Additions	-	2,701	807	419	3,927
On acquisition of subsidiary (Note 20)	-	(163)	-	-	(163)
Disposals	-	(1,339)	-	-	(1,339)
At 31 December 2020	**3,444**	**26,727**	**2,977**	**2,784**	**35,932**

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 2019	**316**	**8,119**	**-**	**-**	**8,435**
Charge for the year	69	2,782	637	367	3,855
Disposals	-	(525)	-	-	(525)
At 1 January 2020	**385**	**10,376**	**637**	**367**	**11,765**
Charge for the year	69	3,029	776	384	4,258
Impairment	-	1,016	-	-	1,016
Disposals	-	(1,233)	-	-	(1,233)
At 31 December 2020	**454**	**13,188**	**1,413**	**751**	**15,806**
Net book value at 31 December 2020	**2,990**	**13,539**	**1,564**	**2,033**	**20,126**
Net book value at 31 December 2019	3,059	15,152	1,533	1,998	21,742

Group impairment losses of £1,016,000 in the year (2019: £nil) within the Out of Home business. This is in relation to machines situated in customer outlets that were deemed obsolete, lost or unlikely to deliver economic benefit.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2020

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 2019	**3,444**	**4,556**	**-**	**-**	**8,000**
Additions	-	414	2,170	1,417	4,001
Disposals	-	(88)	-	-	(88)
At 1 January 2020	**3,444**	**4,882**	**2,170**	**1,417**	**11,913**
Additions	-	576	807	419	1,802
Disposals	-	(42)	-	-	(42)
At 31 December 2020	**3,444**	**5,416**	**2,977**	**1,836**	**13,673**

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 2019	**316**	**3,254**	**-**	**-**	**3,570**
Charge for the year	69	365	637	262	1,333
Disposals	-	(88)	-	-	(88)
At 1 January 2020	**385**	**3,531**	**637**	**262**	**4,815**
Charge for the year	69	420	776	279	1,544
Disposals	-	(30)	-	-	(30)
At 31 December 2020	**454**	**3,921**	**1,413**	**541**	**6,329**
Net book value at 31 December 2020	**2,990**	**1,495**	**1,564**	**1,295**	**7,344**
Net book value at 31 December 2019	3,059	1,351	1,533	1,155	7,098

12. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the Group's cash-generating units (CGUs) that are expected to benefit from the business combination according to the level at which management monitor that goodwill.

Group

Cost	£'000
At 1 January 2019	34,451
Acquisitions (note 20)	4,134
At 1 January 2020	**38,585**
Impairment (see below)	(2,504)
Adjustment to acquisitions (note 20)	163
At 31 December 2020	**36,244**

Parent

Cost	£'000
At 1 January 2019 and 1 January 2020	**2,504**
Impairment (see below)	(2,504)
At 31 December 2020	**-**

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. As part of finalising the purchase price accounting of Adrian Mecklenburgh Limited during the current year, an adjustment of £163,000 was identified and has increased the goodwill balance accordingly.

Goodwill within the Parent Company arose in 2015 on a trade and assets acquisition of the 'Feel Good' business.

Change in cash-generating units

Due to a change in the operational structure of the Group, management has determined there to be an independent CGU in relation the 'Feel Good' business. The 'Feel Good' business previously formed part of the Still Out of Home CGU. The business has undergone a rebrand and now supplies sparkling water. Therefore, the independent Feel Good CGU will now form part of the Carbonate segment.

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

	2020 £'000	2019 £'000
Still	**21,431**	23,853
Carbonate	**14,813**	14,732
	36,244	38,585

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, being the present value of the projected cash flows of the cash-generating unit. The key assumptions regarding the value in use calculations are forecast growth in revenues and the discount rate applied. Budgeted revenue growth is estimated based on actual performance and expected market changes.

The identification of Feel Good as an independent CGU and the associated future cash flow forecasts due to its change in focus following rebranding, were recognised by management as a potential trigger of impairment during the year. An impairment review has therefore been performed for the 'Feel Good' CGU which had a Goodwill carrying value of £2.5m and Intangible Assets carrying value of £1.3m. The key assumptions used within the review were forecasts for the next 3 years' performance with 2% growth beyond the forecast period, and a discount rate based on WACC of 8.2%.

As a result of this review, an impairment of £3.8m has been recognised as an exceptional item in these financial statements in relation to Goodwill and Intangible Assets from the 'Feel Good' CGU, the impairment loss belonging to the Carbonate reporting segment. The impairment is not sensitive to the assumptions on growth and WACC.

Annual impairment reviews were performed on the remaining Goodwill and Intangible assets with indefinite lives, all of which relate the Group's Out of Home Business. The discount rate used of 8.2% 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.

When compiling the financial budgets and the annual growth projections for the five years and into perpetuity, management have considered the current economic climate, including the impacts of COVID-19, along with future growth rates reasonable to this market. The level of growth assumed in these forecasts fully takes into account the time the hospitality industry is anticipated to take to recover from the impact of the pandemic.

Based on the review performed no impairment has been made in relation to the Out of Home business. As part of forming this conclusion a sensitivity analysis has been performed which focused on the change required in key assumptions (long-term growth and the pre-tax discount rate), both individually and collectively, to give rise to an impairment. If the discount rate were to increase by 1.3 percentage points and the terminal growth rate were to decrease by 1.7 percentage points, which whilst not management's current expectation is considered to be reasonably possible, this would lead to an impairment charge.

13. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent

Cost and net book amount	£'000
At 1 January 2019, 1 January 2020 and 31 December 2020	**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
Dispense Solutions (Wales) Limited***	100
The Noisy Drink Company North West Limited ****	100

* The Company directly owns Ben Shaws Dispense Drinks Limited, Dayla Liquid Packing Limited and Vimto (Out of Home) Limited.
** Directly owned by Vimto (Out of Home) Limited.
*** Dispense Solutions (Wales) Limited is directly owned by Nichols Dispense (S.W.) Limited.
**** The shareholding in The Noisy Drink Company North West Limited is directly owned by Vimto (Out of Home) Limited.

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

All companies in the Group are engaged in the supply of soft drinks and other beverages. The registered address of each of the above is Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, WA12 0HH.

14. INTANGIBLES

Group

Cost	Contractual agreement £'000	Customer list £'000	Brand name £'000	Computer software £'000	Total £'000
At 1 January 2019	-	4,698	3,889	-	8,587
On acquisition of subsidiary	180	823	-	-	1,003
At 1 January 2020	**180**	**5,521**	**3,889**	**-**	**9,590**
Additions	-	-	-	170	170
At 31 December 2020	**180**	**5,521**	**3,889**	**170**	**9,760**
Amortisation					
At 1 January 2019	-	839	-	-	839
Charge for the year	33	653	-	-	686
At 1 January 2020	**33**	**1,492**	**-**	**-**	**1,525**
Charge for the year	36	663	-	14	713
Impairment (see note 12)	-	-	1,316	-	1,316
At 31 December 2020	**69**	**2,155**	**1,316**	**14**	**3,554**
Net book value at 31 December 2020	**111**	**3,366**	**2,573**	**156**	**6,206**
Net book value at 31 December 2019	147	4,029	3,889	-	8,065

Parent

Cost	Brand name £'000	Computer software £'000	Total £'000
At 1 January 2019 and 1 January 2020	**1,316**	**-**	**1,316**
Additions	-	170	170
At 31 December 2020	**1,316**	**170**	**1,486**
Amortisation			
At 1 January 2019 and 1 January 2020	**-**	**-**	**-**
Charge for the year	-	14	14
Impairment (see note 12)	1,316	-	1,316
At 31 December 2020	**1,316**	**14**	**1,330**
Net book value at 31 December 2020	**-**	**156**	**156**
Net book value at 31 December 2019	1,316	-	1,316

15. DEFERRED TAX ASSETS AND LIABILITIES

Movement in temporary differences during the year

The UK deferred tax balances are measured at 19% (2019: 17%).

Group	Net balance at 1 January 2020 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2020 £'000**
Property, plant and equipment	(649)	-	31	-	**(618)**
Goodwill and intangibles	(1,052)	-	122	-	**(930)**
Employee benefits	174	-	(168)	32	**38**
Provisions	25	-	-	-	**25**
	(1,502)	-	(15)	32	**(1,485)**

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

Parent	Net balance at 1 January 2020 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	**Net balance at 31 December 2020 £'000**
Property, plant and equipment	(82)	-	(3)	-	**(85)**
Goodwill and intangibles	166	-	1	-	**167**
Employee benefits	174	-	(168)	32	**38**
Provisions	25	-	-	-	**25**
	283	-	(170)	32	**145**

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

15. 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Property, plant and equipment	**-**	-	**(618)**	(649)	**(618)**	(649)
Goodwill and intangibles	**82**	84	**(1,012)**	(1,136)	**(930)**	(1,052)
Employee benefits	**38**	174	**-**	-	**38**	174
Provisions	**25**	25	**-**	-	**25**	25
	145	283	**(1,630)**	(1,785)	**(1,485)**	(1,502)

Parent

	Assets		Liabilities		Net	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Property, plant and equipment	**-**	-	**(85)**	(82)	**(85)**	(82)
Goodwill and intangibles	**167**	166	**-**	-	**167**	166
Employee benefits	**38**	174	**-**	-	**38**	174
Provisions	**25**	25	**-**	-	**25**	25
	230	365	**(85)**	(82)	**145**	283

16. INVENTORIES

	Group		Parent	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Finished goods	**5,214**	7,494	**3,488**	4,308
Raw materials	**707**	867	**38**	94
Total inventories	**5,921**	8,361	**3,526**	4,402

In 2020 the Group write-down of inventories to net realisable value amounted to £864,000 (2019: £191,000).

17. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**28,646**	35,557	**26,270**	27,458
Less: provision for impairment of trade receivables	**(767)**	(577)	**(269)**	(475)
Trade receivables - net	**27,879**	34,980	**26,001**	26,983
Amounts owed by Group undertakings	**-**	-	**10,631**	10,704
Other receivables	**378**	2,220	**353**	1,744
Current tax recoverable	**671**	-	**742**	-
Prepayments	**886**	1,163	**670**	796
	29,814	38,363	**38,397**	40,227

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

The large movement in other receivables is in relation to the receipt of a £2.0m insurance debtor during the year.

All trade and other receivables have been reviewed under the expected credit loss impairment model and a provision of £767,000 (2019: £577,000) 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.

An impairment assessment of amounts owed by Group undertakings as at 31 December 2020 was undertaken using the IFRS 9 simplified approach. The amounts owed by Group undertakings are readily repayable and therefore no impairment is judged to be required (2019: £nil).

The Group's expected credit loss provision was determined as follows:

31 December 2020	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	**Total**
Expected loss rate	0.3%	16.0%	17.0%	10.8%	23.0%	
Gross carying amount	25,037	661	675	526	1,747	**28,646**
Credit loss allowance	(86)	(106)	(115)	(57)	(403)	**(767)**

31 December 2019	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	**Total**
Expected loss rate	0.0%	0.0%	0.0%	0.0%	20.9%	
Gross carying amount	28,426	2,878	837	651	2,765	**35,557**
Credit loss allowance	-	-	-	-	(577)	**(577)**

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the expected credit loss allowance was as follows:

Group	At 1 January 2020 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2020 £'000**
Expected credit loss provision	577	854	(210)	(454)	**767**

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**

Parent	At 1 January 2020 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	**At 31 December 2020 £'000**
Expected credit loss provision	475	288	(210)	(284)	**269**

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	-	(242)	-	**475**

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.

18. TRADE AND OTHER PAYABLES AND CURRENT TAX LIABILITIES

	Group		Parent	
Current liabilities	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**7,831**	7,595	**7,143**	5,733
Amounts owed to Group undertakings	**-**	-	**19,893**	12,885
Other taxes and social security	**430**	1,474	**415**	511
Other payables	**56**	2,224	**5**	41
Accruals	**12,330**	10,949	**11,490**	9,320
IFRS 16 lease liabilities (note 24)	**1,022**	1,018	**930**	921
	21,669	23,260	**39,876**	29,411
Current tax liabilities	**-**	2,675	**-**	99
	21,669	25,935	**39,876**	29,510

	Group		Parent	
Non-current liabilities	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Other payables	**198**	462	**-**	-
IFRS 16 lease liabilities (note 24)	**2,724**	2,566	**2,040**	1,791
	2,922	3,028	**2,040**	1,791

The difference between the carrying value and fair value of all payables is not considered to be material. All payables are generally not interest bearing. The movements in trade and other payables within the consolidated statement of cash flows differs materially from the movements above, due to the settling of contingent consideration and IFRS 16 lease costs during the year. The significant movement in Group other payables is in relation to the settlement and release of contingent consideration during the year.

19. SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, issued and fully paid 36,968,772 (2019: 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 2020 and 31 December 2019.

20. ACQUISITIONS

2020 ACQUISITIONS

The Noisy Drink Company North West Limited

On 5 March 2020, the Group acquired the remaining 25% of the issued share capital of The Noisy Drink Company North West Limited, following the initial 75% acquisition in 2018. Since a symmetrical call/put option was entered into with regard to the remaining 25% of the issued share capital at the point of initial acquisition, the acquisition was accounted for in substance as though the Group had acquired a 100% interest on the date of acquisition. Contingent consideration of £915,000 (£805,000 of cash and £110,000 of overdrawn directors loans) was paid to acquire the remaining shareholding. This amount was linked to growth in EBITDA in the two year period following initial acquisition. Based on the actual performance in the two years following the initial acquisition the consideration was less than the £2,000,000 initially recognised at acquisition, and therefore £1,085,000 has been taken as a credit within administrative expenses during the year.

2019 ACQUISITIONS

Adrian Mecklenburgh Limited

On 1 February 2019, the Group acquired 100% of the issued share capital of Adrian Mecklenburgh Limited.

The exercise to determine the fair value of acquired assets and liabilities was completed during the year and resulted in a measurement period adjustment to property, plant and equipment of £163,000. Accordingly, the total goodwill recognised has increased from £4,134,000 to £4,297,000.

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	(163)	448
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**	**669**	**2,183**

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 12)	**4,297**

20. ACQUISITIONS (CONTINUED)

During the year £75,000 was paid in relation to the first stage of contingent consideration.

As at 31 December 2020, a fair value assesment of the second stage of contingent consideration was performed. Based on the projected growth in coffee sales in the three year period following acquisition, it was determined that the initial forecasted growth in coffee sales will not be met. As a result, £264,000 of the £462,000 initially recognised at acquisition has been taken as a credit within administrative expenses during the year.

21. CASH AND CASH EQUIVALENTS

Group	At 1 January 2020 £'000	Cash flow £'000	**At 31 December 2020 £'000**
Cash at bank and in hand	40,944	6,350	**47,294**

Parent	At 1 January 2020 £'000	Cash flow £'000	**At 31 December 2020 £'000**
Cash at bank and in hand	20,094	10,535	**30,629**

The Group did not have a bank overdraft during the current and previous year.

22. 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.

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 2020 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	**2020 £'000**	2019 £'000
US Dollar	**1,594**	1,444
Euro	**6,001**	4,285
	7,595	5,729

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% (2019: 5%), then this would have had the following impact:

	2020			2019		
	US Dollar £'000	**Euro £'000**	**Total £'000**	US Dollar £'000	Euro £'000	Total £'000
Net result for the year	**(76)**	**(286)**	**(362)**	(110)	(116)	(226)

If Sterling had weakened against the US Dollar and Euro by 5% (2019: 5%), then this would have had the following impact:

	2020			2019		
	US Dollar £'000	**Euro £'000**	**Total £'000**	US Dollar £'000	Euro £'000	Total £'000
Net result for the year	**84**	**316**	**400**	30	323	353

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.

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 2019.

At 31 December 2020, 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.

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The IFRS 9 categories of financial assets included in the Consolidated 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	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables and other receivables	**-**	-	**28,257**	37,777	**-**	-	**36,985**	39,906
Cash and cash equivalents	**-**	-	**47,294**	40,944	**-**	-	**30,629**	20,094
	-	-	**75,551**	78,721	**-**	-	**67,614**	60,000

The IFRS 9 categories of financial liabilities 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	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Trade and other payables	**198**	2,537	**7,887**	7,744	**-**	-	**27,041**	18,618
IFRS 16 lease liabilities	**-**	-	**3,746**	3,584	**-**	-	**2,970**	2,712
	198	2,537	**11,633**	11,328	**-**	-	**30,011**	21,330

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

At 31 December 2020	**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	**7,887**	**-**	**198**	**-**	**-**
	7,887	**-**	**198**	**-**	**-**

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**	**-**	**215**	**247**	**-**
	9,819	**-**	**215**	**247**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2020

24. LEASES

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 and interest portions of lease payments within financing activities on the Consolidated Statement of Cash Flows. Lease payments for short-term leases and low-value assets are not included in the measurement of the lease liability. These are presented within administrative expenses within the Consolidated Income Statement and are classified as cash flows from operating activities.

The following tables reconcile the Group right-of-use assets and lease liabilities to 31 December 2020:

	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 1 January 2020	**1,998**	**1,533**	**3,531**	**1,155**	**1,533**	**2,688**
Additions	419	807	**1,226**	419	807	**1,226**
Depreciation	(384)	(776)	**(1,160)**	(279)	(776)	**(1,055)**
At 31 December 2020	2,033	1,564	**3,597**	1,295	1,564	**2,859**

	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	(430)	(688)	**(1,118)**	(316)	(688)	**(1,004)**
At 1 January 2020	**2,016**	**1,568**	**3,584**	**1,144**	**1,568**	**2,712**
Additions	419	807	**1,226**	419	807	**1,226**
Interest expense	93	97	**190**	57	97	**154**
Lease payments	(439)	(815)	**(1,254)**	(307)	(815)	**(1,122)**
At 31 December 2020	2,089	1,657	**3,746**	1,313	1,657	**2,970**

24. LEASES (CONTINUED)

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

Group

At 31 December 2020	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	313	847	961	1,377	728

Parent

At 31 December 2020	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	754	837	987	462

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

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2020

The following table reconciles the changes in IFRS 16 liabilities from financing activities during the year to 31 December 2020:

	Group			Parent		
	Current loans and borrowings £'000 (note 18)	Non-current loans and borrowings £'000 (note 18)	Total £'000	Current loans and borrowings £'000 (note 18)	Non-current loans and borrowings £'000 (note 18)	Total £'000
At 1 January 2019	**606**	**2,500**	**3,106**	**253**	**2,016**	**2,269**
Cash Flows	(1,118)	-	**(1,118)**	(1,004)	-	**(1,004)**
Non-cash flows						
- interest	168	-	**168**	129	-	**129**
- lease additions	1,362	66	**1,428**	1,543	(225)	**1,318**
At 1 January 2020	1,018	2,566	**3,584**	921	1,791	**2,712**
Cash Flows	(1,254)	-	**(1,254)**	(1,122)	-	**(1,122)**
Non-cash flows						
- interest	190	-	**190**	154	-	**154**
- lease additions	1,068	158	**1,226**	977	249	**1,226**
At 31 December 2020	**1,022**	**2,724**	**3,746**	**930**	**2,040**	**2,970**

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

	2020		2019	
	Group £'000	**Parent £'000**	Group £'000	Parent £'000
Short-term lease expense	**203**	**203**	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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Sale of goods and services (including recharge of costs)	**959**	1,606	**(9,262)**	(2,182)

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 7, 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 £226,000 (2019: £213,000). An accrued amount of £nil (2019: £21,000) will be paid in the subsequent financial year.

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS

The Group operates two employee benefit plans, a defined benefit plan which provides benefits based on final salary which is now closed to new members and a defined contribution group personal plan.

The Group personal plan consists of individual contracts with contributions from both the employer and employee. The charge for the year for the Group personal plan was £787,000 (2019: £695,000).

The Company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2020 and updated to 31 December 2020 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 expectancies 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 2020 are predominantly equity linked bonds, diversified growth funds and other 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 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 2020 and 2019 is shown below.

	31 December 2020 £'000	31 December 2019 £'000
Present value of funded obligations	**(30,536)**	(28,942)
Fair value of plan assets	**30,883**	28,689
Surplus in the plan	**347**	(253)
Related deferred tax asset	**9**	62
Net asset / (liability) recognised	**356**	(191)

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS (CONTINUED)

Defined benefit obligation

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

	31 December 2020 £'000	31 December 2019 £'000
Opening defined benefit obligation	**28,941**	28,286
Current service cost (company only)	**24**	19
Past service cost	**64**	-
Interest cost	**569**	760
Actual contributions paid by plan participants	**3**	3
Experience adjustment	**(1,169)**	(408)
Actuarial losses from changes in financial assumptions	**3,491**	3,247
Actuarial gains from changes in demographic assumptions	**(385)**	(687)
Benefits paid - including insurance premiums	**(1,002)**	(2,279)
Closing defined benefit obligation	**30,536**	28,941

Plan assets

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

	31 December 2020 £'000	31 December 2019 £'000
Fair value of plan assets at start of accounting period	**28,689**	25,531
Interest income	**572**	696
Return on plan assets (excluding amounts included in net interest)	**1,782**	3,840
Contributions paid by the employer	**898**	898
Actual contributions paid by plan participants	**3**	3
Benefits paid	**(1,002)**	(2,279)
Expenses paid	**(59)**	-
Fair value of plan assets at end of accounting period	**30,883**	28,689

The actual return on plan assets was a gain of £2,353,000 (2019: £4,536,000).

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 2020 £'000	31 December 2019 £'000
Equities	**2,752**	2,605
Liability driven investments	**3,372**	3,056
Diversified growth funds	**5,951**	5,377
Absolute return bonds	**4,902**	4,593
Equity-linked bonds	**12,184**	11,004
Other, including cash	**222**	204
Total fair value of assets	**29,383**	26,839

Assets included which do not have a quoted market value:	31 December 2020 £'000	31 December 2019 £'000
Property	**1,500**	1,850

The fair value of the property was revalued as at 31 December 2020, in-line with the standards of IFRS 13, by Jones Lang LaSalle who are independent RICS valuers.

The significant actuarial assumptions used for the valuations are as follows:	31 December 2020	31 December 2019
Future salary increases	**2.95%**	2.95%
Rate of increase in (post 1997) pensions in payment (a)	**3.30%**	3.20%
Discount rate at 31 December	**1.30%**	2.00%
Expected rate of inflation - RPI	**2.95%**	2.95%

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 89 years for men (2019: 88 years) and 90 years for women (2019: 89 years). For pensioners currently aged 65, life expectancies have been estimated as 87 years for men (2019: 87 years) and 89 years for women (2019: 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 consumer 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 37.1% 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 2020 £'000	31 December 2019 £'000
Current service cost (Company)	**24**	19
Net interest (on net defined benefit asset)	**(3)**	64
Past service cost	**64**	-
Scheme administration expenses	**59**	-
Total amount recognised in the Consolidated Income Statement	**144**	83

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS (CONTINUED)

GMP equalisation

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds bank GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The results of this mean that:

- Trustees are obliged to make transfer payments that reflect equalised benefits and are required to make top up payments where this was not the case in the past;
- A DB scheme that received a transfer is concurrently obliged to provide equalised benefits in respect of the transfer payments; and
- There were no exclusions on the grounds of discharge forms, CETV legislation, forfeiture provisions or the Limitation Act 1980.

As a result of this ruling, an assesment of the increase in liabilities of the pension scheme has been made and a resulting charge of £64,000 has been recognised as a past service cost in the year.

The current and past service cost is included in employee benefits expense and the net interest credit is included within interest receivable.

Amounts recognised in other comprehensive (expense) / income relating to the Group's defined benefit plan are as follows:

Remeasurements recognised in other comprehensive (expense) / income	**31 December 2020 £'000**	31 December 2019 £'000
Actuarial gains on assets	**1,782**	3,840
Experience adjustment	**1,169**	408
Actuarial losses from changes in financial assumptions	**(3,491)**	(3,247)
Changes in demographic assumptions	**385**	687
Other movements	**-**	16
Total (loss) / gain recognised in other comprehensive (expense)/ income	**(155)**	1,704

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 2021. The weighted average duration of the defined benefit obligation at 31 December 2020 is 17 years (2019: 20 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 2020 £'000	**31 December 2020 %**	31 December 2019 £'000	31 December 2019 %
Increase in discount rate by 0.5%	**(2,256)**	**-7.00%**	(2,315)	-8.00%
Increase in price inflation adjustment by 0.5%	**478**	**2.00%**	579	2.00%
1 year increase in life expectancy	**1,696**	**6.00%**	1,158	4.00%

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

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

27. AUDIT EXEMPTION STATEMENT

Under section 479A of the Companies Act 2006 the Group is claiming exemption from audit for the subsidiary companies listed below. The parent undertaking, Nichols plc, registered number 238303, guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year (being the year ended 31 December 2020 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	1481282
Beacon Drinks Limited	1732905
Ben Shaws Dispense Drinks Limited	231218
Cabana Soft Drinks Limited	938594
Dayla Liquid Packing Limited	603111
Dispense Solutions (Wales) Limited (year ended 30 September 2021)	8671127
DJ Drink Solutions Limited (year ended 31 May 2021)	5787898
Festival Drinks Limited	1256006
Nichols Dispense (S.W.) Limited	8766560
The Noisy Drink Company North West Limited	5024347
The Noisy Drinks Co. Limited	5905631
Vimto (Out of Home) Limited	8795779

28. CONTINGENT LIABILITY

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

If HMRC pursues its current position and is successful in its argument, then the Group may have to pay up to £3.4m (2019: £3.2m) in Income Tax and National Insurance. In addition, the Group may have to pay up to £0.7m of interest to HMRC that hadn't previously been included.

The employees who are party to the contracts have formally indemnified the Group in relation to income tax and employees' National Insurance and an amount of up to £2.6m (2019: £2.4m) can be requested from them.

The Directors have obtained external advice and on the basis of this do not believe that the Group has a liability for any additional tax or National Insurance. The tribunal appeal is being heard through spring 2021. In common with such disputes with HMRC it may take some time to settle and the Directors are unable to assess how long this will take and the timing of any potential settlement if required. As at the date of this report, there has been no significant progress in the case to note since this time last year.

29. EMPLOYEE SHARE SCHEMES

The Group operates three equity-settled share-based payment schemes; a Save As You Earn (SAYE) scheme open to all employees; and a Long-Term Incentive Plan (LTIP) for certain Directors and Senior Executives and an Executive matching share award scheme for certain Directors and Senior Executives. All schemes comprise the grant of options under the Group's share option schemes.

LTIP

There are three LTIPs in place. Awards made under the LTIP vest provided the participant remains under employment within the 3-year vesting period and based on the performance of the Group against Adjusted Profit Before Tax growth targets. Awards made under the LTIP have a £nil exercise price. There were no LTIPs granted during the year.

The weighted average fair value of LTIP awards at their grant date in previous years are set out below. The fair value is calculated using the Black-Scholes valuation model.

	Awards	Share price on grant date £	Expected dividend yield	Risk free rate	Volatility	Fair value per award £
2017 LTIP	156,295	17.14	1.92%	1.80%	17.70%	16.18
2018 LTIP	32,063	15.60	1.92%	1.80%	17.70%	14.73
2019 LTIP	47,245	17.67	1.92%	1.80%	17.70%	16.68

The movement of outstanding LTIP awards during the year is also set out below.

	Awards outstanding at 1 January 2020	Exercised	Lapsed	Awards outstanding at 31 December 2020
2017 LTIP	156,295	(7,459)	(128,162)	**20,674**
2018 LTIP	32,063	-	-	**32,063**
2019 LTIP	47,245	-	-	**47,245**

Of the total number of options outstanding at 31 December 2020, 20,674 (2019: nil) had vested and were exercisable.

The weighted average remaining life of LTIP awards at 31 December 2020 is 1.0 years.

The share price on the vesting date of the awards vested in the year was £13.40.

SAYE

The Group's SAYE scheme is open to all employees. To participate in the scheme, the employees are required to save an amount of their gross monthly salary, for a period of 36 or 60 months. At the end of the 36 or 60 month period the employees are entitled to purchase shares using funds saved at a price of 20% below the market price at grant date. Only employees that remain in service and save the required amount of their gross montly salary for 36 or 60 consecutive months will become entitled to purchase the shares.

The weighted average fair value of SAYE options at their grant date in previous years are set out below. The fair value is calculated using the Black-Scholes valuation model.

NOTES TO THE FINANCIAL STATEMENTS-YEAR ENDED 31 DECEMBER 2020

	Options	Exercise price per option £	Share price on grant date £	Expected dividend yield	Risk free rate	Volatility	Fair value per option £
2015 5 year	5,767	9.51	11.94	1.93%	1.39%	23.30%	1.41
2016 5 year	2,955	9.94	12.80	2.27%	0.97%	22.80%	3.22
2017 3 year	28,190	14.57	19.20	1.93%	0.19%	23.30%	3.13
2017 5 year	7,359	14.57	19.20	1.93%	0.51%	21.50%	1.95
2018 3 year	26,145	12.25	14.28	1.87%	0.82%	24.50%	1.99
2018 5 year	4,035	12.25	14.28	1.87%	1.12%	23.40%	2.86
2019 3 year	27,789	12.84	16.90	1.87%	0.79%	25.50%	2.29
2019 5 year	6,304	12.84	16.90	1.87%	0.91%	25.40%	2.19
2020 3 year	103,095	7.93	11.35	1.87%	0.09%	31.30%	3.33
2020 5 year	15,014	7.93	11.35	1.87%	0.09%	31.30%	4.14

The movement of outstanding SAYE options during the year is also set out below.

	Options outstanding at 1 January 2020	Granted	Exercised	Lapsed	Options outstanding at 31 December 2020
2015 5 year	5,767	-	(2,553)	(3,214)	**-**
2016 5 year	2,955	-	-	-	**2,955**
2017 3 year	22,216	-	(11,066)	(11,150)	**-**
2017 5 year	4,890	-	-	(3,145)	**1,745**
2018 3 year	26,145	-	-	(11,369)	**14,776**
2018 5 year	3,497	-	-	-	**3,497**
2019 3 year	27,789	-	-	(13,073)	**14,716**
2019 5 year	6,304	-	-	(1,495)	**4,809**
2020 3 year	-	103,095	-	(1,428)	**101,667**
2020 5 year	-	15,014	-	-	**15,014**

The weighted average remaining life of SAYE awards at 31 December 2020 is 2.4 years. Volatility has been determined using statistical analysis of the Group share price over a 3 or 5 year period preceeding the grant date. The share price on the vesting date of the awards vested in the year was £12.90.

The equity-settled share based payment charge recognised in the year is as follows:

	2020 £'000	2019 £'000
LTIP	**(92)**	(199)
SAYE	**269**	-
Total charge / (credit)	**177**	(199)

Executive matching share awards

On 18 December 2020 the Group made awards of 17,402 share options to two Executive Directors. The awards, equal to 50% of their annual salaries at the date of award, will vest on the third anniversary based on the number of Ordinary Shares purchased and retained by the Directors over the vesting period of the award. The awards will be matched on a 1:1 basis for every Ordinary Share purchased. No other performance conditions apply.

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue	**118,657**	146,985	142,037	132,789	117,349
Adjusted operating profit	**11,654**	32,439	31,638	30,543	30,325
Exceptional items	**(5,074)**	-	-	(1,801)	-
Operating profit	**6,580**	32,439	31,638	28,742	30,325
Net finance (expense) / income	**(40)**	(17)	115	(20)	1,167
Profit before taxation	**6,540**	32,422	31,753	28,722	31,492
Taxation	**(1,686)**	(5,587)	(6,238)	(5,548)	(6,015)
Profit after taxation	**4,854**	26,835	25,515	23,174	25,477
Dividends paid	**(10,338)**	(14,466)	(12,803)	(11,213)	(9,806)
Retained earnings movement	**(5,484)**	12,189	12,712	11,961	15,671
Earnings per share - (basic)	**13.14p**	72.81p	69.23p	62.88p	69.13p
Earnings per share - (diluted)	**13.13p**	72.77p	69.19p	62.81p	69.07p
Earnings per share - (basic) before exceptional items	**25.56p**	72.81p	69.23p	67.76p	66.18p
Earnings per share - (diluted) before exceptional items	**25.54p**	72.77p	69.19p	67.69p	66.12p
Dividends paid per share	**28.00p**	39.20p	34.70p	30.40p	26.60p

2021 ANNUAL GENERAL MEETING

Our preference had been to welcome shareholders in person to our annual general meeting (the 'AGM'), particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. However, at present under UK Government guidelines, shareholders are unable to attend the AGM in person. We are therefore proposing to hold the AGM with the minimum attendance required to form a quorum.

Although shareholders will not be able to attend the AGM this year, shareholders' views remain important to us. We would therefore like to take this opportunity to encourage all shareholders to exercise their votes by appointing the Chair of the meeting to act as their proxy. **The deadline for receipt of proxies is 11 a.m. on 26 April 2021.**

We would also encourage shareholders to ask questions that they would have raised at the AGM. Questions should be submitted via AGM2021@nicholsplc.co.uk to be received no later than 11 a.m. on 26 April 2021. Answers to questions will be published on our website as soon as practicable following the AGM.

The Board is closely monitoring developments in relation to the COVID-19 pandemic and the related UK Government guidelines and will provide an update by an announcement via a Regulatory Information Service if any further changes are required to the AGM arrangements.

Notice is hereby given that the twenty ninth Annual General Meeting (the 'AGM') of Nichols plc (the 'Company') will be held at Nichols plc, Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, Merseyside, WA12 0HH on Wednesday, 28 April 2021 at 11 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 2020.
2. To declare a final dividend for the year ended 31 December 2020 of 8.8 pence per ordinary share of £0.10 in the capital of the Company, to be paid on 6 May 2021 to shareholders whose names appear on the register of members at the close of business on 26 March 2021.
3. To re-elect Helen Keays, who retires by rotation, as a Director of the Company.
4. To elect James Nichols, who has been appointed by the Board since the last AGM, as a Director of the Company.
5. To reappoint BDO LLP as auditors of the Company.
6. To authorise the Directors to determine the remuneration of the auditors.
7. That, pursuant to section 551 of the Companies Act 2006 ("Act"), the Directors be and are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,232,292.40 (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 27 July 2022 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

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

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

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

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

8.2 otherwise than pursuant to paragraph 8.1 of this resolution, up to an aggregate nominal amount of £184,843.86 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 27 July 2022 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under sections 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

9.1 the maximum aggregate number of Shares which may be purchased is 3,696,877:

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

9.3 the maximum price (excluding expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 27 July 2022 (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

David Rattigan
Secretary
3 March 2021

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 2020.

2. Biographical details of Ms Helen Keays and Mr James Nichols, who are offering themselves for re-election and election respectively, are set out on pages 68 and 69 of this document.

3. **Entitlement to attend and vote**
In light of the UK Government's guidance relating to COVID-19, shareholders will not be permitted to attend the AGM in person.
The right to vote at the meeting is deterred 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, 26 April 2021 (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 vote 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 vote.

4. **Appointment of proxies**
A member is entitled to appoint another person as his or her proxy to exercise all or any of his rights to vote at the meeting. In light of the UK Government's current guidance on COVID-19 restrictions, proxies other than the Chairman of the AGM will not be admitted to the AGM in person while such measures prohibit their attendance, therefore members appointing a proxy are strongly recommended to appoint the Chairman of the AGM to be their proxy in order that their vote can be counted.

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 registrars at: Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. 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. In normal circumstances, the appointment of a proxy would not preclude a member from attending and voting in person at the meeting. However, as noted above, members will not be permitted to attend this AGM in person due to the ongoing restrictions relating to the COVID-19 pandemic.

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 Group ('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 may 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 Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

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, 26 April 2021 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting).

7. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be

able to take 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 Registrars, Link Registrars (CREST ID RA10) no later than 11.00 a.m. on Monday 26 April 2021) (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 members is a CREST personal member or sponsored member or has appointed a voting service provider(s) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by an 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 8 March 2021 (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 53,091 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 8 March 2021 are 36,915,681.

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.

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING

28 April 2021

INTERIM RESULTS ANNOUNCED

21 July 2021

WE MAKE LIFE taste BETTER

Laurel House, Woodlands Park,
Ashton Road, Newton-Le-Willows, WA12 0HH.
01925 22 22 22.
www.nicholsplc.co.uk

We are

VIMTO®

EST. 1908 / MCR

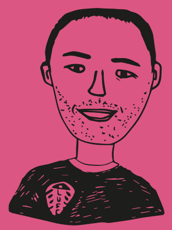
Looking AFTER OUR PEOPLE HAS NEVER BEEN SO important!

Introducing some of the people behind Nichols plc.

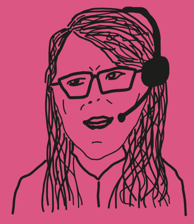
Jen
Creative

Debbie
Category

Jon
Sales



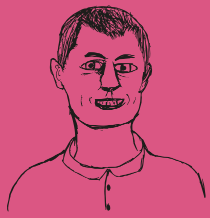
Danny
Sales



Diane
IT

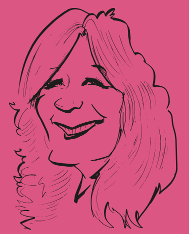
Allan
IT & PMO

Carol
International

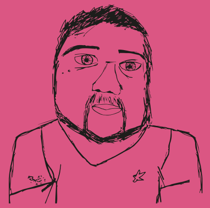


Jamie
IT

Robert
International

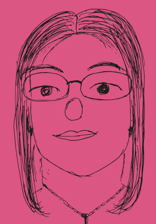


Marnie
Senior Leadership Team



Chris
Operations

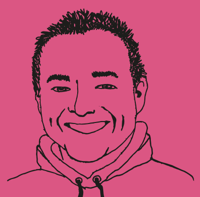
Gab
People Team



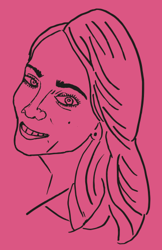
Helen
The Board

Sean G
Finance

Leah
Out of Home



Matt
International

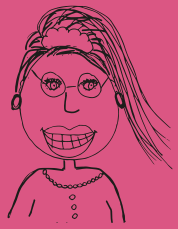


Emma
Finance

Gavin
Out of Home

Anthony
Out of Home

Kelly
Out of Home



Lucy
Out of Home

Geoff
Out of Home

Neil
Out of Home

Paul J
Out of Home

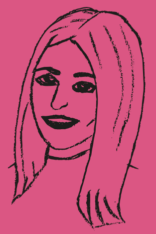
Becky U
Marketing

Mike
Out of Home

Leanne
Out of Home

Harry
Out of Home

Craig P
Out of Home



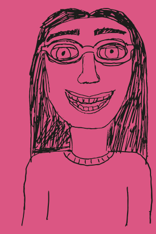
Claire
Legal

Alistair
Out of Home

Mike
International

Lee
IT

Jo
Operations

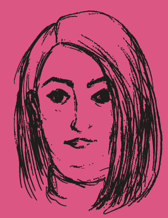


Becky
Innovation R&D

Jess
Marketing

Nick
Technical

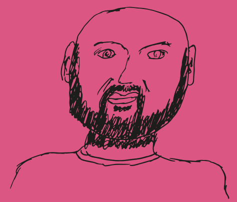
Andrew
CEO



Marcella
Operations

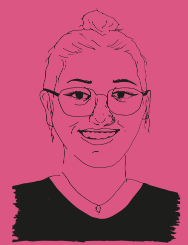
Ange
Marketing

Gillian
International

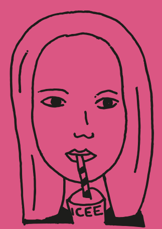


Mark
Operations

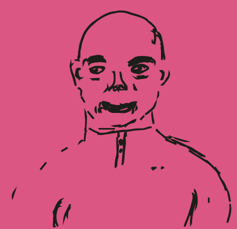
Shiraz
Operations



Kinj
Creative

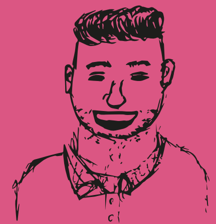


Becky W
Marketing



Nigel
IT

Thomas
Health & Safety



Nathan
IT

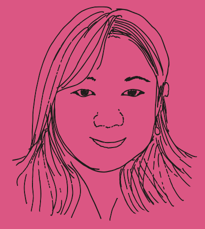
Mairi
Operations

Peter
Sales

Hannah
Creative

Lisa
People Team

John
Creative



Adeline
Innovation R&D

Ste
Sales

Ed
Venture Brands

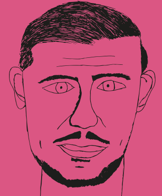
Thorsten
Technical

Zac
Out of Home

Janette
Operations

Renee
Innovation R&D

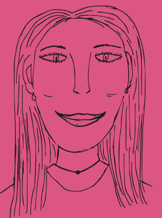
Tristan
International



Nick O
Sales

Alex
Marketing

Michael
International

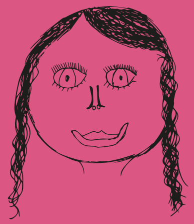


Helen
Brand Licensing

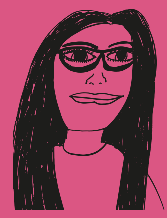
Sean
Finance

James N
Out of Home

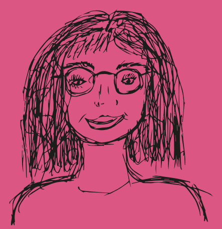
Gary
Finance



Mia
Sales



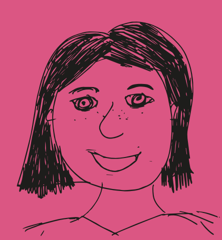
Tayla
Out of Home

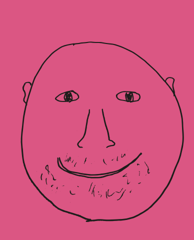


Katy
International


Paul
Category


Simon
Sales


Rachel
Finance


Jon
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Sam
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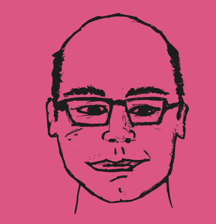
Jason
International


Scott
Sales


Emma
Marketing


Tim
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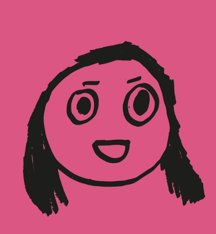
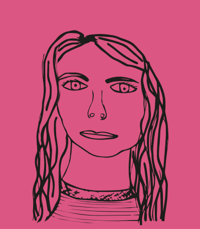

Steph
Finance

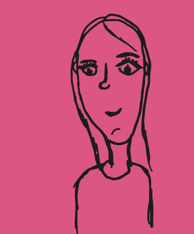

Nick
Out of Home


Adam J
Operations


Chris
People Team


Trudy
Out of Home


Johnny
International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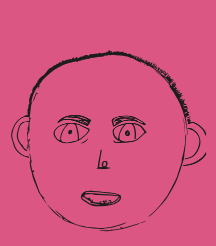
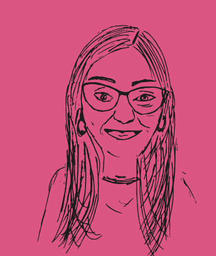
Marketing

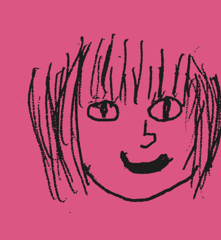

Josh
Sales


Adam A
Operations


Claire
Out of Home


Paul
Finance

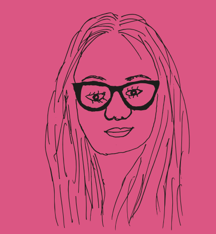

Stephen
Out of Home


Jenni
Finance

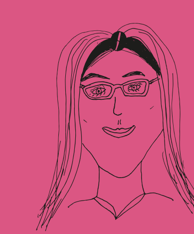

Lisa
Out of Home

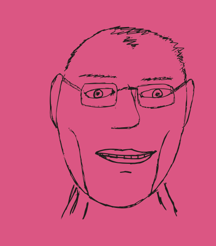

Richard
Innovation R&D


David
Marketing

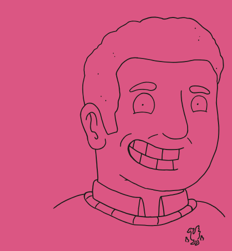

Becky
Finance


Matt
Out of Home


Claire
Sales


Huw
Out of Home


Gary
Sales


David
Finance


Craig
Out of Home

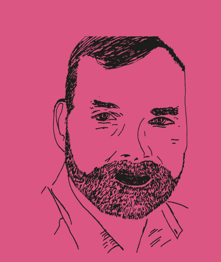

Nick G
Sales

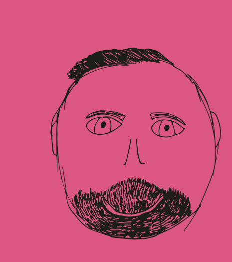

Mark
Finance

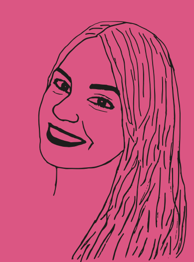

Sarah
Technical


Dan
Sales


Hazel
Finance


Nick M
Out of Home


Sean
Sales


Helena
Finance

Nichols plc