

WE MAKE LIFE BETTER • WE MAKE LIFE BETTER •
taste *taste*

WE
ALL
LOVE
VIMTO®

THE *delicious*
family DRINK

Welcome to the 2021 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, SLUSH PUPPIE, Levi Roots and Sunkist.

OUR BRANDS



OUR PORTFOLIO.

At Nichols we are proud to offer a leading portfolio of distinctive and iconic brands, which meet a variety of consumer needs and occasions in a range of product formats – packaged, frozen, post mix and coffee.

PACKAGED.

VIMTO®

Vimto, the iconic refreshingly different soft drink that has it all. Created in Manchester in 1908 by John Noel Nichols, Vimto was originally designed as a herbal tonic to give its drinkers 'Vim and Vigour'. For over 100 years, we have been mixing our secret recipe – a blend of fruits, herbs and spices – to produce a unique and irresistible range of drinks.

Today, we're the 9th most chosen beverage brand in the UK*, and enjoy a Global footprint consumed by consumers in 73 countries around the world. Our Vimto range includes squash, carbonates, still drinks, flavoured

water and frozen. With a choice of unique flavours and Original and No Added Sugar options, there are lots of ways to enjoy Vimto. This also includes our extensive range of licensed products – from pancake mixes and home baking kits, to desserts and confectionery.



OUR BRANDS

*Kantar – British Brand Footprint 2021



Levi Roots

Levi Roots is one of the UK's best loved and most successful entrepreneurs. In 2010, we were proud to gain the licence to create Levi's range of carbonated soft drinks - a mouth-watering taste of the Caribbean. These delicious, tropical fruit flavours each put a little "music in your glass".

Sunkist

Experience the taste of California with Sunkist, which has been making waves since 1978. Our Sunkist products reflect the brand's Californian roots of sun, sand and surf and make Sunkist a firm favourite across the UK. Available in six refreshing low sugar flavours.

FEEL GOOD
BE KIND

Feel Good is a naturally flavoured range of fruitful sparkling waters available in three unique flavours. Feel Good has a mission to 'make the world feel better one sip at a time' and through the '3% for People and Planet Fund' the brand donates 3% of gross to initiatives that support people and planetary wellbeing and we have a commitment to be net zero by 2030.



OUT OF HOME.

We're a one stop shop for the UK's hospitality and leisure industry with the widest range of soft drinks brands, for post mix, frozen, and coffee occasions.

FROZEN.

We are the UK's leading frozen beverage supplier with a range of enviable category leading brands.



Frozen, fizzy and full of flavour, there's no other slush like the world's No.1 brand - ICEE. A favourite in the USA and around the globe since 1967, ICEE is the Swizzle Fizzle Freshy Freeze frozen drink. Our ICEE range can be found chilling in some of the UK's largest cinema chains and premium leisure venues.



OUR BRANDS



Starlush is the UK's favourite frozen drink, available in over 5,500 outlets across the UK. The brand has a full range of fabulous flavours. It's vegan friendly, sugar free and contains vitamins A, C and E. So you can feel good about quenching your thirst and tingling your taste buds with Starlush, the perfect addition to any day out.

SUPER CHILL. SUPER TASTIE.



OUR BRANDS

The Original
SLUSH PUPPIE

SLUSH PUPPIE, the original iconic frozen drink that has been putting a smile on families faces for over 50 years across the world. Available in a range of four delicious fruit flavours. It's vegan friendly, sugar free and contains Vitamins A, C and E. The perfect combination of frozen, healthy fun for all to enjoy.



OUR BRANDS



Working in partnership with Jacobs Douwe Egberts – one of the largest coffee roasters in the world, we supply high quality coffee blends including Douwe Egberts, L'OR, Kenco, Tassimo and the unique liquid coffee concept Cafitesse.



We have the widest and unrivalled range of owned and licensed post mix brands across the marketplace.

- Vimto
- Coca cola
- Coke zero
- Diet Coke
- Pepsi
- Irn-Bru
- Ocean Spray
- Sunkist
- V Range



CONTENTS

2021 NICHOLS PLC ANNUAL REPORT



STRATEGIC REPORT

KEY PERFORMANCE INDICATORS	16
CHAIRMAN'S STATEMENT	18
OUR BUSINESS MODEL	20
CHIEF EXECUTIVE OFFICER'S REPORT	22
HAPPIER FUTURE REPORT	36
CHIEF FINANCIAL OFFICER'S REPORT	54
RISK MANAGEMENT	60
SECTION 172 REPORT	60

GOVERNANCE

THE BOARD	74
CORPORATE GOVERNANCE STATEMENT	76
AUDIT COMMITTEE REPORT	84
REMUNERATION COMMITTEE REPORT	88
NOMINATION COMMITTEE REPORT	96
DIRECTORS' REPORT	98

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT	104
CONSOLIDATED INCOME STATEMENT	112
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	112
STATEMENT OF FINANCIAL POSITION	113
CONSOLIDATED STATEMENT OF CASH FLOWS	114
PARENT COMPANY STATEMENT OF CASH FLOWS	115
STATEMENT OF CHANGES IN EQUITY	116
NOTES TO THE FINANCIAL STATEMENTS	118
UNAUDITED FIVE YEAR SUMMARY	158
NOTICE OF ANNUAL GENERAL MEETING	159
GENERAL NOTES	161
FINANCIAL CALENDAR	161



STRATEGIC REPORT



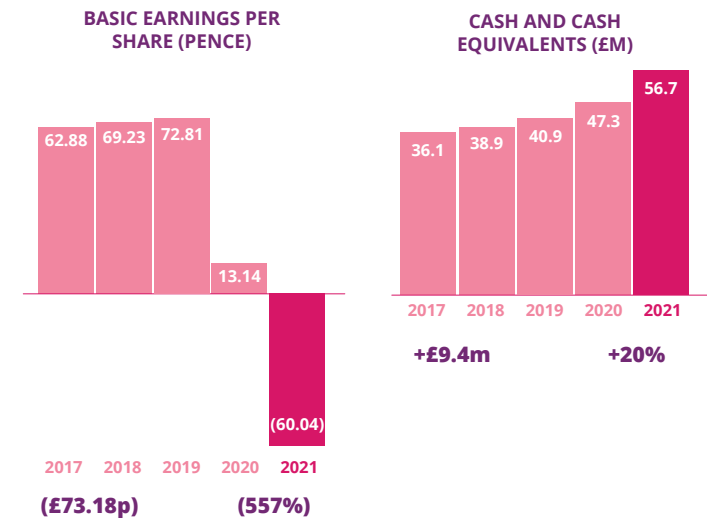
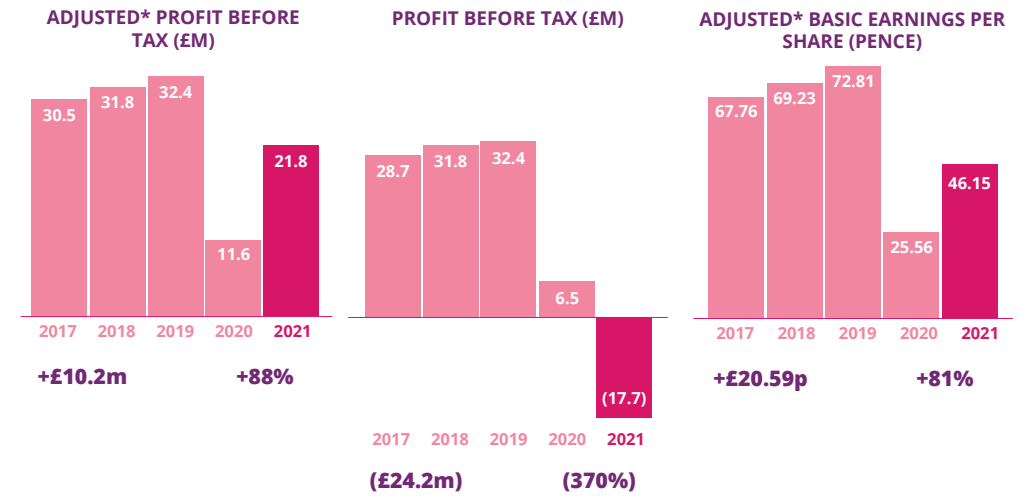
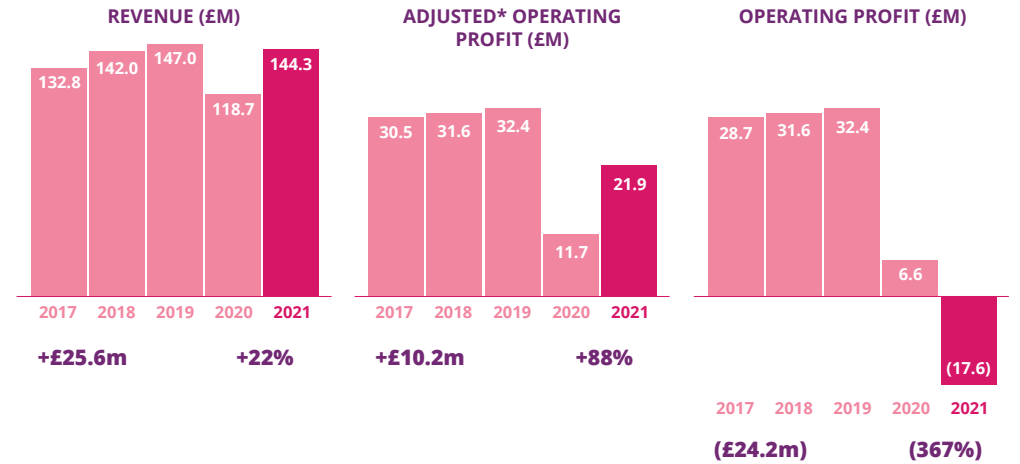
KEY PERFORMANCE INDICATORS	16
CHAIRMAN'S STATEMENT	18
OUR BUSINESS MODEL	20
CHIEF EXECUTIVE OFFICER'S REPORT	22
OUR HAPPIER FUTURE REPORT	36
CHIEF FINANCIAL OFFICER'S REPORT	54
RISK MANAGEMENT	60
SECTION 172 REPORT	60

01

KEY PERFORMANCE INDICATORS



STRATEGIC REPORT



VIMTO®
BRAND
VALUE
IS NOW OVER
€100M*

*Source: Nielsen, Total coverage 12 months to 1 January 2022.

*Excluding exceptional items set out within note 4 of the financial statements

THE CHAIRMAN'S STATEMENT



NON-EXECUTIVE CHAIRMAN

JOHN NICHOLS

The continued strengthening of the Vimto brand, both in the UK and internationally, combined with the benefits of our diversified business model, has ensured another resilient financial performance in the period. We have achieved significant outperformance of the Vimto brand in dilutes in the UK, and we delivered solid growth internationally, particularly in Africa where we continue to grow, and critically delivered a robust performance in the Middle East. In this, my 50th year with the Group, I would like to wholeheartedly thank everyone for their efforts.

The Coronavirus pandemic has continued to present significant challenges for us all throughout 2021. Our first and most important objective continued to be the protection and wellbeing of our employees and customers. Throughout these difficult times, I have been delighted to witness how our colleagues have pulled together and consistently demonstrated their values and commitment to our business.

As Out of Home (OoH) recovers from the impact of the pandemic, management focus has ensured a strengthening of our balance sheet in the period, with cash and cash equivalents at the end of the period at £56.7m (2020: £47.3m). We are now well positioned to deliver our long-term growth plans as the impact of the pandemic subsides.

TRADING

Total Group revenues for the period were £144.3m, an increase of 21.6% compared to 2020 and importantly, broadly in line with pre-Covid 2019 levels.

Both the Still and Carbonates product categories have recovered strongly in the period. Revenue of Still products increased by 10.2% to £72.4m (2020: £65.7m), now ahead of 2019 (£71.7m), driven by the strong performance of the Vimto Squash brand in the UK. Revenue from Carbonated products increased 35.8% to £71.9m (2020: 53.0m; 2019: £75.3m), driven largely by the gradual recovery of the Group's OoH route to market as outlets reopened, and by strong growth in Africa.

In the UK, revenue increased by 21.8% versus last year to £111.6m (2020: £91.6m) as the OoH route to market recovered and the Vimto brand progressed. For the first time, Vimto brand's value in the UK has exceeded £100m, and increased by +6.3% according to Nielson¹,

with Vimto Squash outperforming the dilutes market by +10.4%.

Sales across our International markets were £32.7m, an increase of 21.0% (underlying +9.8% adjusting for the impact of the completion of the Group's marketing investment in the Middle East) versus the prior year (2020: £27.0m). Performance in Africa at +17.1% was particularly pleasing given the long-term opportunity presented by these markets.

SHARE BUY BACK

On December 14, 2021, the Group announced its intention to conduct on-market purchases under a share buyback programme to repurchase up to 453,486 ordinary shares of 10p each in the capital of the Group (the "Ordinary Shares"), representing up to approximately 1.2 per cent of the Group's issued share capital, pursuant to the authority obtained at the Group's most recent annual general meeting, held on 28 April 2021 (the "Buyback").

The purpose of the Buyback is to meet future obligations under the Group's SAYE Option Scheme and/or Long-Term Incentive Plan. The Buyback will be funded from the Group's existing cash resources and all Ordinary Shares repurchased will be held in treasury. Repurchases may be made up to and including 23 August 2022. Any repurchases made following the Group's 2022 annual general meeting will be conditional on further shareholders' approval being obtained. During December 2021, the Group repurchased 68,000 Ordinary shares under this authority, with a nominal value of £6,800.

DIVIDEND

In 2020 the Board advised a dividend policy of broadly 2x cover, which balances shareholder distributions with the investment needs and growth opportunities of the business post-pandemic.

The Board therefore propose a final dividend of 13.3p, which together with the interim, results in a full year

dividend for 2021 of 23.1p. The ex-dividend date will be 24 March 2022 and payment will be made on 5 May 2022 subject to shareholder approval at the Group's AGM on the 27 April 2022.

OUTLOOK

The Group enters 2022 with excellent momentum and in a strong financial position. The Group's Adjusted PBT² expectations for the year FY22³ are unchanged, whilst we remain mindful of the well-publicised inflationary pressures which are now being realised.

In the medium term for 2023 we expect continued revenue growth as well as inflationary and legislation cost pressure. We expect to see, high single digit growth in Group Adjusted PBT versus FY22.

The Board believes the Group is well positioned to deliver against its long-term growth plans.

¹ Nielsen Total Coverage 12 months to 1 January 2022

² Excluding exceptional items

³ FY22 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m

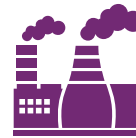
John Nichols
Non-Executive Chairman
1 March 2022

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.



Consumers

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



Retailers

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



Transport

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



CHIEF EXECUTIVE OFFICER'S REPORT



CHIEF EXECUTIVE OFFICER

ANDREW MILNE



MY BEVERAGE OF CHOICE

No brainer – Vimto Fizzy Raspberry, Orange and Passionfruit (in a can!)

I am extremely proud of what we have achieved during 2021 which has once again proved to be a very challenging year against a backdrop of issues for our industry and society. Our priority in 2021 as it was in 2020 when the Covid-19 pandemic started has been to protect the safety and wellbeing of our people, continue to serve our customers and support the local communities in which we work.

I would like to say an enormous thankyou to every single member of the Vimto team who have worked tirelessly to ensure we have delivered against these priorities in often difficult and demanding circumstances.

The value of the Group's diversification across both the UK and internationally has once again in 2021 proved to be pivotal to the success the business has achieved. The Vimto brand has been the driving force of growth both at home and abroad, and its unique flavour and taste continues to be loved by consumers around the globe.

I would like to say an enormous thankyou to every single member of the Vimto team who have worked tirelessly to ensure we have delivered against these priorities in often difficult and demanding circumstances.

One of the key challenges during the year has been maintaining the availability of our products in our customers' outlets. Globally, we have seen a number of shortages on key ingredients, logistical challenges and insufficient labour availability in certain markets. I am pleased we have shown extremely strong resilience to maintain excellent service levels and ensure our consumers can still enjoy our brands every day through our enhanced focus on operational excellence.

The soft drinks market in the UK has proved to be extremely resilient during 2021. Growth in the UK on-trade sector has been strong as we observed fewer restrictions and closures across the hospitality sector versus 2020. Within the UK retail sector, the momentum that was built in 2020, as more people consumed products at home, has continued into 2021 with robust growth being delivered both in stores and via growing online platforms.

All the international geographies we operate in have suffered a number of challenges similar to those felt in the UK, but our brands have shown to be very resilient and demonstrated their strength. Our continued focus on driving growth across a range of global markets throughout the year has proved beneficial. We have delivered excellent in-market execution across the Middle East, Africa, Europe and the USA. As a result, we have driven growth and market share gains in all these markets.

We continue to build long-term partnerships with several key customers and distributors both in the UK and abroad who I would like to thank for their continued loyalty and support.

UK Soft Drinks

(Statistics given below are as measured by Nielsen for the 12 months to 1 January 2022.)

In 2021, volumes in the £9.6bn UK soft drinks market grew by +2.3%, whilst value sales grew by +8.5% versus the prior year. Within the soft drinks market, the strongest value growth was delivered across the Energy, Water and Flavoured Carbonates sub-categories, whilst Mixers, Dilutes and Lemonade all suffered declines versus 2020.

The soft drinks category remains intensely competitive and promotionally driven. However, we continue to add value by focusing on strong in-market execution, product innovation and new distribution gains.

For the first time in its 113 year history, the Vimto brand achieved value sales worth in excess of £100m, a significant milestone and an achievement that all of our people should be extremely proud of.

Within the UK packaged sector, our dilutes portfolio delivered very strong growth. It significantly outperformed the market and gained share versus our

competitors. As a result of this out performance, we have firmly consolidated our position as the No.2 brand in the dilutes market.

Our still Ready-to-Drink portfolio delivered double digit growth in the UK marketplace, with our 500ml range being the standout performer across all the sectors it operates in.

It is also pleasing that our carbonates range delivered +8.8% growth, driven by our performance across our cans portfolio.

Delivering strong growth across all three sub-categories we operate in has been encouraging against the tough market conditions we faced during 2021.

We have also continued to ensure that all of our new product innovation and marketing activity heavily focuses on driving our 'No Added Sugar' ranges as part of our healthier future strategic commitments and, as a result, we have made strong progress across the year.

In 2021, innovation has again been at the core of our growth. We have launched two new flavours across the range and moved our broader flavours range into a 2L dilutes format. We have also fortified our dilutes

portfolio with the addition of Vitamin C and D and brought to market a brand new look to our packaging. Launching new flavours and concepts are crucial to ensuring we attract new consumers to the Vimto brand and stay relevant to their changing needs and tastes.

Core to the brand's growth in 2021 has been the introduction of our new marketing campaign Find Your Different, which first aired in the spring. It was launched with two through the line executions – one focused on a masterbrand campaign to drive top of mind awareness and a dilutes vitamin D campaign to target parents and families. It was a fully integrated campaign across TV, Video on Demand, Digital, Outdoor and Social. We also ensured we supported the activity in store across our key national accounts.

FIND YOUR DIFFERENT®



OUR CARBONATES RANGE HAS DELIVERED +8% GROWTH

ADDED VITAMINS C&D



NO.2 SQUASH BRAND IN THE UK

SOURCE OF VITAMINS C&D

OUR STANDOUT PERFORMER

ALL OF OUR BOTTLES ARE 100% RECYCLABLE



FEEL GOOD
BE KIND

CHOOSE TO BE KIND
3%
FOR PEOPLE & PLANET



OUR FEEL GOOD RANGE



27 CALORIES PER CAN



NO ADDED SUGAR



100% NATURAL INGREDIENTS

During 2021, we relaunched our Feel Good brand into the marketplace. We have repositioned the brand as a 100% natural product with a strong set of ESG commitments. We have successfully started to build distribution both in single and multipack formats across the retail, foodservice and convenience channels in the UK.

100% NATURAL INGREDIENTS



PUT SOME MUSIC IN YOUR Glass
Levi Roots *with* Levi Roots

Our Levi Roots brand had another successful year in 2021. Strong growth of +24.7% was achieved, with the core flavours and pack formats delivering this uplift. The key focus has been on new distribution gains and strong in-market execution.

We continue to work in partnership with all our customers across the UK grocery, foodservice, wholesale and discount channels. It has been more important than ever during 2021 to have these strong relationships in place, and we will continue to put our customers' needs at the heart of what we do to ensure all our consumers can enjoy our products every day.

STRONG GROWTH OF
STRONG GROWTH OF
STRONG GROWTH OF
25%



THE LEVI ROOTS TEAM AT THE BARCODE FESTIVAL





THE UK ON-TRADE

Following an extremely tough year in 2020 for the UK On-Trade, we have seen the sector recover strongly in 2021 as outlets reopened. However, the industry has had to face challenges with

some restrictions still in place impacting footfall, as well as staff shortages and logistics issues.

New trends have emerged across the sector due to the pandemic, with consumers now much more positive about "al fresco" dining and visiting outdoor hospitality venues, a boom in the suburbs as people are shifting away from visits to city centres and consumers adopting a "live for the moment" mindset.

I am pleased with our progress across our Out of Home (OoH) business, as we have delivered +77.4% sales growth versus 2020. However, versus 2019, the channel is still down -31.4% due to some restrictions remaining in place.

Encouragingly, year-on-year growth has been delivered across all the channels we operate in within OoH. A key driver of this has been due to the support we have provided to our customers throughout the last two years, which has enabled them to reopen their businesses as restrictions have eased. As a result, we have also retained a number of key contracts with important customers.

Innovation remained important during 2021, and we launched ICEE and Starlush ZERO (no sugar) products to complement our current ranges. These launches support our ambition to offer consumers balanced and healthier choices. Consumer feedback to date has been extremely positive regarding the new additions.

STRATEGIC REPORT

During the year, we continued to ensure we invested in exciting marketing campaigns across the sector, which included in-outlet and digital campaigns.

Finally, we secured a long-term agreement to be the exclusive partner to distribute the global No.1 uncarbonated frozen brand - SLUSH PUPPIE.

However, the OoH drinks market has been significantly impacted by the pandemic with the prolonged closure of many outlets. Whilst recognising the hospitality trade has shown growth and is beginning to return to pre-Covid-19 levels, it is doing so at a pace slower than previously forecast and the margin progression after overheads anticipated previously is now not likely to be achieved without transformational change, in terms of how the Group services the trade and its wider customer base. Therefore, a full strategic review into the Group's OoH route to market has commenced.

Throughout 2021 we continued to focus on supporting our customers and partners across our entire OoH channel. Ensuring that our valued customers received the right service to guarantee product availability during the various challenges the industry encountered has demonstrated the resilience of our supply chains and delivery model. I am extremely proud of the team's focus and commitment to support our partners during this challenging period and throughout the ongoing recovery from the impact of the pandemic.

SUPER CHILL. SUPER TASTIE.

CONTAINS ZERO SUGAR VITAMINS A,C,B,E





VIMTO INTERNATIONAL

During 2021 the challenges presented by the Covid 19 pandemic and supply chain restrictions in the UK have been echoed across all our International markets. Considering these challenges, I feel extremely proud that the teams have delivered +21.0% sales growth versus 2020. It is particularly pleasing that this growth has been delivered across all our key markets through strong execution, innovation, new and exciting marketing campaigns and new distribution wins.

Our growth across the African continent in 2021 has been extremely strong, delivering sales growth of +17.1% versus last year. This has been delivered through a combination of our integrated marketing campaigns, new flavours, extending our pack formats and a strong focus on market execution in a number of our core markets. In Algeria, we launched a new 2L pack format across our carbonates range. This was aimed at capturing the take home/multi-serve opportunity in the market and has been well received by our customers and consumers across the country. In Sudan, we launched a range of still products to extend our portfolio in this market. We have invested in strong marketing campaigns to drive consumer awareness and the resulting sales performance has been positive.

The Middle East market has once again proved extremely resilient, delivering +33.6% sales growth versus 2020. This has been against tough market conditions due to rising taxes and conflicts taking place across the region.

Our long-standing (over 90 years) partner, Aujan Coca-Cola Bottling Company (ACCBC), delivered another outstanding marketing campaign during Ramadan. The "Sweet Togetherness" campaign – which promoted the introduction of a No Added Sugar product alongside themes of togetherness, health, cooking and value for money – was heavily focused on driving awareness via online channels. The campaign was extremely popular and reached 2.5 billion views on TikTok and 2.5m views on YouTube.

STRATEGIC REPORT



THE SWEET TOGETHERNESS CAMPAIGN



Our partner in the Yemen faced many operational challenges due to the ongoing hostilities in the country, but still delivered a robust performance on the back of strong in-market execution and distribution gains.

2021 has again seen us deliver another strong performance across the USA with our long-standing partners, the Ziyad brothers. Through excellent in-market execution and strong marketing campaigns, we delivered +21.6% sales growth versus the previous year.

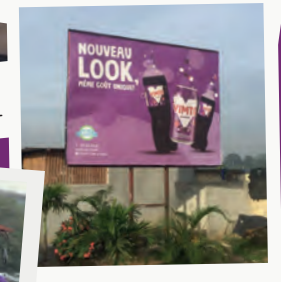
Across all of our European territories, we again focused on expanding new points of distribution for our core products within key customers, which resulted in us delivering market share gains and positive sales momentum.



STRATEGIC REPORT



FIRST INTERNATIONAL PRODUCTION WITH THE NEW BRANDING- 30CL VIMTO ORIGINAL



OUR STRATEGIC FRAMEWORK

Our core purpose as a business is to 'Make Life Taste Better' which our people live and breathe every day. We want this purpose to inspire all the partners we work with and the consumers across the globe who enjoy our brands on a daily basis.



STRATEGY IN ACTION - GROWTH PILLARS

— CORE PRODUCTS, CORE CUSTOMERS, CORE MARKETS. —



Our core brands continue to be loved by all our consumers and customers and we will continue to invest and drive growth in these key areas. 2021 has again shown how important our core products are across our core markets as demonstrated by the strong growth delivered via our excellent marketing campaigns and in market execution.



— RIGHT PRODUCTS, RIGHT PLACE, RIGHT TIME. —



As we continue to expand our range of products and portfolios, we have focused on driving new points of distribution within new channels and new geographies. We have also through our enhanced operational excellence programme focused on ensuring we drive strong customer service and product availability to ensure our consumers can enjoy our products whenever they desire one.



THIRST FOR NEW



INNOVATION AND ACQUISITION.



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



HAPPIER FUTURE



MAKING LIFE TASTE BETTER FOR EVERYONE.



I am very proud that this year we are also publishing our first standalone Happier Future Report visit www.nicholsplc.co.uk/happier-future which outlines the Nichols vision for a Happier Future.

Core to our vision is a long held belief that Everyone Matters, with a focus on the wellbeing of our people and our communities, particularly supporting the people in those communities who need it most.

Fundamental to creating our Happier Future is to have Products that we are Proud of - from helping our consumers to make healthier hydration choices, to having sustainable packaging solutions and ensuring that we source our ingredients and materials responsibly.

All businesses have an important responsibility to tackle the global climate crisis and at Nichols, we are serious about Owning Our Climate Impact and are taking the right actions to reduce our own direct emissions and working closely with the partners across our UK in the first instance, to reduce our impact throughout our supply chain.

Summary:

As we focus on 2022, I have no doubt that we will continue to operate in a challenging and changing environment that will continue for a sustained period. Inflationary headwinds are going to be a key threat which we will aim to mitigate through savings realised as part of our operational change programme and the implementation of appropriate pricing strategies.

Over many years, soft drinks has proven to be a highly resilient category which has again been evident in 2021. I feel confident that given our high brand equity, diverse business model, strengthened balance sheet, clear ESG commitments and exceptional people, we can continue to achieve our long-term strategic objectives and deliver continued profitable growth.

Andrew Milne
Chief Executive Officer
1 March 2022

OUR HAPPIER FUTURE REPORT

INTRODUCTION

Consumers don't just buy our drinks, they buy our values. Our Happier Future framework sets out our approach to doing business in the right way, for our consumers, customers, partners, teams and the world around us.

We've evolved our Happier Future strategy to focus on three core pillars, which we report against to measure our progress each year:

- **Everyone Matters**
- **Products we're Proud of**
- **Owning our Climate Impact**



This year, we've also published our first standalone Happier Future report, which goes into greater detail about our business principles and commitments to

deliver a Happier Future for all stakeholders. To read our Happier Future Report, visit www.nicholsplc.co.uk/happier-future



EVERYONE MATTERS



At Nichols, we want to ensure everyone is looked after, from our colleagues to those in our local communities. Our approach is led by our core values, with a focus on putting our people first and giving back to our communities.

"Everyone Matters" is core to our Happier Future strategy and fundamental to our values at Nichols; we want to "make life taste better" for everyone. The primary consumers of our products are young people, and we want to support them with more than just refreshment. We are committed to improving the lives of those young people who need it most – through raising aspirations by providing opportunities to develop their skills and careers.

The pandemic continues to have a significant impact on our business and our ways of working. In 2021 the health and safety of our people, partners and communities has remained a priority for the business.

HIGHLIGHTS THIS YEAR INCLUDE:

Putting our People first

- Focus on wellbeing – resilience training offered to all members of staff
- Regular Covid Wellbeing check-ins for employees held over the year
- Launch of our first Inclusion and Diversity policy in September 2021
- #ThisIsMe – employees from across the business volunteered to share their stories, celebrating the diversity and difference we have in our business

Giving back to our Communities

- Day to Make A Difference – our employees volunteered in their local communities across the UK
- £20,000 invested in Waves for Change's accelerator programme to expand surf therapy to more children across Africa
- Long-term supporter of Warrington Youth Club (WYC)
- Sponsorship of Salford City FC Development Teams

FOCUS FOR THE FUTURE:

Putting our People first

- Our employee engagement survey in 2022 provides another opportunity to listen to our people and take action where appropriate to ensure life continues to taste great working at Nichols
- Develop our three Inclusion & Diversity priorities, including establishing two communities, Female Leaders Network and LGBTQ Resource Group, to inform and drive an inclusive culture
- Using data and insights from employee engagement to shape strategic approach to Inclusion & Diversity
- Embedding Day to Make a Difference into annual employee volunteering programme

Giving back to our Communities

- Pledge to improve the future of over 100 young people in our local communities by 2025 by raising aspirations through skills development and by providing career development opportunities
- Continue to support further rollout of the Wave Accelerator Project and surf therapy internationally

OUR PEOPLE

Our people are the foundation of our business, and it's thanks to their continued motivation to find a better way that we have had a successful year.

2021 has been another year of continued and sustained challenges presented by the ongoing pandemic. The uncertainty around coronavirus throughout the year and various lockdowns, isolation periods and sickness, have all been draining experiences for many of our employees. We fully recognise that these challenges have extended well beyond the workplace, such as remote working, home schooling and a reduction in ability to collaborate, all of which have had an impact on our people's resilience over time.

Therefore, finding new ways to bring our people together has been an important part of how we have operated this year.

STAR AWARDS

We strongly believe in encouraging recognition for the fantastic work our employees do, and our local **Star Awards** are designed to share and celebrate our people's successes. During the year these are nominated by peers within each function of our business, and in February 2021 we held an annual awards ceremony to celebrate the exceptional contributions, achievements and commitments of our employees. There were 42 winners of the Local Star Awards from across our business and 5 ultimate winners of the Annual Star Awards.

Nomination categories included:

- **Bleeds Vimto** Award for always demonstrating Vimto values
- **Unsung Hero** Award for delivering great things, despite challenges and without seeking recognition
- **Smashes it Out of the Park** Award for significant achievement
- **Team of the Year Award** as recognised by the Senior Leadership Team
- **1908 Award** for individual outstanding contribution and impact as recognised by the Senior Leadership Team

WELLBEING

We are committed to providing 360° support to our employees to protect their mental, physical and financial wellbeing across all our different working environments. In 2021 our dedicated health and safety team continued to work across all workplaces to ensure physical safety in the workplace, and a focus on continuous improvement across our Out of Home Depots in both

facilities and training. Our manufacturing operation at Ross-on-Wye continues to demonstrate its strong safety culture, evidenced through the annual audit processes.

For office-based employees we know that remote working over the pandemic has been challenging. In line with government guidance, we have been encouraging people to return to their normal workplace to increase productivity, collaboration and wellbeing.

Our focus on our people's mental wellbeing continued in 2021 through regular one-to-one discussions and our performance & development process. In addition, we offered our employees and people managers the opportunity to attend resilience training.

Our internal Wellbeing Hub is a holistic access point for the various wellbeing resources that we provide. We offer 24/7 helplines for counselling, medical appointments and legal, financial and support, as well as 24-hour access to GP services and specific helplines for supporting managers with their roles. Through the My Healthy Advantage Wellbeing App, employees have access to a range of personalised wellbeing tools.

EMPLOYEE SURVEY

Our latest wellbeing check in survey took place in July 2021.

The highlights of the survey demonstrate the consistency of how our employees have felt throughout the pandemic in terms of how the business has communicated with them, prioritised their own and their families' wellbeing and taken all steps to protect their health, safety and wellbeing:

- 97% of employees felt the business cared about their health, safety and wellbeing
- 94% felt supported and respected by their colleagues and managers
- 96% felt the business has put employee health and wellbeing first in making decisions about the risk of COVID-19
- 98% felt that communication from the business has been open and honest
- 65% felt confident about working from their 'normal' workplace, which is an overall increase from previous surveys
- A consideration that is top of mind for the business is how the pandemic has generated an increase in work for many employees. This was reflected in the 64% of employees who felt their workload was reasonable

Our next full engagement survey will be held in 2022, and the results included in the 2022 Annual Report.

STRATEGIC REPORT



INCLUSION & DIVERSITY

We are committed to being an inclusive employer and are learning what this means every day.

Whilst our people tell us that Nichols plc is a great place to work, we know we can do more. We've been around long enough to know that we cannot create value without people feeling valued, and that's why we are committed to ensuring every employee feels included and can bring their whole self to work and feel positive about their contributions.

We recognise that there are many facets that make up who we are such as thinking and processing styles, nationality, ethnicity, gender, sexuality and life experience

A priority is to build more diverse teams to more accurately reflect our consumers, customers and partners, increasing wider representation within our workforce.

Developing our talent and providing all our employees with opportunities for growth is essential to our success. We know that we are at our best when we bring together our different life experiences, ways of thinking and individuality, and by empowering our people to bring their whole self to work, we unlock the valuable diversity of thought, backgrounds, experiences and identities. This has been a focus for us through our talent acquisition strategy and while some progress has been made, we recognise that to make a substantive change, we need to adopt an approach that focuses on emerging talent.

Given the above, in 2021 we continued to build towards an Inclusion and Diversity Strategy, which will be formalised during 2022.

Our first Inclusion and Diversity policy was approved by the Board in September 2021.

#ThisIsMe

#ThisIsMe is a new initiative from 2021 aimed at bringing to life the brilliant individuality and difference that makes up Nichols. We are proud of the diversity that exists within our business, and we wanted to find out more about what makes us, us!

This year, through #ThisIsMe we encouraged employees to "find their different" and share their different experiences and perspectives on life, love, family, faith... and everything in between. Our employees jumped in and shared their stories with the rest of the team.



#ThisIsMe

GENDER PAY GAP REPORT

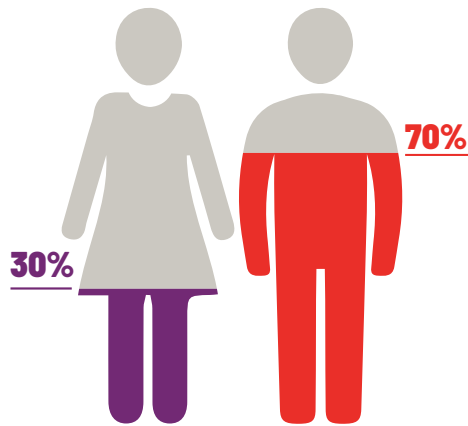
NICHOLS PLC IS PLEASED TO PRESENT ITS GENDER PAY GAP REPORTING RESULTS AS OF 5 APRIL 2021



EMPLOYEES SPLIT BY GENDER

The 2021 split remains consistent with 2020 levels. During the pandemic and in line with the general market, talent acquisition across has proven challenging in some functions in terms of the external talent pools available for certain skills. We are pleased that we achieved close to an equal split of new hires during 2021.

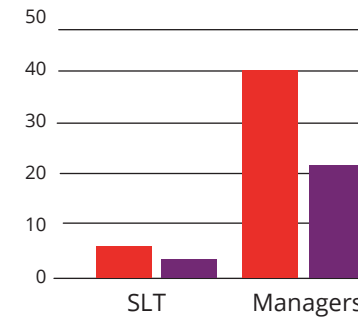
This continues to be a key area of focus for the business and we are seeking to identify new ways to bring in more female talent in order to make a substantive change to this split over the coming years. We have a large employee group within our Out of Home (OoH) operations function, with males making up a significant proportion.



This reflects the external talent pool for these roles in the market.

2021 DATA FOR PROPORTION OF MALES AND FEMALES WITHIN THE SLT & MANAGERS

● MALE ● FEMALE



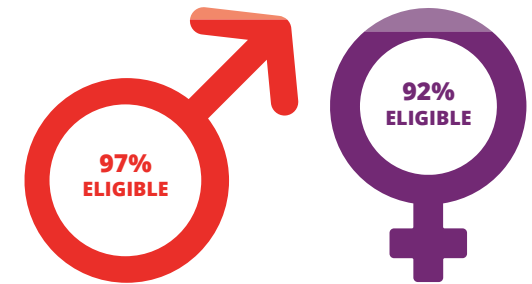
PROPORTION OF MALES AND FEMALES RECEIVING A BONUS

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.

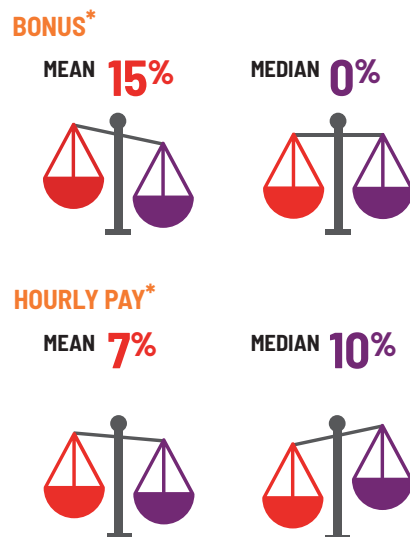
Therefore, data shows those employees not eligible for a bonus in 2021 due to their start date.

● MALE ● FEMALE



MEAN/MEDIAN PAY GAP VARIANCE IN MALE PAY TO FEMALE PAY

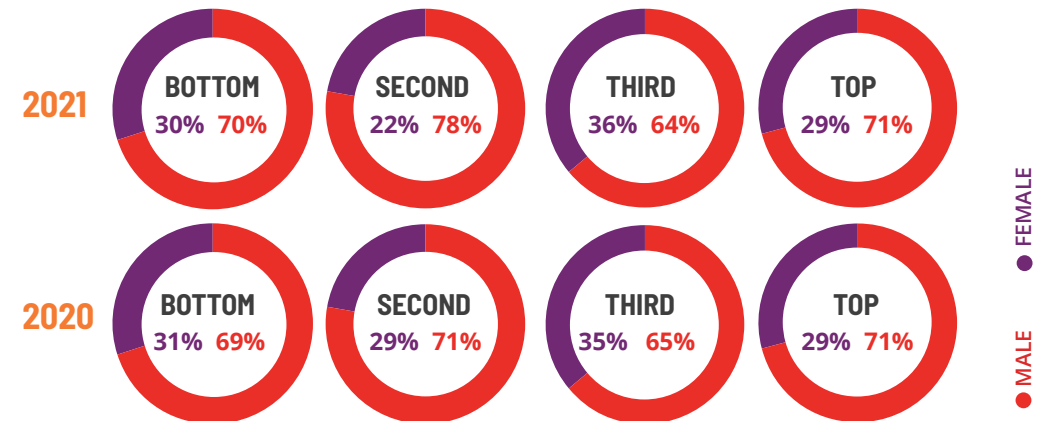
2021 saw parity in the median bonus for males and females for the first time since reporting. The mean bonus saw a significant swing towards males, explained by the succession changes in the Executive structure and the changes to LTIP rewards at the Senior Leadership Team (SLT) level. For these same reasons we saw a swing towards males on mean pay, whilst median pay remained higher for females and saw a further swing from 2020, in part attributed to a continued higher proportion of female representation in the top two pay quartiles than within the male population.



● MALE ● FEMALE

*Variance in male pay to female pay.

PROPORTION OF MALES & FEMALES IN EACH PAY QUARTILE & WITHIN SLT AND MANAGERS



The proportion of males and females in each pay quartile continues to reflect the workforce and remains consistent with 2020.

Good progress has been made in developing our female talent particularly in our leadership pipeline, with a longer term plan to realise a more balanced gender split across our workforce to see a substantive change to the

proportions in each quartile as described above. Changes in personnel and Executive structure has resulted in a small shift in the gender balance towards males. Encouragingly, in our management structure there has been an increase in the number of female managers.



COMMUNITIES

We believe that every young person matters, and yet in today's society access to opportunities is not equal. We want to offer a leg up to those who need it most in our local communities. These values are at the heart of our Everyone Matters strategy.

We are committed to providing support to those who need it most to help them achieve their full potential, and to foster social mobility in our local communities. In 2021, we continued to support **Warrington Youth Club** with our patronage and to support **Salford City FC's Development Teams**.

Going forward, we pledge to improve the future of over 100 young people in our local communities by 2025, raising aspirations through skills development and by providing career development opportunities.

For our local communities in the UK, during 2021, we conducted a research project in collaboration with Social Mobility Pledge to enable us to better understand where the specific social mobility challenges lie in our local communities in the UK. We are now using this research to devise a comprehensive three-year plan to deliver on our pledge and ensure we are delivering the right support, where it is needed most.

WAVES FOR CHANGE

Our commitment to providing opportunities for young people extends to our international business with our on-going support for the **Waves for Change (W4C)** Initiative.

Since 2009, we have supported **W4C**, a non-profit organisation that offers Surf Therapy programmes to children from disadvantaged backgrounds, working in South Africa, Liberia and Sierra Leone, with a total of 24 partners across ten different countries.

Surf Therapy combines the positive benefits of surfing and physical activity with activities that help young

people build protective relationships, identify their emotions, learn to self soothe and help them build a positive vision of their future. The programme supports approximately 1800 children participants, at-risk children referred to W4C's ten-month mental health programme.

We support W4C's mentors by providing essential resources for the programme such as transport, surfing equipment and access to psychiatric support. During the pandemic, Waves for Change adapted to become an online service, providing tablets and smartphones, and distributing food parcels and vouchers.

In 2021 we continued to support **The Wave Alliance**, an accelerator-type project through which W4C's surf therapy is achieving global scale and impact. W4C provide training and support to partner organisations who open their own surf therapy programmes in their respective countries. W4C equip as many partners with the knowledge and essential equipment they need to carry out their surf therapy. This includes coordinating research, programme design, and staff training. The aim is for these local partners to then grow their own evidence-based surf therapy programmes across Africa and globally.

In 2021 we contributed a total of £20,000 to supporting the growth of the Wave Alliance, programme setup and training. In addition, rash vests were shipped out to the different Wave Alliance Programmes along with branded surf boards, and Nichols funded the re-branding of the transport used to collect children from towns in Western Cape, South Africa, and take them to the surf therapy programmes.

DAY TO MAKE A DIFFERENCE

We are proud of the impact that our employees have on their communities, and through our **Day to Make a Difference** programme we offer our employees time to volunteer locally or with our charitable partners. In 2021



our employees again volunteered across the UK, taking the time to give back to their local communities.

Examples included:

- 96 bags of rubbish collected and a total of 150 miles walked during beach clean-up projects in Formby, Ty Mawr, Tynemouth and Weston-Super-Mare
- Gardening project in Shotton to create an outdoor education centre to provide health and wellbeing activities to members of the community
- Volunteering and fence building with young people from Warrington Youth Club at Children's Adventure Farm Trust
- Over £1000 raised supporting MacMillan Coffee Mornings
- Building a Community Garden for Manchester Urban Diggers
- Charity shop sorting at Willowbrook Hospice
- Painting the Community Centre at St Helen's YMCA



PRODUCTS WE'RE PROUD OF



We're passionate about making products consumers love - it's at the heart of what we do. We recognise that consumer needs are evolving, not least the importance they place on buying products from responsible businesses. What this means for us is developing products that allow consumers to make healthier choices and continuing to challenge ourselves to find sustainable solutions to our packaging use.

HIGHLIGHTS THIS YEAR INCLUDE:

Healthier Hydration

- Our sugar reduction strategy saw us remove 597 tonnes of sugar from our UKP products, an 8% decrease since 2020
- Vimto squash relaunched in the UK with vitamin fortification to provide greater health benefits

Sustainable Packaging

- Continued commitment to improving UK waste collection and recycling with all Packaging Recovery Notes directed to the UK
- Focus on packaging innovation in 2021, with recycled polyethylene tetraphyte (rPET) trialled in all SKUs and trials completed on low density polyethylene (LDPE) case shrinks and pallet wraps to incorporate a minimum of 30% Post-consumer Waste (PCW)

FOCUS FOR THE FUTURE:

Healthier Hydration

- We will be 100% HFSS Compliant on our owned portfolio ahead of the introduction of legislation in October 2022
- All UK frozen slush products will be No Added Sugar from 2022
- We plan to continue our strategy to better meet emerging consumer needs in healthier hydration through renovation and innovation

Sustainable Packaging

- Implementing our roadmap to achieve our commitment of 100% rPET in the UK packaged portfolio by 2025, moving to 51% rPET in 2022

HEALTHIER HYDRATION

Providing our consumers with products that enable them to make healthier choices is part of our DNA. Our continued commitment here has been to evolve our existing product ranges and develop new products to better meet evolving consumer needs. In 2021 we are delighted to share the following achievements:

Sugar Reduction

In 2021 we continued to reduce the sugar content across our product portfolio both in the UK and Internationally. All our products in the UK remain exempt from the Soft Drinks Industry Levy (SDIL), with 99% of our UK ranges now low or no added sugar (NAS). All products in our innovation pipeline for both UK Packaged and OoH will be low or NAS.

In 2021 sugar usage* across our UK Packaged portfolio fell by 597 tonnes, with a saving of 9,346m calories. Since 2015, our sugar usage has reduced by 36%, while our volume in litres has grown by 30%. No Added Sugar (NAS) variants now account for 49% of total Vimto

brand sales and 62% of squash sales. Calories per litre in squash have reduced by 25% compared to 2015. Even with increased volume, this has led to an annual saving of 350 tonnes of sugar in squash versus 2020.

In Carbonates, strong progress has been made on a 5-year basis, with NAS now accounting for 33.6% of sales versus 20.3% in 2015. Whilst in 2021, sugar usage fell by 281 tonnes, due to the impact of the COVID pandemic, coupled with availability of products being limited due to CO2 shortages, we saw a yoy decline in % NAS sales (from 44% in 2020).

In our Out of Home route to market, we are pleased to have reduced sugar content* across our own postmix and frozen brands by 16% versus 2020. From 2022, all UK Frozen slush products will be NAS.

This focus extends to our international business, where we continue to work closely with international partners to explore ways to accelerate their uptake of lower sugar recipes. We've reduced sugar levels in our carbonated products in a number of markets across Africa, including a 20% sugar reduction in products locally produced in Algeria. In addition, our longstanding partner in the Middle East, Aujan Coca-Cola (ACCBC) launched their first NAS Vimto Cordial and Still product and featured the NAS cordial in the celebrated 2021 Ramadan campaign.

*Per litre of product

Added Nutrients

2021 saw a fantastic achievement as we fortified our range with added Vitamins C&D**, bringing additional health benefits to our consumers. Fortification was introduced across 100% of our core Vimto squash range and represented 45% of our total UK Packaged portfolio. We plan to continue our strategy to better meet emerging consumer needs in healthier hydration through innovation.

**Vitamin C&D is in the following Vimto squash products: Vimto Original, Vimto No Added Sugar, Vimto Orange, Strawberry & Lime, Vimto Mango, Strawberry & Pineapple and Winter Warmer. All flavours contain Vitamin D



SUSTAINABLE PACKAGING

Packaging strategy

We take a responsible and practical approach to how packaging is used throughout our organisation and are committed to working with our partners and the wider industry to promote sustainable options and encourage responsible consumer behaviour.

UK Packaged

We challenge the use of packaging across our operations and remove as much as we can wherever possible. Since 2019, across our UK Packaged portfolio we have successfully removed over 120 tonnes of plastic, a 9.2% reduction, as well as 17 tonnes of aluminium, a 23.6% reduction. This was largely driven by reducing the material usage of our bottles and cans, with zero compromise to the integrity of our packaging quality. In 2021 we focused on trialling rPET in all Nichols SKUs. In addition, trials have been completed on the LDPE case shrinks and pallet wraps to incorporate at least 30% PCW.

Throughout 2021 we made further progress on increasing the use of recycled PET in our packaging. We have set out a roadmap to achieving 100% rPET in our UK packaged portfolio by 2025, with 51% rPET by the end of 2022. To achieve this, we are committed to sourcing rPET from the UK or Europe, as opposed to high emission imports from Asia or further afield. Although this means we're on a slower journey to reach our target, we're confident this is the most responsible option.

During the year we continued to guarantee all packaging used or supplied on our UK packaged products is 100% recyclable, and the shrink film wrap used on our cordials contains 50% post-consumer recycled waste, which would otherwise have ended up in landfill.

Ensuring we have the right infrastructure in place to recycle and re-use plastic will increase availability of recyclable content in the country and is the most sustainable solution going forward. It requires collaboration with manufacturers, retailers, government bodies and end consumers. With the recent confirmation that the Deposit Return Scheme (DRS) Scotland will go ahead in 2023, we are fully involved in supporting its implementation, working closely with the British Soft Drinks Association (BSDA). This places the industry in a strong position for the expected rollout of the DRS across the rest of the UK.

OoH

As the UK leader for frozen drinks, we have an opportunity to define a sustainable future for the sector. We embrace this opportunity and are actively exploring options that will deliver long-term sustainability by minimising both waste and emissions.

The packaging strategy for our OoH business has continued to focus on two core areas: the cups in which we serve our frozen drinks and the materials we use to protect our post-mix products for delivery.

Our frozen business uses 100% recyclable plastic cups and paper cups which unfortunately due to their plastic lining aren't currently widely recyclable, largely due to the availability of commercialised technology. Beyond our cups, we have made a full transition to paper straws.

We're now focused on developing fully recyclable Bag in Box (BiB) solutions with our suppliers, as well as removing the plastic shrink from our BiB formats as we've already successfully done so with our Juice and Frozen Slush ranges.

RESPONSIBLY SOURCED

The unique flavour of our products begins with quality ingredients sourced from trusted and responsible suppliers. We source ingredients and materials primarily from suppliers across Europe, many of whom we have been working with for decades. As a result of these longstanding partnerships, we have transparency of product quality, labour protections and environmental practices.

We are developing a comprehensive strategy to ensure partner compliance with sustainable practices and ethical standards throughout our supply chains.





OWNING OUR CLIMATE IMPACT

The climate crisis is the greatest issue facing society today, and as a responsible business we have an important role to play in owning our impact. By taking science-based actions to reduce our total emissions and by understanding and reviewing our operational footprint and supply chain, we are able to ensure we are conducting our business in the most sustainable way.

HIGHLIGHTS THIS YEAR INCLUDE:

- 43% decrease in normalised gross emissions (tCO₂e/ KL intensity ratio) in UK Group operations versus 2020. On a like-for-like operational basis and with consideration to normalised production volumes, 2021 net emissions across UK Group operations are 20% lower versus 2019
- Switch to green energy tariffs at our sites, backed by Renewable Energy Guarantees of Origin certificates, resulting in a reduction in net emissions of 199 tCO₂e
- Collaborated with UK co-packers to calculate emissions data and identify opportunities for improvement
- Implemented strategic projects that will lead to further reductions of both gross and net carbon emissions

FOCUS FOR THE FUTURE:

- Develop the full roadmap to net zero for Scope 1 and 2
- Continue with our implementation plan to deliver on our commitment to reduce our absolute Scope 1 & Scope 2 GHG emissions by 25% by 2025 including the decarbonisation of our OoH fleet
- Working with our partners, to understand our Scope 3 impact
- Develop our Water Strategy focusing on water use and reduction in our end products, manufacturing processes and ingredient growing

DECARBONISING OUR SUPPLY CHAIN AND EMISSIONS REDUCTION

Nichols has a strong track record of carbon reduction – 20% reduction achieved from 2019 to 2021 and we are developing our plan to ensure our transition to net zero for Scope 1&2 emissions. As part of our science-based approach, we are keen to ensure the validation of our plans.

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 2021 financial year. This measurement and reporting of environmental performance will drive direct benefits for the business such as lower energy 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.

Therefore, the following report has been prepared in conjunction with Carbon Architecture who we have been working with since 2016 to provide independent analysis of our carbon footprint across our UK Group operations. We have selected tCO₂e/ kL as our SECR ratio as we feel this is most aligned to the activities of the Group.

Our business operations were significantly impacted in 2020 by the Covid-19 pandemic, which resulted in a 59% decrease in production volumes at our Ross-on-Wye factory compared to 2019. This in turn reduced our energy usage and carbon emission rates. In 2021, Nichols' production rebounded with a 73% increase in production volume. Nichols' total Scope 1 & Scope 2 energy consumption 2021 was 4,745 MWh, resulting in gross carbon emissions of 1,201 tCO₂e. This excludes Scope 3 emissions of our partners. These figures correspond to a 1% decrease in total energy consumption and a 2% decrease in gross emissions compared to 2020. Due to the minimal change in energy



LAUREL HOUSE HEAD OFFICE



and carbon, but a significantly increased production output, normalised gross emissions decreased by 43% from 244 tCO₂e/kL to 138 tCO₂e/kL drinks produced. On a like-for-like operational basis and with consideration to normalised production volumes, 2021 net emissions are 20% lower versus 2019, demonstrating the positive progress we're making on our journey to Net Zero.

Due to our outsourced business model, most of the emissions from the manufacture and delivery of our products are not created by our business directly but through our partners across our supply chain. The first step to collaboratively reducing these emissions is measuring them, so we are implementing clauses in our contracts for key members of our supply chain that require them to report annually on their emissions, present a credible path to net zero by 2050, and demonstrate annual reductions in greenhouse gases. We have already calculated the carbon emissions of our UK co-packers and from 2022 we will focus on sourcing the necessary information from our partners to get full clarity of our Scope 3 emissions.

Many of our international partners need to build the capacity to measure emissions, and we will be working with them to support this. Nichols will continue to assess climate-related risks going forward and adjust our strategy as the studies we are undertaking into our supply chain emissions yield a greater understanding of potential exposure.

In 2021, Nichols produced 100% green electricity for our Ross-on-Wye factory and Laurel House Head Office. At least 76% green electricity was consumed at our depots. The purchase of green electricity through tariffs backed by Renewable Energy Guarantees of Origin certificates covered 97% of all electricity consumed in 2021. Additionally, at two of our depots, Swindon and Newcastle, 90% of the natural gas consumed is purchased via a green tariff, which involves

the retirement of Renewable Gas Guarantees of Origin certificates. The result of these green tariffs is a reduction of net emissions of 199 tCO₂e, or 17% of the gross emissions. Therefore, the 4,745 MWh energy consumed resulted in net carbon emissions of 1,002 tCO₂e, corresponding to a 50% reduction in normalised net emissions in UK Group operations when compared to 2020, reducing from 229 tCO₂e/ML to 115 tCO₂e/ML.

Nichols has further increased our focus on energy-saving measures in the last year. At our Ross-on-Wye factory, we have continued to make improvements to lighting systems through replacing old units with high-efficiency LED lighting. Additionally, we have removed a high energy consuming plastic film wrapping machine from use to further optimise our electricity consumption. At our Laurel House Head Office, we have recently installed solar panels and an air source heat pump to produce hot water, removing the need for a gas boiler. Furthermore, during 2021 employee engagement topics included increasing the understanding of our carbon footprint at work and encouraging simple steps to reduce our footprint. We have commenced the work to replace our OoH transport fleet with electric vehicles.



Parameter	Units	Current reporting year	Comparison reporting year
		01/01/21 - 31/12/21	01/01/20 - 31/12/20
Natural gas consumed	kWh	451,700	638,415
Grid electricity consumed	kWh	957,010	876,145
Transport fuels consumed	kWh	3,336,348	3,270,397
Total energy consumption used to calculate emissions	kWh	4,745,058	4,784,957
Emissions from combustion of gas (scope 1)	tCO2e	83	117
Emissions from transportation in vehicles owned or controlled by reporting company (scope 1)	tCO2e	789	786
Fugitive emissions from refrigeration plant (scope 1)	tCO2e	126	120
Emissions from purchased electricity (scope 2)	tCO2e	203	204
Emissions from business travel in vehicles owned or operated by 3rd parties (scope 3)	tCO2e	-	-
Total gross carbon emissions	tCO2e	1,201	1,227
Carbon reduction through green electricity tariff	tCO2e	(196)	(74)
Carbon reduction through green natural gas tariff	tCO2e	(3)	-
Total net carbon emissions	tCO2e	1,002	1,153
Intensity ratio: Total gross emissions per 1m litres of product	tCO2e/ML	138	244
Intensity ratio: Total net emissions per 1m litres of product	tCO2e/ML	115	229

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-based records and travel expense data.

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

A program to install high-efficiency LED lighting, including proximity sensors where appropriate, has continued within our Ross-on-Wye factory. This results in the optimisation of our electricity use for lighting throughout the factory.

Secondly, a plastic film wrapping machine has been removed from production due to its high energy intensity. The removal of this machine has reduced the consumption of electricity associated with packaging our products.

Solar panels and an air source heat pump have been installed at our Laurel House head office, reducing the consumption of natural gas for providing hot water for the office staff.

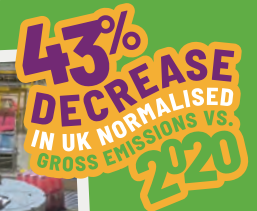
Finally, Nichols has continued a program of staff engagement which involves suggesting practical ways in which they can reduce their carbon footprint at work, including simple actions like turning off lights and equipment when not in use.



WATER

At Nichols we are all about maximising healthy hydration, whilst respecting water use throughout our product lifecycle. A large proportion of our products are concentrates – from cordials to our postmix bag-in-box. By concentrating our drinks, we reduce pressure on local water resources at manufacturing sites, as well as being an efficient logistics operation. Less trucks on the road and ships at sea is one of the ways we can drive lower emissions within our supply chain.

We recognise that, with both the need to keep reducing emissions from water transport and the risk of increased water scarcity in some of our markets, it is more important than ever to ensure sustainable water use. That's why we will be developing our water strategy, which will drive further efficiencies within our products, manufacturing processes, and through our upwards supply chain including sourcing of ingredients.



HERE ARE THE PURPLE CARROTS THAT GO INTO THE COLOURING WE USE

ROADMAP TO NET ZERO

REDUCE SCOPE 1+2 GHG EMISSIONS BY 25% BY 2025

HEALTHIER HYDRATION

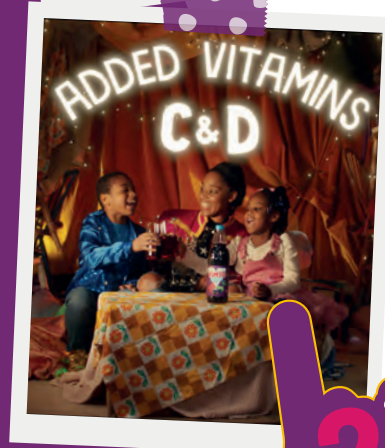
VIMTO: SHAKING UP THE SQUASH CATEGORY WITH VITAMIN FORTIFICATION

In April 2021, we were proud to relaunch the core Vimto squash range with added nutrients, bringing additional health benefits to our consumers. The full range was fortified with vitamin D, with both vitamin C & D added to some products*, all without compromising the unmistakable great taste of Vimto. At the same time, a brand new Vimto flavour – Blackberry, Raspberry and Blueberry – was released.

As the No.2 Squash brand in the UK**, part of Vimto's ambition is to reframe the squash category celebrating both flavour and functional health benefits, providing consumers with additional reasons to shop the category and driving sustainable incremental long-term growth.

The recent shift towards at home occasions and an increase in tap water consumption, combined with guidance from Public Health England endorsing a daily supplement of vitamin D***, particularly for children, meant there was a genuine gap in the market for a new, healthier squash option. Developed closely in-line with consumer research, the new Blackberry, Raspberry and Blueberry variant performed extremely well during consumer testing and taps into two key flavour trends – Blackberry and Blueberry, both with super fruit credentials.

* Vitamin C&D is in the following Vimto squash products: Vimto Original, Vimto No Added Sugar, Vimto Orange, Strawberry & Lime, Vimto Mango, Strawberry & Pineapple and Winter Warmer. All flavours contain Vitamin D.
 **Nielsen Value Sales, Total Coverage, 12 months to 1 January 2022
 ***Gov.co.uk - Nov 2020



NEW LOOK & NOW WITH VITAMINS C+D

NO.2 SQUASH BRAND IN THE UK



FEEL GOOD

BE KIND

FEEL GOOD DRINKS IS A PURPOSE DRIVEN BRAND ON A MISSION TO LEAD CHANGE FROM WITHIN THE DRINKS INDUSTRY

Feel Good Drinks produce a sustainable, purpose-led range of fruitful sparkling waters made with 100% natural ingredients; created using no artificial flavours, added sugar or sweeteners and containing 15% real fruit juice.

Feel Good drinks has a long term commitment to sustainability and becoming a regenerative brand. In 2021 we completed the measurement of our carbon footprint through scopes 1 – 3, working with an independent expert we identified the brand emitted 203 tons of carbon in 2020*. Following our findings we offset 487 tons of carbon; more than twice our base line and we published our findings in the 'Mission Possible' report; whilst signing up to Net Zero target of 2030 with a 16 point carbon mitigation plan aligned to UN SDGs.

Feel Good continues to give back through our 3% people and planet fund and in 2021 we established a partnership with the charity Project Seagrass. Project Seagrass focuses on the active restoration of seagrass meadows across the UK and works with partners globally to conserve and protect these coastal marine ecosystems. In 2022 the relationship with Project Seagrass will be accelerating through the #youbuyweplant program; for every case of Feel Good we sell we will be planting a seagrass seed; supporting Project Seagrass's work during the UN Decade of Ecosystem Restoration to which they are a supporting partner.

Whilst we have a strong focus on the climate, we continue to support community programs and we were excited in 2021 to announce our partnership with The Wave in Bristol. Feel Good is a supporting partner for the Waves of change program; where we help young people realise the benefits of the water and blue health. This program will grow in 2022 and we are aiming to run courses across 12 weeks throughout the year.

The Feel Good brand continues to encourage our consumers to recycle and we will continue to work with Every Can Counts at our events.

*scope 3 measured carbon up to the point of manufacture and excludes warehousing and logistics



#youbuyweplant

CHIEF FINANCIAL OFFICER'S REPORT



CHIEF FINANCIAL OFFICER

DAVID RATTIGAN

FINANCIAL HEADLINES

- Vimto Brand value in the UK +6.3%¹
- Vimto squash outperformed the dilutes market by +10.4%¹
- Vimto Brand value +13.2%² since 2019 versus the wider soft drinks market of +11.0%²
- Vimto Brand continues to progress internationally, with revenue +21.0% (underlying³ +9.8%)
 - Africa and Rest of World significantly ahead
 - Underlying³ Middle East venues broadly flat (-2.0%)
- Out of Home (OoH) continues to recover from the pandemic with revenues +77.4%
 - Revenues -31.4% versus 2019, with Q4 improving run rates versus pre-Omicron
 - Fixed costs still weighing heavily on overall financial performance
- Gross margin improvement to 45.2% (2020: 41.8%)
 - Completion of Middle East marketing investment
 - Significant volume recovery in OoH
- Continued strong cash performance, Free Cash Flow⁴ +£17.5m (2020: £17.6m)
 - Cash Conversion⁵ at 103% (2020: 186%)
- OoH impairment review completed and strategic review commenced
 - Exceptional charge of £39.5m
 - £36.2m of this attributable to non-cash impairment of OoH Goodwill
 - £0.6m operational review and restructuring (cumulative £0.9m)
 - £2.6m net liability relating to tax and interest on historic incentive schemes
 - Final dividend of 13.3p proposed, reflecting 2x cover⁶

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Movement
Group Revenue	144.3	118.7	+21.6%
Adjusted Operating Profit ⁷	21.9	11.7	+88.1%
Operating (Loss)/Profit	(17.6)	6.6	(366.8%)
Adjusted Profit Before Tax (PBT) ⁷	21.8	11.6	+87.9%
(Loss)/Profit Before Tax (PBT)	(17.7)	6.5	(370.0%)
Adjusted PBT Margin ⁷	15.1%	9.8%	+5.3ppts
PBT Margin	(12.2%)	5.5%	(17.7ppts)
EBITDA ⁸	23.7	16.5	+44.1%
Adjusted earnings per share (basic) ⁷	46.15p	25.56p	+80.6%
(Loss)/Earnings Per Share (basic)	(60.04p)	13.14p	(556.9%)
Cash and Cash Equivalents	56.7	47.3	+19.8%
Proposed Final Dividend	13.3p	8.8p	+51.1%
Full Year Dividend	23.1p	36.8p	(37.2%)

1 Source: Nielsen, Total Coverage 12 months to 1 January 2022

2 Source: Nielsen, Total Coverage 12 months to 1 January 2022 vs. 12 months to 4 January 2020

3 Excluding the impact of the Group's marketing investment in the Middle East

4 Free Cash Flow is the net increase in cash and cash equivalents before acquisition funding and dividends

5 Cash Conversion is the Free Cash Flow/ Adjusted Profit After Tax

6 Dividend cover is adjusted basic earnings per share divided by the dividend per share

7 Excluding Exceptional items

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

REVENUE

Group revenues were £144.3m, an increase of 21.6% compared to 2020 and, encouragingly, broadly in line with 2019 levels.

Both the Still and Carbonates product categories have recovered strongly in the period. Revenue of Still products increased by 10.2% to £72.4m (2020: £65.7m), now ahead of 2019 (£71.7m). Revenue from Carbonated products increased 35.8% to £71.9m (2020: 53.0m; 2019: £75.3m).

The Group's packaged routes to market delivered another year of strong growth both in the UK and internationally.

UK packaged revenues improved by 8.5%, driven by the performance of the Vimto & Levi Roots brands. There was a particularly strong performance within the Multiple and Discount Retailers, where revenues increased by 7.0% (2020: increase of 9.5%), as distribution points increased significantly over the pandemic period (2020 and 2021) and consumers increasingly chose Vimto. Revenues across Convenience, Delivered Wholesale and Cash and Carry recovered in 2021 following the severity of 2020's lockdowns and increased by 11.3% (2020: decrease of 10.9%).

International revenues improved by 21.0%.

Africa revenues improved 17.1% (2020: increase of 7.4%) with significant progress achieved across our African markets. Middle East revenues increased by 33.6% (2020: decrease of 36.8%) with in-market volumes performing resiliently through Ramadan despite the challenges posed from the introduction of the Sweetened Beverage Tax in 2020. The Group's marketing investment in the region (reported as part of the Group's revenue line) was, in agreement with our local partner, completed during the year. Underlying revenues were broadly flat, decreasing by 2.0% versus 2020. Our rest of world markets continued the momentum of the prior period with revenue growth of 14.2% (2020: increase of 17.3%), with the US and Europe continuing to perform well, building on increased brand awareness generated within the Middle East and Africa.

Our OoH route to market continues to recover from the impact of the pandemic, with revenues up by

77.4% versus 2020, when the OoH route to market was severely impacted by closures due to the pandemic and subsequent lockdowns. Revenues remain down by 31.4% versus 2019. We are encouraged that trade within the hospitality industry has begun to show growth and return towards pre-Covid-19 levels, with Q4 in particular seeing improving run rates pre the emergence of the Omicron variant. However, the long-term impact of Covid-19 on the hospitality industry remains uncertain. As a result, and as previously announced, due to the ongoing challenges in the OoH market, the Board has carried out an impairment review into its OoH route to market and will recognise an impairment charge of £36.2m in the current year. In addition, the Board has commenced a strategic review of the Group's OoH route to market.

The impact of movements in foreign exchange rates on revenue year-on-year was immaterial, at approximately £0.6m adverse.

GROSS PROFIT

Gross profit at £65.2m was £15.6m higher than 2020 (£49.6m) and 3.4 percentage points higher at 45.2% (2020: 41.8%). Of this increase, £9.4m resulted from the additional volumes delivered across all of the Group's routes to market in the period. The current gross margin percentage is more aligned to the years immediately preceding the pandemic (2019: 47.6%, 2018: 45.7%, 2017: 45.7%).

As noted previously the Group's Middle East marketing investment (reported as part of the Group's revenue line) was, in agreement with our local partner, completed during the year. £2.7m (2021: £0.8m investment, 2020: £3.5m investment) of the year-on-year improvement in gross profit was due to this change. Customer price and mix has further contributed £1.8m to gross profit largely due to a return of revenues from the Group's In-house and National OoH customers, effectively rebalancing the Group margins.

The Group was better placed in 2021 to plan for Covid-19 disruption, following the restructuring at our manufacturing site in Ross at the end of 2020 to more effectively align labour and volumes, combined with a consistent approach from the UK Government in terms of the easing of lockdown restrictions. Consequently, the

costs associated with stock write off and under recovery seen in the previous year were not repeated (2021: £0.4m cost, 2020: £2.1m cost) and benefited margin by £1.7m versus the prior year. The Group continued to support its OoH customers with new for old stock following the reopening of outlets post the Q1 2021 lockdown.

During the year, the Group was prepared for and able to mitigate a large proportion of raw material and contract manufacturing inflation. However, in Q4 2021 significant inflationary pressures were experienced and are expected to continue through 2022.

DISTRIBUTION EXPENSES

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

Distribution expenses totalled £9.1m (2020: £8.0m), an increase of 14.4%, due to a combination of higher trading volumes across both of our UK routes to market and significant inflationary pressure experienced since Q2 2021. In both routes to market, significant disruption was experienced through the summer and autumn months due to driver shortages. The Group entered into a new 5-year distribution arrangement in H2 2021 that both builds significant additional capacity, given the Group's growth plans, and improves efficiency.

ADMINISTRATION EXPENSES

Administration expenses, excluding exceptional items, totalled £34.1m (2020: £30.0m), an increase of £4.1m or 13.7%.

Through the early pandemic, in 2020, management focused on reducing discretionary spend and realigning marketing investment. This resulted in significant cost reductions; no bonuses or LTIPs were accrued and labour costs (recruitment etc.) were managed closely. The Group also benefited in 2020 from deferred consideration credits of £1.3m following completion of the Noisy Drink Company North West Limited and Adrian Mecklenburgh Limited acquisitions.

In 2021 the Group ran its highly successful 'Find Your Different' marketing campaign, investing an additional £1.9m. The campaign increased Vimto's awareness with new consumers, helping fuel the distribution expansion seen in the year and which is planned to continue into 2022.

Reinstatement of the Group's Bonus and LTIP schemes led to an additional £2.3m charge in the year.

Restructuring through 2020 meant costs reduced by £1.2m in the period; this was partly offset by an increase in staff related travel and entertainment costs of £0.5m.

The detailed exercise, commenced in 2020, to trace and verify assets held at the Group's OoH customer outlets completed in the period and fully utilised the provision established in the prior period (£1.1m), resulting in a positive year on year comparison. Strict OoH capital allocation through 2020 and 2021 has meant the Group's depreciation charge has now peaked and is level in 2021 versus 2020.

Revaluation of working capital balances across the year resulted in foreign exchange losses. In comparison with prior year, the year on year impact is £0.4m adverse (2021: net loss £0.2m, 2020: net gain £0.2m).

EXCEPTIONAL COSTS

The Group has incurred £39.5m of exceptional costs during the year (2020: £5.1m), £38.9m of which is non-cash.

The impact of Covid-19 has resulted in a difficult period of trade for OoH with many outlets being closed for a prolonged period of time. Whilst trade within the hospitality industry has begun to show growth and return towards pre-Covid-19 levels, it is doing so at a slower pace than previously forecast and is only forecast to fully return to pre-pandemic levels through 2022. Growth projections beyond 2022 are expected to be lower than previously estimated given that a number of outlets are expected not to re-open and footfall is expected to be restricted for a prolonged period as staffing shortages and local restrictions/social distancing is either mandated or occurs naturally, as was experienced through 2021.

Whilst cost pressure is expected to be fully recovered within OoH, the gross margin progression anticipated previously is now not likely to be achieved without transformational change in terms of how the Group services the trade and its wider customer base. Overhead cost estimates have been reviewed and increased to reflect both inflationary pressures and the cost estimates required to serve the customer base, given the complexities of the current business environment and model. As a result, and in response to this challenging climate, during 2022 the Board has commenced a full strategic review into its OoH route to market in terms of customer and product mix, as well as ways to ensure appropriate margin and profitability going forward.

As a result of the impairment review, management have recognised an impairment charge of £36.2m in the current year, impairing the entire Goodwill held.

In Q4 2020 the Group commenced a review of its UK operational supply chains. The project has progressed steadily with significant change already implemented, including entering into new 5-year contract manufacturing and distribution arrangements that both build significant additional capacity, given the Group's growth plans, and improve efficiency. These specific projects are expected to be completed through 2022, with further foundation work progressing. As a result of this work, the Group has incurred a further £0.6m of costs (2020: £0.3m) in the year, with additional costs expected in 2022.

In previous annual reports, the Group reported a contingent liability in respect of historic contracts with some of its senior management relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC were of the view that the arrangements should have been taxed as employment income, which the Group and its advisors had previously disputed. During the period a tribunal was convened to consider the dispute of the Group's scheme as well as similar schemes operated by other companies. Subsequent to the year end, the tribunal found that the arrangements should have been taxed as employment income. Accordingly, as at 31 December 2021, the Group has recognised a net liability of £2.6m in relation to this ruling, being a reasonable estimate

of the final outcome, including the Group's additional tax liability, interest costs and amounts expected to be recovered.

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 LOSS/ADJUSTED OPERATING PROFIT

Adjusted operating profit at £21.9m was up £10.2m, an 88.1% increase on prior year (2020: £11.7m). An operating loss of £17.6m (2020: £6.6m profit) is after charging exceptional items of £39.5m (2020: £5.1m charge) during the period. For reference adjusted operating profit in 2019 was £32.4m.

FINANCE COSTS

Net finance costs of £0.1m (2020: £nil) were broadly in the line with the prior year.

LOSS BEFORE TAX/ADJUSTED PROFIT BEFORE TAX AND TAX RATE

Reported loss before tax was £17.7m (2020: £6.5m profit). Adjusted profit before tax increased by 87.9% to £21.8m (2020: £11.6m). The tax charge on adjusted profit before tax for the period of £4.8m (2020: £2.2m) represents an effective tax rate of 21.9% (2020: 18.7%). The increase in effective tax rate is largely due to deferred tax balances as at 31 December 2021 being recognised at 25%, following an amendment to the UK Corporation Tax rate being enacted during the year to increase the rate of tax from 19% to 25% with effect from 1 April 2023.

For reference profit before tax in 2019 was £32.4m.

BALANCE SHEET AND CASH AND CASH EQUIVALENTS

The Group has continued to focus on the strength of its balance sheet during the period.

As noted above, management have recognised an impairment charge of £36.2m during the period, impairing the entire Goodwill held for the Group.

Strict OoH capital allocation through 2020 and 2021 has meant that the Group's investment in property, plant and equipment reduced by £3.0m.

The Group invested £3.8m into Inventories during the year to ensure security of customer service given the volatility experienced in UK supply chains and to protect stock levels, given changes planned through H1 2022 to the Group's Dilutes contract manufacturing arrangements.

The unwind of working capital experienced in 2020, that led to a cash conversion of 186% in that year, has largely been protected. Cash conversion for the period was 103%. The increase in Trade and other Receivables by £7.0m (2020: decrease of £8.6m versus 2019) was more than offset by the Group's increase in Trade and other Payables, up by £7.1m (2020: decrease of £1.6m versus 2019) and Provisions increase of £4.2m.

The Group recorded a net £2.6m liability (recorded within both Other Receivables and Provisions), representing the additional tax liability and interest costs arising from the HMRC ruling into the treatment of the Group's historic incentive schemes for some of its senior management.

The Group again delivered a strong Free Cash Flow of £17.5m (2020: £17.6m). Cash and cash equivalents at the end of the year were £56.7m (2020: £47.3m).

The Group has focused significantly on cash management throughout the pandemic years of 2020 and 2021, 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 our long-term growth plans.

EARNINGS PER SHARE

On an adjusted basis, diluted earnings per share (EPS) was 46.09 pence (2020: 25.54p). Total adjusted EPS increased to 46.15p pence (2020: 25.56p) with basic EPS at -60.04 pence (2020: 13.14p).

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 2021, the Group recognised a surplus on its UK defined benefit scheme of £5.3m (2020: surplus £0.3m).

With the agreement of Trustees, assets were transferred from equities to reduce the overall value at risk (£10m to £5m) during the year, securing the gains achieved over the last 2 years. Funding, assets versus liabilities, is now at 108% versus 83% at the time of the last valuation (April 2020).



David Rattigan
Chief Financial Officer
1 March 2022

RISK MANAGEMENT



PRINCIPAL RISKS AND UNCERTAINTIES

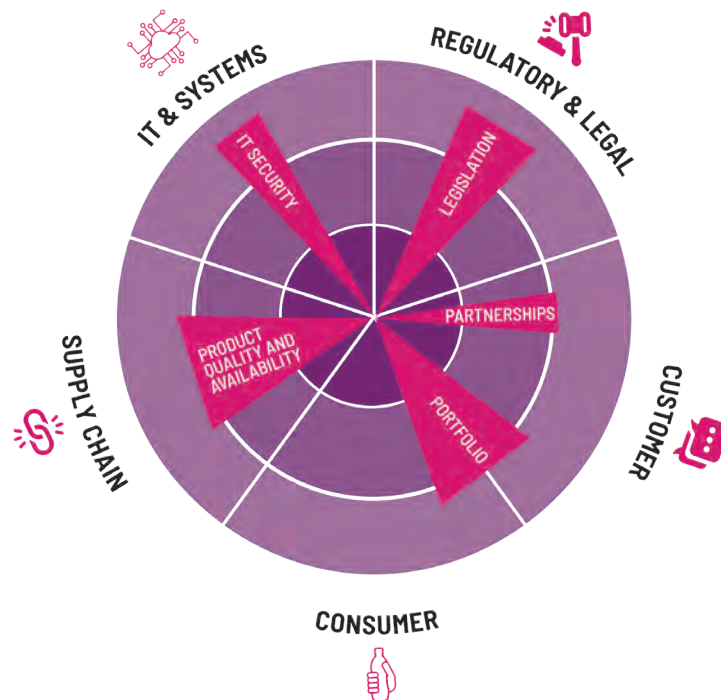
The primary aim of the Group's risk management process is to assist the business in meeting its strategic and operational objectives.

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 which monitors the effectiveness of the process.

The effects of Covid-19 continued to impact the Out of Home route to market as we started the year in another lockdown. The key risks highlighted by the Board and the resultant measures put in place have continued throughout 2021. The Group has operated a hybrid

working environment of both home and office based working in order to limit interaction where possible, in line with government guidelines. Whilst the effects of the pandemic on the Group's financial results are still ongoing, they are still not believed to be long-term and the Group's strategy has remained unchanged.

The following represents the principal risks identified by the Board. As previously stated, there are other risks affecting the business, but with a lower risk score and impact. The Senior Leadership Team regularly reviews 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. Accordingly, 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

2021 has seen the introduction of a new Data Centre via an external partner. This data centre is hosted offsite, in addition to what we already host on premise. The offsite environment hosts our business critical applications in a dual mirrored set-up, which would restore systems within 2 hours in the event of a major outage.

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 has launched multiple upgrades to its cyber security throughout 2021. These include but are not limited to encryption developments, multifactor authentication and a default deployment strategy of security measures.

The Group has also initiated a relationship with a third-party supplier providing 24/7 monitoring and reporting of all security events.

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	Mitigation	Development
<p>The Group operates with multiple office locations, a large field-based team and one manufacturing site. A health and safety (H&S) incident, for example in a warehouse or on the road, could result in serious injury or death or investigation by the relevant authority.</p> <p>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.</p>	<p>The Group is supported by an effective Health & Safety Management system, comprising 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 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.</p> <p>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.</p>	<p>Good progress and positive steps have been made in 2021, with a clear shift in our health and safety environment towards a proactive safety culture.</p> <p>The Health & Safety team has continued to grow and as a result new Institution of Occupational Safety and Health (IOSH) 'Managing safely' leadership training is being rolled out across the business to all managers, which will continue throughout 2022.</p>

PRODUCT QUALITY ISSUES →

Impact	Mitigation	Development
<p>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.</p>	<p>The business demands strict quality controls from all manufacturers and suppliers of our materials and finished goods. We seek independent validation of these controls via Global Food Safety Initiative (GFSI) approved bodies such as the British Retail Consortium (BRC).</p> <p>We adopt a comprehensive risk-based monitoring approach to all suppliers and manufacturers across all routes to market, specifically designed to mitigate quality risks.</p>	<p>The Group's Incident Management Process has been reviewed and refined throughout 2021. In addition, an unannounced product recall test was completed which was deemed a real success and also used to further refine existing protocols.</p>

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

Impact	Mitigation	Development
<p>Consumer needs, preferences and behaviours in relation to the purchase and consumption of soft drinks 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.</p>	<p>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.</p> <p>We have a rolling 3-year pipeline of Innovation and Renovation across both new and existing brands.</p>	<p>The Group has continued to innovate, extending our owned and licensed brands into new flavours and consumption occasions in the UK and Internationally.</p> <p>The Innovation Steering Committee has continued to govern and oversee these key strategic projects including the addition of Slush Puppie to our brand and product portfolio.</p>

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	Mitigation	Development
<p>Negative publicity affecting the brand could reduce consumer demand for the Group's products.</p>	<p>The business adheres to core values of originality, authenticity and ethics which result in a strong brand.</p>	<p>The Group continues to regularly monitor and track media coverage relating to the Group and its Brands.</p> <p>In addition, the update of the Incident Management Process has reviewed and refined the actions we would take in the event of any adverse publicity.</p>

LOSS OF A MAJOR CUSTOMER ACCOUNT OR KEY PARTNER ↓

Impact	Mitigation	Development
<p>Loss of a major customer or key partner could limit availability of our products and consequently impact sales.</p>	<p>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.</p>	<p>We have been reviewing our key partnerships to evolve contingency plans and business continuity planning.</p>

INTRODUCTION OF NEW GOVERNMENT LEGISLATION →

Impact	Mitigation	Development
<p>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.</p>	<p>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.</p> <p>The introduction of the Deposit Return Scheme (DRS) is an example of Government legislation which will likely pose risk to the Group.</p>	<p>A working group has been created to develop a strategy to deal with the implementation of the Scottish DRS scheme in 2023. This team will also monitor guidance regarding and prepare for the implementation of an English scheme.</p>

FAILURE TO PROTECT THE GROUP'S INTELLECTUAL PROPERTY RIGHTS →

Impact	Mitigation	Development
<p>A failure to protect the Group's intellectual property rights across the globe could negatively impact the perception of the brand and therefore revenues as a result.</p>	<p>The Group's legal team employ a specialist legal firm to monitor and litigate in response to all trademark infringements to protect its Intellectual property and Brands.</p>	<p>Monitoring of all trademark activity continues with the support of a third party provider.</p>



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

Impact	Mitigation	Development
<p>There is increasing focus on environmental and social issues in Government. This may result in new legislation (eg. plastic packaging 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.</p>	<p>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.</p> <p>The remit of this strategy includes but is not limited to, Carbon consumption, sustainable packaging and health and well-being.</p>	<p>The ongoing work within the ESG 'Happier Future' strategy has seen 597 tonnes of sugar removed from our products versus 2020 as the Group works towards being HFSS compliant in 2022.</p>

David Rattigan
Chief Financial Officer
1 March 2022



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
- 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.

OOH IMPAIRMENT REVIEW - CASE STUDY

BACKGROUND:

Goodwill and intangible assets with indefinite lives are required to be tested at least annually for impairment or when there are indications that the assets might be impaired. For the Group, all of the Goodwill and Intangible assets reside within the OoH route to market (also the Cash Generating Unit "CGU" for testing purposes)

As part of the assessment, management are required to determine the present value of the projected cashflows for the CGU, ensuring all key assumptions and estimates are reasonably updated and reflect expected performance and market changes.

Management have provided the Board with regular updates throughout the year.

ACTION:

The impact of COVID-19 has resulted in a difficult period of trade for OoH with many outlets being closed for a prolonged period of time. Whilst trade within the hospitality industry has begun to show growth and return towards pre-COVID-19 levels, it is doing so at a

slower pace than previously forecast and is only forecast to fully return to pre-pandemic levels through 2022.

The Board identified the need for a detailed analysis into this route to market.

OUTCOME:

Growth projections beyond 2022 are expected to be lower than previously estimated given that a number of outlets are expected not to reopen and footfall is expected to be restricted for a prolonged period as staffing shortages and local restrictions/social distancing is either mandated or occurs naturally, as was experienced through 2021.

Whilst cost pressure is expected to be fully recovered within OoH, the gross margin progression anticipated previously is now not likely to be achieved without transformational change in terms of how the Group

services the trade and its wider customer base. Overhead cost estimates have been reviewed and increased to reflect both inflationary pressures and the cost estimates required to serve the customer base, given the complexities of the current business environment and model.

As a result the annual impairment review undertaken, showed an impairment charge of £36.2m was required in the current year, the entire Goodwill held. This has been reported in the 2021 financial statements.

CONSIDERATION OF STAKEHOLDERS:

The commencement of review into OoH is an affirmative step by the Board into addressing the challenging conditions within the route to market, particularly driven by the continuation of Covid-19.

The impairment gives visibility to the Group's shareholders around the ongoing future challenges within this route to market and ensures that the Group balance sheet is correctly reported.

FUTURE ACTIONS:

As a result and in response to this challenging climate, during FY22 management has commenced a full strategic review into its Out of Home route to market in

terms of customer and product mix as well as ways to ensure appropriate margin and appropriate profitability going forward.

KEY BOARD DECISIONS DURING THE YEAR

The Board considers the following to be the principal decisions and considerations it has made during the year to 31 December 2021. The Board considers 'Principal Decisions' to be those decisions which entail significant long-term implications and consequences

for the Company and its stakeholders – to distinguish these from the normal, ordinary course decision-making processes that the Board engages in.

KEY MATTERS:

BOARD DECISION	CONSIDERATIONS
<p>The Board considered the Dividend Policy in respect of the Final Dividend for the year ended 31 December 2021.</p> <p>As disclosed in the Nichols plc 2020 Annual Report and Accounts, the Board has adopted a dividend policy with dividend cover at broadly 2x the adjusted earnings of the Group.</p>	<p>When considering the Final Dividend for the year ended 31 December 2021, the Board reviewed the current Dividend Policy and its aims to reflect the balance of shareholder needs and clear opportunities for growth that will exist in the soft drinks market post the COVID-19 pandemic.</p> <p>The move to broadly 2x brings the policy in line with historical averages and was only established following discussions with a broad range of shareholders.</p>
<p>In Q4 2020 the Group commenced a review of its UK operational supply chains. The project has progressed steadily with significant change already implemented. The Board agreed entering into new 5-year contract manufacturing and distribution arrangements that both build significant additional capacity, given the Group's growth plans, and improve efficiency.</p>	<p>In order to reach conclusion the Group ran a full tender process and scored responses according to a variety of criteria including the suppliers approach to business continuity.</p> <p>Post decision, all employees have been kept fully informed via team briefings.</p>
<p>The Board agreed that the Company should conduct on-market purchases under a share buyback programme to repurchase up to 453,486 ordinary shares of 10p each in the capital of the Company.</p> <p>The purpose of the Buyback is to meet future obligations under the Company's SAYE Option Scheme and/or Long Term Incentive Plan.</p>	<p>The Board considered the authority obtained at the Company's 2021 Annual General Meeting (AGM) and agreed to conduct the share buybacks within the limitations of the shareholder authority granted at the AGM.</p> <p>The Board discussed the proposed repurchase with a broad range of shareholders prior to implementation.</p> <p>The Board has taken all steps during the buyback process to avoid market abuse under Article 5(1) of Regulation (EU) No 596/2014, by way of appointing an independent external party to execute and manage the purchases in addition to limiting the number of trades on any one day to 6,000 shares.</p>
<p>The Board considered and approved a grant under the Company's Save-As-You-Earn Share Option Scheme (SAYE Option Scheme)</p>	<p>The Board considered the terms of the proposed SAYE Option Scheme grant, noting that it would be open to all eligible employees.</p> <p>The Board carried out a communication process with all employees to ensure they both understood the scheme and that it was accessible to all.</p>
<p>The Board re-evaluated and approved the reinvestment back into marketing spend, following the previous year of tight overhead control in response to the global pandemic.</p>	<p>The Board balanced the need to continue focussing on overhead costs in light of ongoing COVID-19 impacts with the wider Group need for increasing customer awareness by way of delayed marketing campaigns.</p> <p>The Board considered the gradual liftings of restrictions, opening of outlets within OoH and improved financial performance of the Group when assessing the level of appropriate re-investment.</p>



KEY MATTERS (CONTINUED):

BOARD DECISION	CONSIDERATIONS
<p>As the COVID-19 pandemic continued throughout 2021, the Board received regular updates on health and safety, in particular employee working arrangements and wellbeing.</p>	<p>The health, safety and well-being of our colleagues has continued to be our primary concern in 2021.</p> <p>During the year, the Board has considered how our working arrangements have needed to adapt to the changing COVID-19 related restrictions in the UK.</p> <p>The Senior Leadership Team engaged with all employees throughout the pandemic both formally and informally via regular online team briefs and gathered feedback from employees regarding working arrangements and wellbeing through regular employee surveys. This feedback provided intelligence that enabled suitable adjustments to employee working arrangements to be implemented.</p> <p>The Board continually reviewed and discussed the approach to employee engagement in relation to COVID-19 safe practices. Consideration was given to effective employee communication on accountability and responsibility.</p>

HOW THE GROUP ENGAGED WITH ITS KEY STAKEHOLDERS THROUGHOUT THE PANDEMIC

EMPLOYEES

Why we engage	How we engaged during 2021
<p>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.</p> <p>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.</p>	<p>During 2021, we have continued to engage with employees through the COVID-19 initiatives implemented in 2020, to encourage a safe and healthy working environment and to support their well-being. Engagement initiatives during the year included:</p> <ul style="list-style-type: none"> Ensuring a clear communication process to those individuals who continued to be on furlough during the first half of the year; Through our well-being hub we provide employees with access to a number of resources ranging from the Group Employee Assistance Programme (EAP), mental health and financial support Providing a safe working environment to allow those individuals who wish, or were able, to return to office working, to return safely; and We have conducted 2 employee surveys to understand how our colleagues are feeling. The response rate for the second survey was 55% with 94% of respondents feeling supported by the business. <p>The feedback from our employees on how they have been treated during 2021 has been very positive.</p>

CUSTOMERS

Why we engage

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

How we engaged during 2021

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 2021, we have continued to work 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 2021

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

During 2021, 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 2021

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.

The Group's commitment to providing opportunities for young people extends to our international business with our on-going support for the Waves For Change Initiative.

During 2021 employees participated in the Group's 'Day to make a difference' programme in which employees volunteered time to give back to their local community. Examples of activities undertaken include beach clean-ups, building community gardens, raising money through coffee mornings and decorating local community centres.

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 2021

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 Road 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, ensuring 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 2021

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 2021, our AGM, was held as a 'closed' meeting in order to protect both our Shareholders and our employees. We hope that in 2022 we will again be able to invite our shareholders to participate in our AGM. This provides an opportunity for all Board members to interact with our shareholders on a one to one basis and take questions as they arise.

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

Any shareholder feedback we receive via our meetings or otherwise is discussed at Board meetings. Shareholders also have the opportunity to field any questions that they may not want to be asked directly of the Board to the Non-Executive Directors.

The Strategic Report has been approved by the Board on 1 March 2022.

GOVERNANCE REPORT



THE BOARD	74
CORPORATE GOVERNANCE STATEMENT	76
AUDIT COMMITTEE REPORT	84
REMUNERATION COMMITTEE REPORT	88
NOMINATION COMMITTEE REPORT	96
DIRECTORS' REPORT	98

02

OUR BOARD



JOHN NICHOLS
NON-EXECUTIVE CHAIRMAN

MY BEVERAGE OF CHOICE
"Original Vimto is my favourite."



JAMES NICHOLS
NON-EXECUTIVE DIRECTOR

MY BEVERAGE OF CHOICE
"NAS cordial. Original obviously!"



ANDREW MILNE
CHIEF EXECUTIVE OFFICER

MY BEVERAGE OF CHOICE
"No brainer - Vimto Fizzy Raspberry, Orange and Passionfruit (in a can!)"



JOHN GITTINS
INDEPENDENT NON-EXECUTIVE DIRECTOR

MY BEVERAGE OF CHOICE
"Must be Vimto Original, oldest but still the best."



DAVID RATTIGAN
CHIEF FINANCIAL OFFICER

MY BEVERAGE OF CHOICE
"Chilled Vimto Fizzy, Zero. No hesitation!"



HELEN KEAYS
INDEPENDENT NON-EXECUTIVE DIRECTOR

MY BEVERAGE OF CHOICE
"Vimto Cherry, Raspberry and Blackcurrant squash for me. Retains the original but a bit different too!"

John Nichols 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 was appointed 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 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 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 4 sons. He enjoys Football, Sailing and generally being in the great outdoors as much as possible in his spare time.

James Nichols 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 2 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 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.

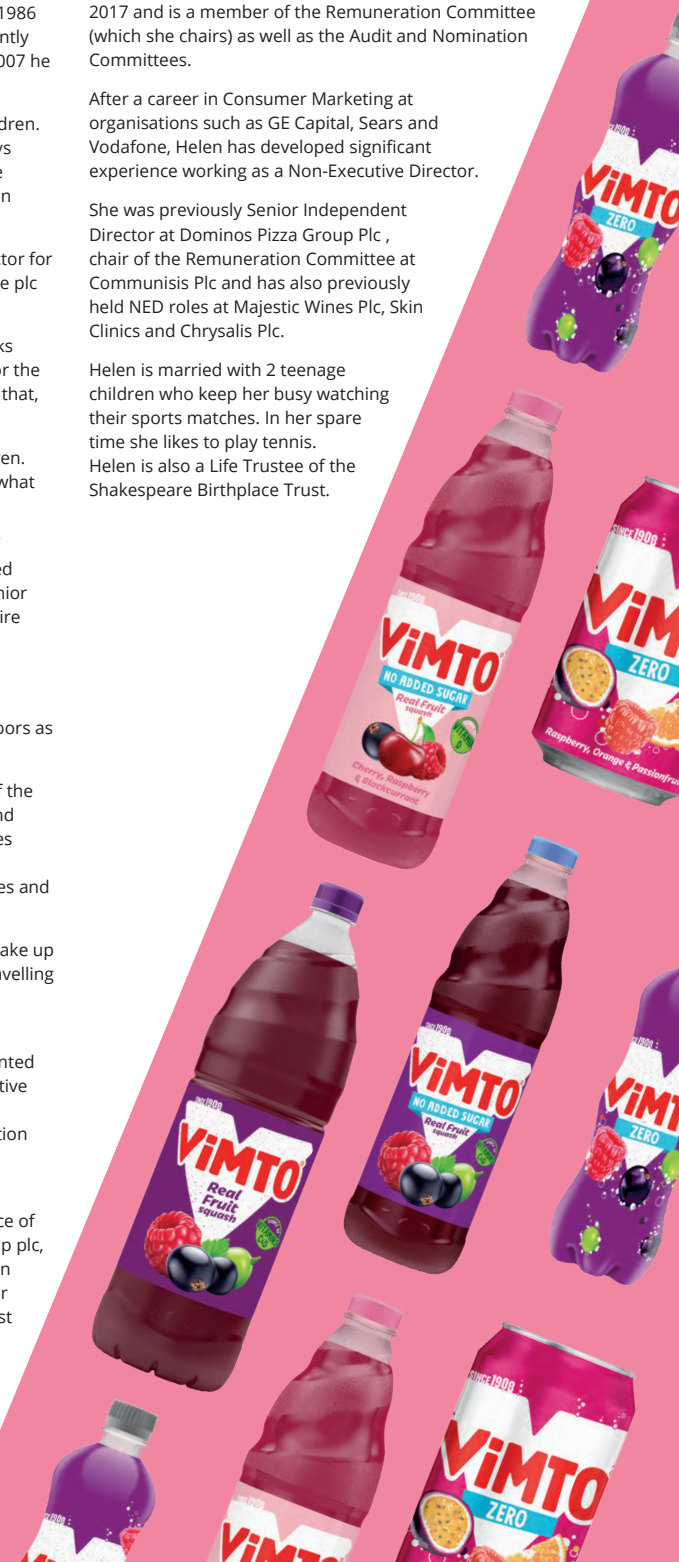
John is currently Audit Committee Chair of AIM listed Appreciate Group plc and has over 20 years' experience of CFO roles in companies such as Begbies Traynor Group plc, Spring Group plc and Vertex Data Science Limited. John was previously an independent Non-Executive Director and the Audit Committee chair of Electricity North West Limited.

Helen Keays 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 Communis Plc and has also previously held NED roles at Majestic Wines Plc, Skin Clinics and Chrysalis Plc.

Helen is married with 2 teenage children who keep her busy watching their sports matches. In her spare time she likes to play tennis. Helen is also a Life Trustee of the Shakespeare Birthplace Trust.



CORPORATE GOVERNANCE STATEMENT



NON-EXECUTIVE CHAIRMAN

JOHN NICHOLS

CHAIRMAN'S INTRODUCTION

I have pleasure in introducing Nichols' Corporate Governance Statement.

Due to the ongoing Covid-19 pandemic, 2021 has been another challenging year for the Company. However, our commitment to supporting high standards of corporate governance and our strong governance framework have enabled the Board to act quickly and support the management team in making decisions and taking appropriate actions.

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 2021, we continued to follow the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). As an AIM listed company the Board considers that this is the most appropriate Code for the Company.

COMPLIANCE WITH THE QCA CODE

The Board believes that it applies the ten principles of the QCA Code. We recognise the need to continue to develop our governance

practices and disclosures in order to ensure that they support the strategic progress of the Group and the effective application of the principles going forward.

Our governance structure provides a framework of clearly established roles, policies and procedures designed to support our compliance with the QCA Code, the AIM Rules and other legal, regulatory and compliance requirements which apply to the Group. Further details of our corporate governance structure and activities are set out on pages 76 to 83.

Further detail on our approach to corporate governance can also be found at www.nicholsplc.co.uk/Home/Aim26.

John Nichols
Non-Executive Chairman
1 March 2022

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. The Board has collective responsibility for setting the strategic aims and objectives of the Group and our strategy, business model and purpose are set out in the Strategic Report on pages 16 to 71. In the course of implementing our strategy, the Board takes into account the expectations of the Company's stakeholders and wider social and environmental responsibilities.

Our Section 172 statement, on pages 66 to 71, sets out how the Directors have fulfilled their duties and obligations to ensure the long-term success of the business. The Group's Executive Directors and senior leadership team have a separate forum which meets throughout the year to focus on the delivery of the Group's three year rolling strategic plan, which is set by the Board. The progress in delivering the strategy is reported up to the Board, which both challenges and supports the senior leadership team. The strategy is communicated to all staff members at corporate team briefs and separate team meetings.

SHAREHOLDER RELATIONS

Under Principle 2 of the Code, the Company must seek to understand and meet shareholder needs and expectations. The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results, enabling the Executive Directors to have an open dialogue and receive feedback. In normal circumstances, we encourage our shareholders to attend our Annual General Meetings ("AGMs") and we give them the opportunity to pose questions to our Directors. The Non-Executive Directors are also available to discuss any matter stakeholders might wish to raise.

During 2021, we have maintained a regular 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 continued to be very supportive during what was at the outset, another uncertain year in terms of financial performance due to Covid-19 restrictions. At the time of our 2020 Preliminary results presentation in March and our Interim results presentation in July, the Chief Executive Officer and Chief Financial Officer attended investor meetings with a full range of shareholders. Shareholders expressed understanding and support for the developed dividend policy of broadly 50% of adjusted after tax earnings and encouraged further development of the strategic agenda to ensure the Group realised the growth opportunities, both organically and through acquisition, within the soft drinks market, whilst recognising the need to ensure shareholder value. Shareholders expressed support for the Group's approach to Environmental and Social matters and welcomed the increased disclosure included in the 2020 Preliminary results presentation, 2020 annual report and Q3 trading update (2020, repeated in 2021). The Group discussed in detail the impact of Covid-19 on its Out of Home route to market and sought to understand more clearly how the Group would manage the period post the pandemic. The Group's focus on balance sheet management was appreciated.

The Company had hoped to be able to welcome shareholders in person to the 2021 AGM but due to the UK Government guidelines in place at the time of the meeting, shareholders were unable to attend and the AGM was held with the minimum attendance required to form a quorum. Shareholders were given the opportunity to send in questions prior to the AGM. We hope that we will be able to welcome all shareholders to our 2022 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. The Board recognises the importance of maintaining regular dialogue with our stakeholders to ensure, and receive and consider, their views.

Information on how the Company engages with its key stakeholders is provided on pages 66 to 71.

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 55%. 94% of respondents felt very well supported by the business. (2020: 96%)

Throughout the Covid-19 pandemic, the Senior Leadership Team presented quarterly to all employees via a live webinar to update them on key issues. Feedback from employees was extremely positive. Through its health and safety arrangements, the Company has ensured it can provide a safe working environment to allow those individuals who wish, or were able, to return to office working, to do so safely during the year.

The well-being hub, which was launched in August 2020, provides employees with access to the Group Employee Assistance Programme (EAP), wellbeing news, mental health resources and financial wellbeing support.

The year has proved again to be a challenging time but the continued spirit and application of our people has been outstanding.

Further details of how we engaged with our workforce throughout 2021, including how we regularly communicated with our furloughed employees, is detailed in our section 172 Statement on page 69 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 practices.

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 facility 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. Our commitment to providing opportunities for young people extends to our international business, with our on-going support for the Waves For Change Initiative.

During the year employees participated in the Group's 'Day to make a difference' programme, in which employees volunteered time to give back to their local community and charities. Examples of activities undertaken include beach clean-ups, building community gardens, raising money through coffee mornings and decorating local community centres.

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 2020 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 36 to 53 of this Annual Report.

RISK MANAGEMENT

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



The Board has ultimate responsibility for the systems of internal control and risk management. The Audit Committee reviews the Group's internal controls and risk management processes on the Board's behalf.

The Company's Risk Management Team ('RMT') which was created in 2020, comprises members of the Senior Leadership Team (the 'SLT'), the Risk Controller and both a legal and H&S representative. The RMT has met regularly throughout 2021. The RMT reports to the SLT who will provide an update to the Audit Committee three times a year.

Considerable focus was given to certain areas during the year, including cyber security and the financial impact of producer fees associated with the introduction of the Deposit Return Scheme (DRS). Cyber security continues to be a high risk and the Group has taken appropriate mitigating action. The introduction of the DRS poses a risk to the Group and as a result a dedicated working group has been established in order to prepare the Group for the initial roll out in Scotland during 2023. To mitigate against the risk of a single source supply of Vimto concentrate, the Group has been working closely with its strategic suppliers during the year in order to establish multi-production capability.

2021 was the first full year of the co-sourcing relationship with EY for the provision of certain internal audit services. The Company's management team has worked with EY to develop the Internal Audit Plan and agree areas of focus and review in 2021. The relationship provides further assurance to members of the Audit Committee and additional specialist resource to our in-house teams. Further details are included in the Audit Committee Report on page 87.

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 60 to 65.

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 is a Non-Executive Director. James also holds the position of Commercial Controller at Vimto Out of Home and has worked within the business for 17 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 99.

The Board also comprises of two Executive Directors, Andrew Milne and David Rattigan.

The Board has delegated specific responsibilities to its three Board Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee and Remuneration Committee are chaired by the two independent Non-Executive Directors. John Nichols chairs the Nomination Committee. Details of the operation of the Board Committees are set out in their respective reports.

There were six Board meetings during the year. Details of Board and Committee meeting attendance of Directors during the year is set out below:

DIRECTORS	BOARD	AUDIT	REMUNERATION	NOMINATION
P J Nichols	6/6	4/4	4/4	2/2
J A Gittins	6/6	4/4	4/4	2/2
H M Keays	6/6	4/4	4/4	2/2
J E Nichols	6/6			
A P Milne	6/6			
D T Rattigan	6/6			

In addition, the Board held a Strategy Day in November 2021, to review its medium term strategic plans, 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 guide, develop and lead the Board and ensure that the Group's corporate governance framework 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 affecting the delivery of Nichols plc's strategy.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr John Gittins and Ms Helen Keays are considered by the Company as Independent Non-Executive Directors (NEDs). 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 NEDs are expected to devote such time as is necessary for the proper performance of their duties and normally expect to spend a minimum of 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 NEDs 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 NEDs agree to commit sufficient time to perform their duties.

EXECUTIVE DIRECTORS

The Company has two Executive Directors: Andrew Milne and David Rattigan. The Executive Directors are charged with the delivery of the business model within the strategy set by the Board.

NEDs communicate with Executive Directors and senior management between formal Board meetings.

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. 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 Group Chief Financial Officer in 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 Group 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.

During 2021, the Nomination Committee undertook an exercise to understand and identify the core skills, experience and knowledge of the Directors. The exercise will assist the Board with its process for new appointments and with succession planning. More information can be found on page 97 of the Nomination Committee Report.

Biographies on all Directors giving details of their experience and roles on the Board are shown on pages 74 to 75.

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 and Committee performance evaluation was undertaken in November 2021, the outcome of which has been communicated to, and discussed by the Board. The performance evaluation was led by the

Group's People and Sustainability Director and took the form of a questionnaire completed by each member of the Board. The questionnaire specifically included matters relating to purpose and culture, ESG, Board and Committee composition and stakeholder engagement.

The evaluation also focussed on (i) the effectiveness of the Board, (ii) the Board process including professional development, (iii) strategy and leadership (iv) stakeholders (v) Board and Group performance and (vi)

purpose and culture. The review concluded that, during the year, the Board and its Committees had performed effectively. There were consistent improvements in several areas, in particular the effectiveness of the Board and Board and Group Performance.

Progress was found to have been made on the actions suggested in the 2020 review, as summarised in the table below:

2020 Performance Evaluation focus area	Progress against action
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.	Due to UK Government guidelines and the uncertainty relating to new Covid-19 variants, the Board was unable to hold any of its meetings at different locations during the year. The Board has agreed that, subject to restrictions, it will hold two meetings at different locations within the Group every year.
The role and responsibilities of the Remuneration Committee are 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 role and responsibilities of the Remuneration Committee were developed during the year, to include alignment with the Group's financial calendar. The Committee considered the performance of its incentive scheme at an appropriate time during the year. An advisor was appointed.
The importance of shareholder feedback was fully recognised by the Board and it was agreed that this should become a more formalised process.	Shareholder feedback is collected after each roadshow and shared with the Board.

The table below illustrates the key areas of focus that resulted from the 2021 review and the actions that are proposed for 2022:

2021 Performance Evaluation focus area	Proposed action
Consideration of the composition of the Board in respect of diversity and skill set for future appointments.	Current coverage of skills on the Board was reviewed. The Committee point of view was that the skills and experience were appropriate but would be reviewed further in 2022.
Review of arrangements for the 2022 AGM, taking into account the effects of Covid-19 on meeting format and stakeholder engagement.	AGM arrangements were reviewed, and appropriate plans put into effect for April 2022.
Incorporation of more feedback on individual performance into the annual cycle and Board evaluation process.	The appropriate process will be considered further in 2022.
Raising awareness of ESG matters amongst employees, ensuring alignment with purpose and culture.	Individual ESG objectives will be in place for all employees in 2022.

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. When making new appointments, the Company will engage a market leading recruiter to provide a shortlist of suitable candidates with the required experience and ability. Any potential candidate for appointment as a Non-Executive Director will be required to disclose their other commitments before being appointed as a Director.

Succession planning for the Board is an ongoing topic of discussion and more information is provided on the Company's approach to succession planning in the Nomination Committee Report on page 97. 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 promotes 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 36 to 53 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.
- **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 87 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.

As the Covid-19 pandemic continued in 2021, the most important objective of the Board was to protect the health and wellbeing of the Company's employees, customers and suppliers. The Board has continued to ensure that the measures implemented at the start of the Covid-19 pandemic continue to be effective, ensuring a safe and healthy environment for employees. The Health and Safety Manager ensures that management is kept informed of arrangements in place.

GOVERNANCE STRUCTURE

Principle 9 of the Code requires that the Company maintains governance structures and processes that are fit for purpose and support good decision making by the Board.

The challenges presented by the Covid-19 pandemic, including travel restrictions, social distancing and Covid-safe working environments has impacted the Board's

activities and format of Board meetings, during the year. The Board adapted to the changing UK Government guidelines to ensure meetings went ahead as smoothly as possible. The Board met six times during the year and was able to hold three meetings face to face.

Nichols plc has robust internal controls, delegated authorities and authorisation processes. The controls are subject to review, both internally by individual teams within the Company and externally by the Company's external audit provider, BDO LLP. In addition, the Company has 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 87.

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.

The plc website contains information about the business activities, access to all RNS announcements and copies of the Annual Report and Accounts. The plc website also includes historical announcements, as well as the Annual Report and Accounts for more than the minimum five years. The work of the Audit, Remuneration and Nomination Committees is described on pages 84 to 99.

AUDIT COMMITTEE REPORT



INDEPENDENT NON-EXECUTIVE DIRECTOR

JOHN GITTINS

The ongoing Covid-19 pandemic has continued to create a challenging environment for the Company during 2021. Nevertheless the Committee, on behalf of the Board, continued to discharge its duties, including a focus on further 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 2021, 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 the audit committee of Appreciate Group plc and previously of Electricity North West Limited.

The Audit Committee met four times during 2021 and all Committee members were present at every meeting.

DUTIES

The main duties of the Committee are set out in its Terms of Reference which are available on the Company's website (www.nicholsplc.co.uk/investors/aim-rule-26/) and include the following:

- To monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports and accounts, announcements of preliminary results and any other formal announcement relating to its financial performance;
- To review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;
- To consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Company's external auditor;
- To oversee the relationship with the external auditor including recommendations on their remuneration, approving their terms of engagement, assessing annually their independence and objectivity and assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process; and
- To develop and implement a policy on the supply of non-audit services by the external auditor including prior approval of non-audit services by the committee and taking into account any relevant ethical guidance on the matter and thorough consideration of all appropriate matters.

The Committee reviews its Terms of Reference annually and the Board approved the current Terms of Reference on 28 April 2021.

AREAS OF FOCUS IN THE REPORTING PERIOD

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. 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 ongoing 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, for the first time, the internal audit plan proposed by EY, monitoring the results of these reviews and the timely follow up of any control recommendations. These activities are further explained in the Internal Audit section below.
- reviewing the Group's risk management process, key risk register, risk dashboard 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 through the Risk Management Team.
- receiving a presentation from the Company's legal department, providing an update 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.

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

As part of the monitoring of the integrity of the financial statements, significant matters and accounting judgments identified by the finance team and the external auditor are reviewed by the Committee and reported to the Board. The significant matters considered by the Committee in respect of the year ended 31 December 2021 are set out below:

EXCEPTIONAL ITEMS

The Committee reviewed the accounting treatment of the items listed in note 4 and concurred with management's view that they are exceptional in size and nature in relation to the Group.

IMPAIRMENT REVIEW

The Committee reviewed accounting papers prepared by management in connection with annual impairment reviews.

Out of Home, the Group's only cash generating unit (CGU) with Goodwill and Intangible assets, has been significantly impacted by Covid-19, resulting in a difficult period of trade with many outlets being closed for a prolonged period of time. Based on this trading performance and the CGU's future prospects, management assessed the need for a goodwill impairment of £36.2m, with which the Committee concurred.

Details of the impairment reviews performed are outlined in note 12 to the financial statements.

FIXED ASSET VERIFICATION

During the year management concluded on a Group wide fixed asset verification process with the Committee regularly reviewing the work undertaken.

NET LIABILITY FOR HISTORIC INCENTIVE SCHEMES

The Committee has reviewed the findings of the HMRC investigation into prior year incentive schemes and believe that the net liability recorded within the financial statements represents a reasonable outcome for the Group's additional tax liability and interest costs.

GOING CONCERN STATUS

Reviews of the Group's going concern status were carried out by management at both the half and full-year period ends. Detailed papers setting out the relevant considerations were tabled by management and discussed with the Committee, together with the Group's external auditors.

The Committee noted that severe but plausible risk scenarios had been identified; a robust risk assessment had been carried out; and the Group's going concern statements remained appropriate when stress tested. Taking into account the Company's balance sheet position, the Committee concurred with management's view that 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).

EXTERNAL AUDIT

The 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. Having reviewed and assessed the auditor's independence and performance, the Committee recommended to the Board that a resolution to reappoint BDO as the Group's external auditor be proposed at the forthcoming AGM. BDO have been the Company's external auditor for eight years. The Committee has adopted a policy of tendering external audit services at least every ten years.

INTERNAL AUDIT

In 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 provides further assurance to the Committee and additional specialist resource. Following a formal tender process, EY were selected by the Committee as the preferred partner and appointed to carry out the role.

During the year, management have worked with EY to develop an internal audit plan. This process included consideration of the Company's principal risks, alongside sector specific risks and historical finance function internal review coverage. Areas of focus included supply and operational planning, employment and payroll controls and health and safety procedures.

EY attended three Committee meetings during the year.

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 as explained above, management committees with remit over risk management, treasury management and capital expenditure, which were established in 2020, now regularly report to the Committee. In addition, an internal controls self-assessment exercise was also carried out throughout the organisation for the first time in 2021.

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 satisfied 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 satisfied that the policy is operating effectively.

John Gittins

Chair of the Audit Committee
1 March 2022

REMUNERATION COMMITTEE REPORT



INDEPENDENT NON-EXECUTIVE DIRECTOR

HELEN KEAYS

On behalf of the Remuneration Committee, I am pleased to present the Remuneration report for the year ended 31 December 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 four times during the year and plans to meet at least three times a year going forward.

2021 REMUNERATION OUTCOMES

This was the first year in which we operated our new Hybrid Incentive Plan. In the context of very strong financial and personal performance during the year, the Committee determined that it was appropriate for awards to pay out at 99% of maximum overall. This incorporates maximum achievement against the Group Strategic Objectives and 99% pay out against the Adjusted Profit Before Tax objective. Full details of the performance assessment against both the financial and key business objectives can be found on page 93.

The Committee is comfortable that the outcome is in line with underlying corporate performance and shareholder experience over the year, with 10% growth in share price and a total dividend of 23.1p for the year. The outturn is also in line with the experience of the wider workforce with maximum bonus being awarded.

In line with the Policy approved at the 2021 AGM, 60% of the award will be deferred into shares and the remainder will be paid in cash. This deferred element of the award, which is intended to align Executive Directors' remuneration with shareholder value in the longer term, vests 3 years after the start of the performance period (i.e. 2 years after the pay-out of the cash element).

In relation to the LTIP awards granted to Andrew Milne in 2018, the Committee reviewed the earnings-related performance conditions after the year end and determined that performance for these awards was below the threshold levels. The awards have, therefore, lapsed.

No discretion was applied in determining the outcomes of the Hybrid Incentive Plan and the LTIP, but the Committee noted that the performance conditions for the LTIP were set prior to the pandemic under significantly different market conditions to the point at which the conditions for the Hybrid Incentive Plan were set at the start of 2021. The Committee will continue to set stretching targets for the Hybrid Incentive Plan in the context of business plan and consensus forecasts.

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.

The Committee has the following principles it follows when establishing Executive Director remuneration at Nichols:

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

To ensure alignment with these principles, the Group operates a hybrid incentive plan which combines the previous individual bonus and long-term incentive plans into a single plan. This hybrid incentive plan assesses both short and long-term performance in a combination of cash and deferred shares.

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
<p>BASE SALARY</p> <p>Supports the recruitment and retention of Executive Directors, reflecting their role, skills, and experience</p>	<p>Base salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual.</p> <p>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</p>	<p>Increases to base salary are determined annually by the Committee considering:</p> <ul style="list-style-type: none"> • Individual performance. • The scope of the role. • Pay levels in comparable organisations; and • Pay increases for other employees 	<p>Not applicable, although individual performance is considered when determining base salary increases.</p>
<p>PENSION</p> <p>Supports recruitment and retention of Executive Directors.</p>	<p>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.</p>	<p>Up to 9% of base salary</p>	<p>Not applicable</p>
<p>BENEFITS</p> <p>Supports recruitment and retention of Executive Directors</p>	<p>Executive Directors are entitled to the following benefits:</p> <ul style="list-style-type: none"> • Life assurance; • Directors and Officers Liability Insurance • Private medical insurance; • Company car/car allowance and fuel <p>The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, considering typical market practice and practice throughout the company.</p>	<p>The value of such benefits is not capped.</p>	<p>Not applicable</p>

Element and link to strategy	Operation	Maximum potential Value	Performance conditions and assessment
<p>ALL-EMPLOYEE SHARE PLAN – SAVE AS YOU EARN (“SAYE”)</p> <p>To encourage equity ownership across all employees and create a culture of ownership.</p>	<p>The Company offers a SAYE scheme for all employees.</p> <p>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.</p>	<p>Maximum permitted based on HMRC limits from time to time.</p>	<p>Not applicable</p>
<p>HYBRID INCENTIVE PLAN</p> <p>Supports the recruitment and retention of Executive Directors.</p> <p>Supports a high performance culture</p> <p>Rewards performance in the context of achieving key goals, and encourages sustainable performance that supports the achievement of strategic goals.</p>	<p>A combination of financial and non-financial measures and targets are set annually. Outcome levels will be determined based on performance against this scorecard.</p> <p>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.</p> <p>The deferred element of the award will attract dividend equivalents for the period between assessment and pay-out.</p>	<p>The maximum incentive which may be earned in any year under the Hybrid Incentive Plan is 200% of base salary.</p>	<p>For 2022 awards, performance conditions will be weighted 70% towards financial performance and 30% towards Strategic Goals.</p> <p>The financial element of the performance conditions will act as an underpin on pay outs from the remainder of the award.</p>

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 2021

The following table summarises the total gross remuneration of the Directors who served during the year to 31 December 2021.

	Fixed remuneration			Performance related – Hybrid Incentive Plan			Total 2021 £'000	Total 2020 £'000
	Salary and fees £'000	Benefits in kind ⁴ £'000	Pension ⁵ £'000	Cash £'000	Deferred shares ⁶ £'000	Total		
Executive Directors								
A P Milne	325	18	29	259	390	1,021	286	
D T Rattigan	213	15	13	170	257	668	205	
M J Millard ¹	-	-	-	-	-	-	475	
T J Croston ²	-	-	-	-	-	-	46	
						1,689	1,012	
Non-Executive Directors								
P J Nichols	101	1	-	-	-	102	102	
J Nichols ³	20	-	-	-	-	20	9	
H M Keays	40	-	-	-	-	40	40	
J A Gittins	40	-	-	-	-	40	40	
						202	191	
						1,891	1,203	

1 MJ Millard stepped down from the Board as Group CEO as of 31 December 2020.

2 TJ Croston stepped down from the Board as Group CFO as of 2 March 2020.

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

6 Vesting of awards will be 3 years from the start of the performance period of 1 January 2021.

HYBRID INCENTIVE PLAN

For the 2021 financial year, the maximum bonus opportunity for the Executive Directors was 200% of base salary. 70% of the award was based upon financial performance and 30% was based on performance against Group Strategic Objectives. Of the award achieved, 60% has been deferred into shares to be paid out 3 years from the start of the performance period. The remaining 40% awarded is to be paid in cash.

	Performance Targets				Actual Performance	Actual Payout
	Target ² £m	Payout	Maximum £m	Payout		
Group Adjusted Profit Before Tax ¹	18.9	70%	21.9	100%	21.8	99%

1 Excluding exceptional items

2 Group compiled market consensus, March/April 2021 post Q1 lockdown, following release of 2020 preliminary results and confirmed at AGM trading update.

The Group achieved a strong financial performance in the year with Adjusted Profit Before Tax ("Adjusted PBT") of £21.8m, up £10.2m (+88%) on the prior year result of £11.6m.

The target financial performance set at the end of Q1 2021 following clarity on the UK Government's planned roadmap out of lockdown. Based upon financial planning at that time, Executive Directors would be able to earn 70% of maximum bonus with Adjusted PBT of £18.9m (+£7.3m versus prior year). This target represented the Group compiled market consensus for full year performance in existence at that time. An achievement of Adjusted PBT £21.9m represented a stretch target for the Group and would result in a maximum payout of 100%.

Based on actual performance, both the Chief Executive Officer and Chief Financial Officer achieved 99% of the maximum bonus, acknowledging the strong Group performance in the period, significantly above external expectations at that time.

Personal element outcomes (30% of award)

Both Executive Directors were set three personal objectives to be measured as a whole, weighted at a maximum of 30% as follows:

1. Happier Future objectives relating to year 1 of our 3 year programme

Shaping the Group's ESG agenda and year 1 delivery, focusing on scope 1 and scope 2 2025 commitments in the areas of climate action, packaging, healthier options and community support.

2. Operational change objectives relating to year 1 of Strategic Change Programme

Review of UK packaged supply chain focussing on delivering Strategic Supply partnerships, enabling significant capacity expansion and efficiency improvements, optimising our outbound supply chain and advancing the Group's internal Sales and Operational Planning process.

3. Out of Home initial review

Undertaking a review of the Out of Home route to market in terms of the Group's return on capital employed metrics. This work has outlined the key areas of focus for the Strategic Change Programme to be delivered through 2022/2023.

Based on the strong performance of both Executive Directors during the year, the Committee have determined that the maximum potential 30% award in respect of their personal objectives was achieved.

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 outstanding	Number of shares lapsed
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 2023	Andrew Milne	£0	9,668	-
			David Rattigan	£0	7,734	-
2021 SAYE	15 April 2021	15 April 2024	Andrew Milne	£10.15	1,064	-

During the year, Andrew Milne exercised share awards in relation to the 2016 SAYE scheme (603 shares), the 2018 SAYE scheme (587 shares) and the 2017 LTIP (6,609 shares). The 2019 LTIP award granted to Andrew Milne didn't vest, based on performance against the agreed targets between 1 January 2019 and 31 December 2021. David Rattigan was appointed to the role of CFO on 2 March 2020 and therefore was not granted a 2019 LTIP award.

IMPLEMENTATION OF REMUNERATION POLICY IN 2022

The following table summarises Executive Director salaries, pension levels and incentive opportunities, and Non-Executive Director fees for the 2022 financial year. This table excludes benefits in kind which are referenced in the table above.

	Basic salary/ fee ¹ £'000	Pension ² £'000	Maximum incentive (200% of salary) £'000	
			Cash element	Deferred element ³
Executive Directors				
A P Milne	325	29	260	390
D T Rattigan	214	17	171	257
Non-Executive Directors				
P J Nichols	101	-	-	-
J E Nichols	20	-	-	-
H M Keays	40	-	-	-
J A Gittins	40	-	-	-

¹ Salary may change upon review with changes enacted from 1 April 2022.

² Pension may be paid as a cash sum in lieu of.

³ As per the policy, 60% of pay outs from the Hybrid Incentive Plan will be deferred into shares for a further 2 years.

In 2022, the Hybrid Incentive Plan will be assessed against financial performance (Adjusted Profit Before Tax) and Group 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 maximum bonus opportunity for the Executive Directors will be 200% of base salary with 70% of the award being based upon financial performance and 30% was based on for performance against Group Strategic Objectives. On achievement of the award 60% will be deferred into shares to be paid out 3 years from the start of the performance period with the remaining 40% being awarded paid in cash.

The performance targets are not disclosed prospectively as they are considered to be commercially sensitive. Details of performance against the targets and the resulting awards earned will be disclosed retrospectively at the end of the performance period.

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

There were 4 Remuneration Committee meetings held during the year. The following table sets out individual attendance by members:

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

CONCLUSION

On behalf of the Committee, I hope this report gives you a clear view of how we have implemented the policy in 2021 and our plans for 2022. The Committee hopes that shareholders are able to support the 2021 Annual Remuneration Report at the forthcoming AGM.

Helen Keays

Chair of the Remuneration Committee
1 March 2022

NOMINATION COMMITTEE REPORT



NON-EXECUTIVE CHAIRMAN

JOHN NICHOLS

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

MEMBERSHIP OF THE NOMINATION COMMITTEE

The Committee 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.

The Nomination Committee met twice in 2021 and all Committee members were present at every meeting.

ROLE OF THE NOMINATION COMMITTEE

The main duties of the Committee are set out in its Terms of Reference which are available on the Company's website (www.nicholsplc.co.uk/investors/aim-rule-26/) and include the following:

- 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 Committee reviews its Terms of Reference annually and were last reviewed in July 2021.

ACTIVITIES DURING THE YEAR

During the year, the Nomination Committee discharged its responsibilities by:

- Reviewing the membership of the Board and Board Committees, including the skills and experience of current Directors and the development of a Board Skills Matrix;
- Reviewing the Non-Executive Directors' time commitment;
- Approving adoption of annual re-election of the Directors at the AGM, in line with best practice; and
- Succession Planning.

BOARD SKILLS ASSESSMENT

During the year, working with the Group's People and Sustainability Director, the Committee developed a Board Skills Matrix and carried out a skills assessment of the Board of Directors. The purpose of the exercise was to agree and understand the key skills and areas of expertise required on the Board of the Company. The Committee agreed the requisite skills, experience and related descriptors and then carried out a self-assessment at the end of 2021 which will be discussed at Committee meetings in 2022.

The Board Skills Matrix will assist the Committee when making new appointments to the Board and in its succession planning.

BOARD PERFORMANCE EVALUATION PROCESS

As described on page 81, a formal Board performance evaluation was undertaken in 2021. The evaluation was carried out by way of questionnaires. The review concluded that, during the year, the Board and Committees have continued to perform effectively.

SUCCESSION PLANNING

A session focusing on succession planning was held in October 2021 focusing on the outputs from the Group's talent management process with particular focus on CEO and CFO succession, Senior Leadership Team recruitment and Diversity and Inclusion (D&I). Succession Planning is an ongoing item for consideration by the Board.

John Nichols
Non-Executive Chairman
1 March 2022

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 2021, in accordance with section 415 of the Companies Act 2006. The Corporate Governance Statement set out on pages 76 to 83 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 Report of the Directors have been omitted as they are included in the Strategic Report on pages 16 to 71. 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 66 to 71.

PRINCIPAL ACTIVITIES

Nichols plc is an international diversified soft drinks business with sales in over 73 countries, selling products in both the Still and Carbonate categories.

FINANCIAL RESULTS AND DIVIDENDS

The Group's Loss Before Taxation from continuing operations for the year ended 31 December 2021 amounted to £17.7m (2020: profit £6.5m). The Group's adjusted Profit Before Taxation, excluding exceptional items, was £21.8m (2020: £11.6m). The Directors will recommend a dividend of 13.3p at the 2022 annual

Summary of Director's Interests in the Company

Director	Shares held as at 1 January 2021	2021 movement	Shares held as at 31 December 2021
P J Nichols	2,000,000	-	2,000,000
A P Milne	1,665	10,781	12,446
D T Rattigan	-	1,659	1,659
J A Gittins	1,280	-	1,280
H M Keys	-	-	-
J E Nichols	835,476	-	835,476

Details of Directors' remuneration, including pension arrangements, service agreements and Long-Term Incentive Plan Awards are provided in the Directors' Remuneration Report on pages 88 to 95.

general meeting to be held on 27 April 2022 (the '2022 AGM').

ARTICLES OF ASSOCIATION

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders. A copy of the Articles of Association can be found on the Company's website: Articles-of-Association.pdf (nicholsplc.co.uk)

DIRECTORS AND THEIR INTERESTS

The Directors who have held office during the year ended 31 December 2021 and to the date of this report are as follows:

EXECUTIVE DIRECTORS

Andrew Paul Milne
David Thomas Rattigan

NON-EXECUTIVE DIRECTORS

Peter John Nichols, Chairman
John Anthony Gittins
Helen Margaret Keys
James Edward Nichols

The roles and biographies of the Directors in office as at the date of this report are set out on pages 74 to 75. Details of their interests in ordinary shares of the Company as at 31 December 2021 are shown in the table below.

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 35.8% in the Company's issued share capital as at the year end.

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Risk Management section on pages 60 to 65 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 Strategic Report on pages 66 to 71.

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.

Management continuously consult with employees and keep them informed on matters of current interest and concern to the business. Further information regarding employment at Nichols is provided on pages 38 to 39 of the Strategic Report.

CUSTOMERS AND SUPPLIERS

Detail of how the Board has engaged with its customers and suppliers is included in the Strategic Report on pages 66 to 71.

POLITICAL DONATIONS

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

SHARE CAPITAL

Details of the Company's share capital, including changes during the year, are set out in note 28 to the Financial Statements. As at 31 December 2021, the Company's share capital consisted of 36,968,772 Ordinary shares of ten pence each.

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands, every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of the Ordinary 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.

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Subject to authorisation by shareholder resolution, the Group may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled

immediately upon completion of the purchase.

At the Company's AGM held on 28 April 2021, the Group was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 3,696,877 of its Ordinary shares. During 2021, the Company has repurchased 68,000 Ordinary shares under this authority, which is due to expire at the AGM to be held on 27 April 2022, and accordingly has an unexpired authority to purchase up to 3,628,877 Ordinary shares with a nominal value of £362,888. The Group announced its intention to conduct on-market purchases under a share buy-back programme on 14 December 2021. The purpose of the share buy-backs is to meet future obligations under the Company's SAYE Option Scheme and/or Long Term Incentive Plan. Shares repurchased are held in Treasury. The total number of shares held in Treasury as at 31 December is 107,664.

In exercising its authority in respect of the purchase and cancellation of the Group'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.

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 2021, the ESOT held 4,889 Nichols plc Ordinary 10 pence shares (2020: 8,975).

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 £0.3m (2020: £0.1m).

ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

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.

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 2021. More information is provided on pages 48 to 51 of the Strategic Report.

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 16 to 71. The financial position of the Group is described in the Financial Review on pages 54 to 59.

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.

The estimated impacts of Covid-19 restrictions are primarily based around our Out of Home market and the potential for future lockdowns within the hospitality industry. Our modelling has sensitised trading within this market to reflect varying degrees of lockdowns with the most severe scenario assuming that some restrictions will persist throughout the whole of 2022.

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

In all cases, the business model remained robust. The Group's diversified business model and strong balance sheet entering 2022, combined with its strong cash generation in 2021 all provide resilience against these factors and the other principal risks that the Group is exposed to. At the 31 December 2021 the Group had cash and cash equivalents of £56.7m with no external bank borrowings. This equates to 87% of 2021 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 the 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 2022 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 UK adopted 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 in accordance with UK adopted 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 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.

ANNUAL GENERAL MEETING

The 2022 AGM of the Company will be held at Nichols plc, Laurel House, Woodlands Park, Ashton Road, Newton-le-Willows, Merseyside, WA12 0HH on 27 April 2022 at 11am. The notice convening the meeting, together with details of the business to be considered and explanatory notes for each resolution, is set out on pages 158 to 162. Copies of the notice will be distributed to shareholders who have elected to receive hard copies of shareholder information.



David Rattigan
Secretary

1 March 2022
Laurel House, Woodlands Park,
Ashton Road, Newton-le-Willows, WA12 0HH.
Registered in England and Wales No. 00238303.

FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT	104
CONSOLIDATED INCOME STATEMENT	112
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	112
STATEMENT OF FINANCIAL POSITION	113
CONSOLIDATED STATEMENT OF CASH FLOWS	114
PARENT COMPANY STATEMENT OF CASH FLOWS	115
STATEMENT OF CHANGES IN EQUITY	116
NOTES TO THE FINANCIAL STATEMENTS	118
UNAUDITED FIVE YEAR SUMMARY	158
NOTICE OF ANNUAL GENERAL MEETING	159
GENERAL NOTES	161
FINANCIAL CALENDAR	161

03

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2021 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 UK adopted international accounting standards 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 ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' 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;
- Considering the appropriateness and accuracy of these forecasts and robustly challenging their inputs using our knowledge of the business, the sector and wider commentary available from competitors and peers; and
- Challenging the Directors' assumptions and judgements made with regards to stress-testing of forecasts, re-performing sensitivities on the Directors' base case and stressed case scenarios, considering the likelihood of these occurring and understanding the mitigating actions management would take under these scenarios

- We reviewed the going concern disclosures, and assessed their consistency with the Director's 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 and the Parent

Company'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	100% (2020: 124%) of Group loss before tax (2020: Group profit before tax) 100% (2020: 98%) of Group revenue 99% (2020: 98%) of Group total assets		
Key audit matters		2021	2020
	Brand Support Arrangements	✓	✓
	Goodwill and Intangible Asset Impairment	✓	✓
Materiality	Group financial statements as a whole £1.0m (2020: £1.2m) based on 5% of loss before tax after adjusting for exceptional items (2020: 3 year average basis utilising 5% 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.

Our Group audit scope focused on the Group's trading entities, being Vimto Out of Home Limited and the Parent Company which were considered to be the

significant components. Full scope audits on these components were performed by the Group engagement team.

The remaining components are dormant and therefore were considered non-significant to the Group.

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 2021, 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

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 UK adopted international accounting standards, had been appropriately applied and that the classification of charges in the income statement was appropriate;
- 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.



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.

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.

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 unit (CGUs) do not support the carrying value of indefinite life intangible assets and goodwill.

Management performed a full impairment assessment to determine if the carrying values of of the goodwill and indefinite life intangible assets is supported. An impairment charge of £36.2m was recognised in the year relating to goodwill.

The key assumptions applied by the Directors in the impairment reviews are:

- Cash flow forecasts in the context of the going concern review, including assumptions on future growth, gross margin and overhead allocation; and
- Discount rates.

We considered this to be a key audit matter as the value of the goodwill and indefinite life intangible assets is supported by forecasts of future cash flows of the business. Historically, there has been significant headroom on the Vimto Out of Home CGU however the impact of the Covid-19 pandemic on the hospitality sector lasted longer than originally expected, with recovery at a much slower pace than previously forecast.

As such there is inherent uncertainty within these forecasts arising from the changing industry and economic conditions and thus significant management judgement and assumptions are required.

Our audit procedures to address this risk included but were not limited to:

- We evaluated and challenged management's impairment models by:
- challenging management's assessment of the Cash Generating Units (CGUs) being assessed for impairment with reference to IAS 36 and by comparing the identified CGUs to internal management reporting demonstrating how the cash flows are monitored;
- reviewing management's workings for mechanical accuracy and compliance with the requirements of relevant accounting standards
- assessing the discount rate used within the impairment calculation and ensuring the rate applied lay within an acceptable range determined with the assistance of internal valuation specialists
- checking historical financial information against budget to assess accuracy of the budgeting process and preparation of cash flow forecasts
- reviewing key estimates employed by the Directors within the cash flow forecasts to underlying information to assess reasonableness and achievability
- performing sensitivity analysis over key assumptions to understand the impact of reasonable changes in assumptions on the impairment models and conclusions

Key observations:

We found the judgements and assumptions adopted by management in the assessment of the carrying value of goodwill, assets with indefinite lives and the impairment charge recognised in the year to be reasonable and appropriate in all material aspects.

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	
	2021	2020	2021	2020
Materiality	£1,000,000	£1,200,000	£620,000	£700,000
Basis for determining materiality	5% of profit before tax after adjusting for exceptional items.	3 year average basis utilising 5% of profit before tax after adjusting for exceptional items.	5% of profit before tax after adjusting for exceptional items.	3 year average basis utilising 5% of profit before tax, after adjusting for exceptional items.
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.	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.	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.	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.
Performance materiality	£750,000	£900,000	£465,000	£525,000
Basis for determining performance materiality	75% of materiality This was considered appropriate based on audit knowledge, and given the trade of the Group is contained in the parent company and one other component which minimises the risk of additional unadjusted misstatements across a number of components.	75% of materiality This was considered appropriate based on audit knowledge, and given the trade of the Group is contained in the parent company and one other component which minimises the risk of additional unadjusted misstatements across a number of components.	75% of materiality This was considered appropriate based on audit knowledge, and given the trade of the Group is contained in the parent company and one other component which minimises the risk of additional unadjusted misstatements across a number of components.	75% of materiality This was considered appropriate based on audit knowledge, and given the trade of the Group is contained in the parent company and one other component which minimises the risk of additional unadjusted misstatements across a number of components.



COMPONENT MATERIALITY

Aside from the parent company whose materiality is detailed above, the Group has one significant component, subsidiary entity Vimto Out of Home. We set materiality for this component at 62% of Group materiality based on its size in relation to the Group and our assessment of the risk of material misstatement of the component. Component materiality was £620,000. In the audit of the 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 £20,000 (2020: £24,000). 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 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 (UK adopted international accounting standards 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 financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included but were not limited to testing manual journals, detailed testing of a sample of items for revenue cut off around the year end to ensure they were accounted for in the correct period 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, which are Key audit matters and the recognition and measurement of litigation and contingent liabilities.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.



Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor,
Manchester, UK
1 March 2022

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

OUR ADVISORS

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BANKERS

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SOLICITORS

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STOCKBROKERS & NOMINATED ADVISOR

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REGISTRARS

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REGISTERED OFFICE

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

REGISTERED NUMBER

00238303.

CONSOLIDATED INCOME STATEMENT-YEAR ENDED 31 DECEMBER 2021

	Notes	2021			2020		
		Before exceptional items £'000	Exceptional items (note 4) £'000	Total £'000	Before exceptional items £'000	Exceptional items (note 4) £'000	Total £'000
Continuing operations							
Revenue	3	144,328	-	144,328	118,657	-	118,657
Cost of sales		(79,153)	-	(79,153)	(69,021)	-	(69,021)
Gross profit		65,175	-	65,175	49,636	-	49,636
Distribution expenses		(9,129)	-	(9,129)	(7,979)	-	(7,979)
Administrative expenses		(34,124)	(39,477)	(73,601)	(30,003)	(5,074)	(35,077)
Operating profit/(loss)	5	21,922	(39,477)	(17,555)	11,654	(5,074)	6,580
Finance income	6	57	-	57	150	-	150
Finance expense	6	(158)	-	(158)	(190)	-	(190)
Profit/(loss) before taxation		21,821	(39,477)	(17,656)	11,614	(5,074)	6,540
Taxation	8	(4,783)	271	(4,512)	(2,174)	488	(1,686)
Profit/(loss) for the year attributable to equity shareholders		17,038	(39,206)	(22,168)	9,440	(4,586)	4,854
Earnings per share attributable to the ordinary equity shareholders							
Earnings/(loss) per share (basic)	10	46.15p		(60.04p)	25.56p		13.14p
Earnings/(loss) per share (diluted)	10	46.09p		(60.04p)	25.54p		13.13p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED 31 DECEMBER 2021

	2021 £'000	2020 £'000
(Loss)/profit for the year	(22,168)	4,854
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability (see note 26)	4,083	(155)
Deferred taxation on pension obligations and employee benefits (see note 15)	(962)	32
Other comprehensive income/(expense) for the year	3,121	(123)
Total comprehensive (expense)/income attributable to equity shareholders	(19,047)	4,731

STATEMENT OF FINANCIAL POSITION-YEAR ENDED 31 DECEMBER 2021

	Notes	Group		Parent	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	17,099	20,126	6,327	7,344
Goodwill	12	-	36,244	-	-
Investments	13	-	-	16,566	16,566
Intangibles	14	5,546	6,206	122	156
Deferred tax assets	15	-	-	-	145
Pension surplus	26	5,276	347	5,276	347
Total non-current assets		27,921	62,923	28,291	24,558
Current assets					
Inventories	16	9,706	5,921	6,070	3,526
Trade and other receivables	17	36,124	29,143	40,407	37,655
Corporation tax recoverable		743	671	756	742
Cash and cash equivalents	18	56,674	47,294	38,767	30,629
Total current assets		103,247	83,029	86,000	72,552
Total assets		131,168	145,952	114,291	97,110
Liabilities					
Current liabilities					
Trade and other payables	19	28,791	21,669	50,100	39,876
Provisions	20	4,242	-	4,242	-
Total current liabilities		33,033	21,669	54,342	39,876
Non-current liabilities					
Other payables	19	1,954	2,922	1,367	2,040
Deferred tax liabilities	15	3,155	1,485	1,138	-
Total non-current liabilities		5,109	4,407	2,505	2,040
Total liabilities		38,142	26,076	56,847	41,916
Net assets		93,026	119,876	57,444	55,194
Equity					
Share capital	28	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		676	394	1,451	1,169
Retained earnings		84,189	111,321	47,832	45,864
Total equity		93,026	119,876	57,444	55,194

The Parent Company reported a profit for the year ended 31 December 2021 of £6,932,000 (2020: £4,578,000). The financial statements on pages 112 to 157 were approved by the Board of Directors on 1 March 2022 and were signed on its behalf by:

P J Nichols
Chairman

Registered number 00238303.

CONSOLIDATED STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER 2021

Group	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
(Loss)/profit for the financial year			(22,168)		4,854
Adjustments for:					
Depreciation and amortisation		4,969		4,971	
Impairment losses on goodwill and intangible assets	4	36,244		3,820	
Impairment losses on property, plant and equipment	11	-		1,016	
Loss on sale of property, plant and equipment		63		71	
Finance income	6	(57)		(150)	
Finance expense	6	158		190	
Taxation expense recognised in the income statement		4,512		1,686	
(Increase)/decrease in inventories		(3,785)		2,440	
(Increase)/decrease in trade and other receivables		(6,804)		9,220	
Increase/(decrease) in trade and other payables		7,429		(838)	
Increase in provisions	20	4,242		-	
Change in pension obligations and employee benefits		(846)		(755)	
Fair value gain on derivative financial instruments	22	(178)		-	
			45,947		21,671
Cash generated from operating activities					
Taxation paid		(3,878)			(5,017)
Net cash generated from operating activities					
			19,901		21,508
Cash flows from investing activities					
Finance income		57		150	
Proceeds from sale of property, plant and equipment		2		35	
Acquisition of property, plant and equipment		(1,239)		(2,701)	
Acquisition of intangible assets		-		(170)	
Payment of contingent consideration	21	(67)		(880)	
Net cash used in investing activities					
			(1,247)		(3,566)
Cash flows from financing activities					
Purchase of own shares		(1,217)		-	
Payment of lease liabilities	24	(1,189)		(1,254)	
Dividends paid	9	(6,868)		(10,338)	
Net cash used in financing activities					
			(9,274)		(11,592)
Net increase in cash and cash equivalents					
Cash and cash equivalents at 1 January			47,294		40,944
Cash and cash equivalents at 31 December					
	18		56,674		47,294

PARENT COMPANY STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER 2021


Parent	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Profit for the financial year			6,932		4,578
Adjustments for:					
Depreciation and amortisation		1,585		1,558	
Impairment losses on goodwill and intangible assets		-		3,820	
Loss on sale of property, plant and equipment		46		12	
Finance income		(57)		(150)	
Finance expense		126		154	
Taxation expense recognised in the income statement		2,228		1,767	
(Increase)/decrease in inventories		(2,544)		876	
(Increase)/decrease in trade and other receivables		(4,949)		2,572	
Increase in trade and other payables		15,036		10,597	
Increase in provisions		4,242		-	
Change in pension obligations and employee benefits		(846)		(755)	
Fair value gain on derivative financial instruments		(178)		-	
			14,689		20,451
Cash generated from operating activities					
Taxation paid		(3,920)			(2,438)
Net cash generated from operating activities					
			17,701		22,591
Cash flows from investing activities					
Finance income		57		150	
Acquisition of property, plant and equipment		(471)		(576)	
Acquisition of intangible assets		-		(170)	
Net cash used in investing activities					
			(414)		(596)
Cash flows from financing activities					
Purchase of own shares		(1,217)		-	
Payment of lease liabilities	24	(1,064)		(1,122)	
Dividends paid	9	(6,868)		(10,338)	
Net cash used in financing activities					
			(9,149)		(11,460)
Net increase in cash and cash equivalents					
Cash and cash equivalents at 1 January			30,629		20,094
Cash and cash equivalents at 31 December					
	18		38,767		30,629

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-YEAR ENDED 31 DECEMBER 2021

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 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 expense	-	-	-	-	(123)	(123)
Total comprehensive income	-	-	-	-	4,731	4,731
At 1 January 2021	3,697	3,255	1,209	394	111,321	119,876
Dividends	-	-	-	-	(6,868)	(6,868)
Movement in ESOT	-	-	-	10	-	10
Credit to equity for equity-settled share based payments	-	-	-	272	-	272
Purchase of own shares	-	-	-	-	(1,217)	(1,217)
Total transactions with owners	-	-	-	282	(8,085)	(7,803)
Loss for the year	-	-	-	-	(22,168)	(22,168)
Other comprehensive income	-	-	-	-	3,121	3,121
Total comprehensive expense	-	-	-	-	(19,047)	(19,047)
At 31 December 2021	3,697	3,255	1,209	676	84,189	93,026

COMPANY STATEMENT OF CHANGES IN EQUITY-YEAR ENDED 31 DECEMBER 2021

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 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 expense	-	-	-	-	(123)	(123)
Total comprehensive income	-	-	-	-	4,455	4,455
At 1 January 2021	3,697	3,255	1,209	1,169	45,864	55,194
Dividends	-	-	-	-	(6,868)	(6,868)
Movement in ESOT	-	-	-	10	-	10
Credit to equity for equity-settled share based payments	-	-	-	272	-	272
Purchase of own shares	-	-	-	-	(1,217)	(1,217)
Total transactions with owners	-	-	-	282	(8,085)	(7,803)
Profit for the year	-	-	-	-	6,932	6,932
Other comprehensive income	-	-	-	-	3,121	3,121
Total comprehensive income	-	-	-	-	10,053	10,053
At 31 December 2021	3,697	3,255	1,209	1,451	47,832	57,444

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 2021 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 UK adopted 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 future Covid-19 restrictions. The review performed considers severe but plausible downside scenarios that could reasonably arise within the period.

The estimated impacts of Covid-19 restrictions are primarily based around our Out of Home market and the potential for future lockdowns within the hospitality industry. Our modelling has sensitised trading within this market to reflect varying degrees of lockdowns with the most severe scenario assuming that some restrictions will persist throughout the whole of 2022.

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

In all cases, the business model remained robust. The Group’s diversified business model and strong balance sheet entering 2022, combined with its strong cash generation in 2021, all provide resilience against these

factors and the other principal risks that the Group is exposed to. At the 31 December 2021 the Group had cash and cash equivalents of £56.7m with no external bank borrowings. This equates to 87% of 2021 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 the Annual Report) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

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 both have an important role to play in all of the Group’s routes to market. The brands are also well positioned



to mitigate against the impact of recent sugar levy announcements.

The Directors have therefore made a judgement that certain intangible assets relating to brands have indefinite lives. It is expected that these brands will be held and supported for an indefinite period of time and are expected to generate economic benefits. The Group is committed to supporting its brands and invests in significant consumer marketing promotional spend. 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 £nil (2020: £36.2m).

The carrying amount of brands with indefinite lives was £2.6m (2020: £2.6m).

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 2021.

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 2021, 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 and 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.

Historic incentive scheme

The liability and corresponding asset disclosed within note 20 and note 17 have been calculated based on specialist tax and legal advice and represent a reasonable estimate of the final outcome, including the Group’s additional tax liability, interest costs and amounts expected to be recovered.

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 2021. Subsidiaries are entities controlled by the Group. Control exists if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and

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

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

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

Revenue recognition

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

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

Transfer of control varies depending on the individual term of the contract of sale. For sales in the UK, transfer of control occurs when the product is 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.

This Group holds derivative financial instruments in relation to foreign currency forward contracts. They are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

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 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 2021 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 £1,079,000 (2020: £1,746,000) 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 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 (SAYE) scheme open to all employees; a Long-Term Incentive Plan (LTIP) 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 31 December 2021.

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 2021, the ESOT holds 4,889 shares in the Company (2020: 8,975 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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 - References to Conceptual Framework

The following amendments are effective for the period beginning 1 January 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts (effective 1 January 2023)
- In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Still	72,393	65,688	37,980	32,817
Carbonate	71,935	52,969	27,195	16,819
	144,328	118,657	65,175	49,636

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.

	2021 £'000	2020 £'000
Capital Expenditure	1,239	2,871
IFRS 16 additions	108	1,226
Depreciation	4,309	4,258
Impairment losses on property, plant and equipment	-	1,016
Amortisation	660	713
Impairment losses on goodwill and intangible assets	36,244	3,820

b. Reporting by geographic area

Revenue by geographic destination

	2021 £'000	2021 %	2020 £'000	2020 %
	Middle East	9,765	6.8	7,309
Africa	16,410	11.4	14,010	11.8
Rest of the World	6,523	4.5	5,712	4.8
Total exports	32,698	22.7	27,031	22.8
United Kingdom	111,630	77.3	91,626	77.2
	144,328	100.0	118,657	100.0

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

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



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

No individual customer accounts for 10% or more of the Group's revenue in either 2021 or 2020.

Total assets

The assets of the Group at 31 December 2021 and 31 December 2020 are located within the United Kingdom and Europe.

Capital expenditure

The capital expenditure of the Group for the years ended 31 December 2021 and 31 December 2020 was made within the United Kingdom and Europe.

IFRS 16 additions

The IFRS 16 additions of the Group for the years ended 31 December 2021 and 31 December 2020 were made within the United Kingdom and Europe.

Depreciation

The IFRS 16 additions of the Group for the years ended 31 December 2021 and 31 December 2020 were made within the United Kingdom and Europe.

Amortisation

The Group's amortisation charges for the years ended 31 December 2021 and 31 December 2020 are against intangible assets retained within the United Kingdom and Europe.

4. EXCEPTIONAL ITEMS

By virtue of their nature and size, there are a number of items which have been reported as exceptional items within administrative expenses. These items are as follows:

	2021 £'000	2020 £'000
Impairment of goodwill and intangible assets	36,244	3,820
Review of UK packaged supply chain	620	277
Historic incentive scheme	2,613	-
Redundancy costs	-	723
Restructuring costs	-	254
	39,477	5,074

2021 exceptional items

The Group has incurred £39.5m of exceptional costs during the year (2020: £5.1m), £38.9m of which is non-cash.

Following the annual impairment review of the Group's Out of Home Cash Generating Unit (CGU), the Group has incurred a non-cash impairment to Goodwill of £36.2m. Further detail is provided in note 12.

In Q4 2020 the Group commenced a review of its UK operational supply chains. The project has progressed steadily with significant change already implemented, including entering into new 5-year contract manufacturing and distribution arrangements that both build significant additional capacity, given the Group's growth plans, and improve efficiency. These specific projects are expected to be completed through 2022, with further foundation work progressing. As a result of this work, the Group has incurred a further £0.6m of costs (2020: £0.3m) in the year, with additional costs expected in 2022.

In previous annual reports, the Group reported a contingent liability in respect of historic contracts with some of its senior management relating to incentive schemes which were designed to motivate, retain and engage those key employees. HMRC were of the view that the arrangements should have been taxed as employment income, which the Group and its advisors had previously disputed. During the period a tribunal was convened to consider the dispute of the Group's scheme as well as similar schemes operated by other companies. Subsequent to the year end, the tribunal found that the arrangements should have been taxed as employment income. Accordingly, as at 31 December 2021, the Group has recognised a net liability of £2.6m in relation to this ruling, being a reasonable estimate of the final outcome, including the Group's additional tax liability, interest costs and amounts expected to be recovered.

4. EXCEPTIONAL ITEMS (CONTINUED)

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.

2020 exceptional items

In the previous year, the Group incurred a non-cash impairment of £3.8m to Goodwill and Intangible Assets of its Feel Good CGU.

The Group commenced a review of its UK packaged supply chain in the previous year, incurring costs of £0.3m.

The Group completed a review of its operational and leadership structures in the previous year, making a number of roles redundant and incurring costs of £0.7m.

The Group decided to move from three Executive Directors to two in the previous year, incurring early termination costs of £0.3m.

5. OPERATING PROFIT

	2021 £'000	2020 £'000
Operating profit is stated after charging/ (crediting):		
Inventory amounts charged to cost of sales	79,153	69,021
BDO LLP remuneration:		
Audit services of the Group's annual accounts	110	93
Depreciation of property, plant and equipment	4,309	4,258
Impairment of property, plant and equipment	-	1,016
Amortisation of intangible assets	660	713
Short-term lease rental payments	240	203
Charge for equity settled share based payments	272	177
Loss / (gain) on foreign exchange differences	437	(162)
Fair value gain on derivative financial instruments (note 22)	(178)	-
Loss on sale of property, plant and equipment	63	71
Release of contingent consideration on acquisition	(63)	(1,349)
Expected credit loss provision charge (note 17)	294	854

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

6. FINANCE INCOME AND EXPENSE

	Notes	2021 £'000	2020 £'000
Finance income comprises:			
Bank interest receivable		47	147
Net interest income on defined benefit pension scheme surplus	26	10	3
		57	150
Finance expense comprises:			
IFRS 16 interest charge	24	(158)	(190)
Finance expense		(158)	(190)

7. DIRECTORS AND EMPLOYEES

a. Average monthly number of persons employed during the year, including Directors:	2021 Number	2020 Number
Group	308	352
Parent Company	274	268

b. Group employment costs were as follows:

	2021 £'000	2020 £'000
Wages and salaries	13,290	11,738
Social security costs	1,388	1,534
Pension costs - defined contribution scheme	811	787
Pension costs - defined benefit scheme (see note 26)	69	146
Equity settled share based payments charge	272	177
	15,830	14,382

c. Parent Company employment costs were as follows:

	2021 £'000	2020 £'000
Wages and salaries	13,290	10,889
Social security costs	1,388	1,428
Pension costs - defined contribution scheme	811	762
Pension costs - defined benefit scheme (see note 26)	69	146
Equity settled share based payments charge	272	177
	15,830	13,402

A charge of £272,000 (2020: £177,000) was recognised during the year in relation to benefits accruing under the Group's 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 98.

	2021 £'000	2020 £'000
Salary	1,849	1,181
Defined contribution pension costs	42	22
Social security costs	214	201
	2,105	1,404

The highest paid Director has received £992,000 (2020: £471,000) excluding pension contributions.

Benefits are accruing to 2 Directors (2020: 3 Directors) under a defined contribution scheme, the highest paid Director has received contributions of £29,000 in the year.

Aggregate amounts for loss of office totalled £nil (2020: £555,000).

There is a share based payment charge of £75,000 in the year (2020: £nil) in relation to executive share awards made to 2 Directors.

A Director has made a gain of £57,000 (2020: £nil) on the exercise of share options during the year.

Further information regarding Directors' remuneration and the Incentive Plan is provided in the Remuneration Committee Report on pages 88 to 95.

8. TAXATION

	2021 £'000	2020 £'000
a. Analysis of expense recognised in the consolidated income statement		
Current taxation:		
UK Corporation Tax on income for the year	3,862	1,754
Adjustments in respect of prior years	(58)	(83)
Total current tax charge for the year	3,804	1,671
Deferred tax:		
Origination and reversal of temporary differences	675	(82)
Adjustments in respect of prior years	33	97
Total deferred tax charge for the year	708	15
Total tax expense in the consolidated income statement	4,512	1,686

The tax expense is wholly in respect of UK taxation.

	2021 £'000	2020 £'000
b. Tax reconciliation		
(Loss)/Profit before taxation	(17,656)	6,540
(Loss)/Profit before taxation multiplied by the standard rate of Corporation Tax in the United Kingdom of 19.00% (2020: 19.00%)	(3,355)	1,243
Effect of:		
Non-deductible expenses	7,402	41
Other tax adjustments, reliefs and transfers	142	479
Other timing differences	(70)	117
Adjustments to the tax charge in respect of prior years	(25)	14
Income not taxable for tax purposes	(13)	(256)
Depreciation for the year greater than capital allowances	-	(15)
Impact on deferred tax due to rate change	441	31
Amounts relating to other comprehensive income	(10)	32
Total tax expense in the consolidated income statement	4,512	1,686

c. The effective rate of tax on adjusted profit before tax is 21.9% (2020: 18.7%) which is higher than the standard rate of Corporation Tax in the United Kingdom (19.00%). The effective rate of tax on loss before tax is -24.5% (2020: 25.8%) which is also higher than this rate.

In May 2021, an amendment to the UK Corporation Tax rate was subsequently enacted to increase the rate of tax from 19% to 25% with effect from 1 April 2023. Accordingly, deferred tax balances as at 31 December 2021 have been recognised at 25% and this has had a significant impact on the effective rate of tax.

d. Tax on items recognised in other comprehensive income/ (expense)
In addition to the amount charged to the consolidated income statement, a charge of £962,000 (2020: £32,000 credit) 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

	2021 £'000	2020 £'000
Interim dividend 9.8p (2020: 28.0p) paid 10 September 2021	3,619	10,338
Final dividend for 2020 is 8.8p (2019: £nil) paid 6 May 2021	3,249	-
	6,868	10,338

The interim dividend for the prior year of £10,338,000 was paid on 4 September 2020.

The 2021 final proposed dividend of 13.3p per share has not been accrued as it had not been approved by the year end.

10. EARNINGS PER SHARE

	2021	2020
(Loss)/earnings per share (basic)	(60.04p)	13.14p
(Loss)/earnings per share (diluted)	(60.04p)	13.13p
Adjusted earnings per share (basic) - before exceptional items	46.15p	25.56p
Adjusted earnings per share (diluted) - before exceptional items	46.09p	25.54p

Basic earnings per share is calculated by dividing the Group's profit after tax for the year 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

	Loss £'000	2021 Weighted average number of shares	Loss per share	Earnings £'000	2020 Weighted average number of shares	Earnings per share
Basic (loss)/earnings per share	(22,168)	36,919,085	(60.04p)	4,854	36,932,032	13.14p
Dilutive effect of share options		-			26,551	
Diluted (loss)/earnings per share	(22,168)	36,919,085	(60.04p)	4,854	36,958,583	13.13p

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:

	(Loss)/ earnings per share	2021 Weighted average number of shares	(Loss)/ earnings per share	Earnings £'000	2020 Weighted average number of shares	Earnings per share
Basic (loss)/earnings per share	(22,168)	36,919,085	(60.04p)	4,854	36,932,032	13.14p
Exceptional items after taxation	39,206			4,586		
Adjusted earnings per share (basic) - before exceptional items	17,038	36,919,085	46.15p	9,440	36,932,032	25.56p
Dilutive effect of share options		48,656			26,551	
Adjusted earnings per share (diluted) - before exceptional items	17,038	36,967,741	46.09p	9,440	36,958,583	25.54p

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 2020	3,444	25,528	2,170	2,365	33,507
Additions	-	2,701	807	419	3,927
Adjustment to acquisition of subsidiary	-	(163)	-	-	(163)
Disposals	-	(1,339)	-	-	(1,339)
At 1 January 2021	3,444	26,727	2,977	2,784	35,932
Additions	-	1,239	28	80	1,347
Disposals	-	(3,191)	-	-	(3,191)
At 31 December 2021	3,444	24,775	3,005	2,864	34,088

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 2020	385	10,376	637	367	11,765
Charge for the year	69	3,029	776	384	4,258
Impairment losses	-	1,016	-	-	1,016
Disposals	-	(1,233)	-	-	(1,233)
At 1 January 2021	454	13,188	1,413	751	15,806
Charge for the year	69	3,172	684	384	4,309
Disposals	-	(3,126)	-	-	(3,126)
At 31 December 2021	523	13,234	2,097	1,135	16,989
Net book value at 31 December 2021	2,921	11,541	908	1,729	17,099
Net book value at 31 December 2020	2,990	13,539	1,564	2,033	20,126

Group impairment losses of £nil (2020: £1,016,000) were noted in the year for assets deemed as obsolete or lost within the Out of Home business.



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 2020	3,444	4,882	2,170	1,417	11,913
Additions	-	576	807	419	1,802
Disposals	-	(42)	-	-	(42)
At 1 January 2021	3,444	5,416	2,977	1,836	13,673
Additions	-	472	28	80	580
Disposals	-	(242)	-	-	(242)
At 31 December 2021	3,444	5,646	3,005	1,916	14,011

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 2020	385	3,531	637	262	4,815
Charge for the year	69	420	776	279	1,544
Disposals	-	(30)	-	-	(30)
At 1 January 2021	454	3,921	1,413	541	6,329
Charge for the year	69	519	684	279	1,551
Disposals	-	(196)	-	-	(196)
At 31 December 2021	523	4,244	2,097	820	7,684
Net book value at 31 December 2021	2,921	1,402	908	1,096	6,327
Net book value at 31 December 2020	2,990	1,495	1,564	1,295	7,344

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 2020	38,585
Impairment (see below)	(2,504)
Adjustment to acquisitions	163
At 1 January 2021	36,244
Impairment (see below)	(36,244)
At 31 December 2021	-

Parent

Cost	£'000
At 1 January 2020	2,504
Impairment (see below)	(2,504)
At 1 January 2021 and 31 December 2021	-

All Goodwill relates to the Out of Home business which is considered by management to be two independent Out of Home 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.

	2021 £'000	2020 £'000
Still	-	21,431
Carbonate	-	14,813
	-	36,244

2021 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 (CGU) is based on its value in use, being the present value of the projected cash flows of the CGU.

An annual impairment review was performed on the Goodwill (£36.2m) and Intangible assets with indefinite lives (£2.6m), all of which relate the Group's Out of Home Business. The value in use calculation uses cash flow projections from financial budgets approved by management in addition to annual growth projections for the next five years and into perpetuity.

The impact of COVID-19 has resulted in a difficult period of trade for Out of Home with many outlets being closed for a prolonged period of time. Whilst trade within the hospitality industry has begun to show growth and return towards pre-COVID-19 levels, it is doing so at a slower pace than previously forecast and is only forecast to fully return to pre-pandemic levels through

2022. Growth projections beyond 2022 are expected to be lower than previously estimated given a number of outlets are expected not to open and footfall is expected to be restricted for a prolonged period as staffing shortages and local restrictions/social distancing is either mandated or occurs naturally, as was experienced through 2021.

The Group has experienced unprecedented cost inflation towards the end of 2021 which will impact returns in 2022 and beyond. Whilst cost pressure is expected to be fully recovered within Out of Home, the gross margin progression anticipated previously is now not likely to be achieved without transformational change in terms of how the business services the trade and its wider customer base. Overhead cost estimates have been reviewed and increased to reflect both inflationary pressures and the cost estimates required to serve the customer base given the complexities of the current business environment/model. As a result, and in response to this challenging climate, during 2022 the Board has commenced a full strategic review into its Out of Home route to market in terms of customer



and product mix as well as ways to ensure appropriate margin and appropriate profitability going forward.

The pre-tax discount rate applied to cash projections is 8.2% (2020: 8.2%) and cashflows beyond the five year period are extrapolated using a 2% growth rate (2020: 2%) (being the average of cashflow growth in years 3-5). Based on the review it was concluded that the fair value less costs of disposal were not supported by the value in use calculated. As a result of this analysis, management have recognised an impairment charge of £36.2m in the current year, impairing the entire Goodwill held. The impairment charge has been recognised as an exceptional item within these financial statements.

Key assumptions

The calculation of value in use is most sensitive to the following assumptions:

- Revenue growth
- Gross margin
- Overheads
- Discount rate
- Growth rates estimates used to extrapolate cash flows beyond the forecast period

Revenue growth - Based on the continued impact of coronavirus and subsequent hospitality lockdowns, the Board's view on the outlook for the industry recovery is that whilst there will be continued revenue growth, it will be at a slower pace than previously anticipated. Within the year-end impairment review, revenue growth of 1% per annum has been forecast for each of the five years. This compares to the previously assumed 3% revenue growth noted within the prior year review.

A faster rate of recovery would increase the value in use calculation and therefore reduce any impairment noted. A year-on-year increase in annual revenue of 4% per year over the five year period forecast would result in no impairment being required for Out of Home.

Gross margin - Based on the continued impact of coronavirus and the impact of inflationary pressures including fuel, labour and materials, the gross margins forecast previously (2021 and previous impairment models) are not expected to be achieved without transformational change in terms of how the Group services the trade and its wider customer base. Gross margins included within the impairment review are based on budget expectations and anticipated changes over the five year forecast period.

A softening of inflationary pressures and improvement in material input prices would lead to an improvement in the gross margin forecast. An increase of 6ppts in the gross margin by the end of the five year forecast period would result in no impairment required for Out of Home.

Overheads - Overhead cost estimates have been reviewed and increased to reflect both inflationary pressures and the cost estimates required to serve the

customer base given the complexities of the current business environment/model.

A reduction in overheads would result in an increase in the value in use calculation and thus a reduced impairment. A reduction in overheads by 13.7% at the end of the five year forecast period would result in no impairment to Out of Home.

Discount rate - Discount rates represent the current market assessment of the risks specific to the Out of Home CGU, taking into consideration the time value of money and risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A reduction in the pre-tax discount rate to 4.5% (i.e. -3.7ppts) would result in no impairment.

Growth rate estimates - The long-term growth rate used to extrapolate the period of review is based upon management's expectations of the Out of Home CGUs' ongoing potential and is considered consistent with the drinks hospitality industry as a whole. An increase of 4ppts from 2% to 6% growth into perpetuity would be required for there to be no impairment.

2020 Impairment review

Impairment of Feel Good Goodwill

Following an impairment review of the Feel Good CGU during 2020, management fully impaired the Goodwill (£2.5m). This was recognised as an exceptional item.

Adrian Mecklenburgh - Adjustment to acquisitions

During 2020, the Group finalised the purchase price accounting of Adrian Mecklenburgh, an acquisition completed on 1 February 2019. As part of this work an adjustment of £163,000 was identified which increased the Goodwill balance accordingly.

13. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent

Cost and net book amount	£'000
At 1 January 2020, 1 January 2021 and 31 December 2021	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 2020	180	5,521	3,889	-	9,590
Additions	-	-	-	170	170
At 1 January 2021 and 31 December 2021	180	5,521	3,889	170	9,760

Amortisation

At 1 January 2020	33	1,492	-	-	1,525
Charge for the year	36	663	-	14	713
Impairment (see note 4)	-	-	1,316	-	1,316
At 1 January 2021	69	2,155	1,316	14	3,554
Charge for the year	36	590	-	34	660
At 31 December 2021	105	2,745	1,316	48	4,214

Net book value at 31 December 2021	75	2,776	2,573	122	5,546
Net book value at 31 December 2020	111	3,366	2,573	156	6,206

Parent

Cost	Brand name £'000	Computer software £'000	Total £'000
At 1 January 2020	1,316	-	1,316
Additions	-	170	170
At 1 January 2021 and 31 December 2021	1,316	170	1,486

Amortisation

At 1 January 2020	-	-	-
Charge for the year	-	14	14
Impairment (see note 4)	1,316	-	1,316
At 1 January 2021	1,316	14	1,330
Charge for the year	-	34	34
At 31 December 2021	1,316	48	1,364

Net book value at 31 December 2021	-	122	122
Net book value at 31 December 2020	-	156	156

15. DEFERRED TAX ASSETS AND LIABILITIES
Movement in temporary differences during the year

The UK deferred tax balances are measured at 25% (2020: 19%).

Group	Net balance at 1 January 2021 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2021 £'000
Property, plant and equipment	(618)	-	(214)	-	(832)
Goodwill and intangibles	(930)	-	(226)	-	(1,156)
Employee benefits	38	-	(276)	(962)	(1,200)
Provisions	25	-	8	-	33
	(1,485)	-	(708)	(962)	(3,155)

Group	Net balance at 1 January 2020 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'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)

Parent	Net balance at 1 January 2021 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	Net balance at 31 December 2021 £'000
Property, plant and equipment	(85)	-	(53)	-	(138)
Goodwill and intangibles	167	-	-	-	167
Employee benefits	38	-	(276)	(962)	(1,200)
Provisions	25	-	8	-	33
	145	-	(321)	(962)	(1,138)

Parent	Net balance at 1 January 2020 £'000	Arising on business combination £'000	Recognised in income £'000	Recognised in other comprehensive expense £'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

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Property, plant and equipment	-	-	(832)	(618)	(832)	(618)
Goodwill and intangibles	-	82	(1,156)	(1,012)	(1,156)	(930)
Employee benefits	-	38	(1,200)	-	(1,200)	38
Provisions	33	25	-	-	33	25
	33	145	(3,188)	(1,630)	(3,155)	(1,485)

Parent	Assets		Liabilities		Net	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Property, plant and equipment	-	-	(138)	(85)	(138)	(85)
Goodwill and intangibles	167	167	-	-	167	167
Employee benefits	-	38	(1,200)	-	(1,200)	38
Provisions	33	25	-	-	33	25
	200	230	(1,338)	(85)	(1,138)	145

16. INVENTORIES

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Finished goods	8,375	5,214	6,067	3,488
Raw materials	1,331	707	3	38
	9,706	5,921	6,070	3,526

At the year-end, the Group provision for the write-down of inventories to net realisable value amounted to £168,000 (2020: £864,000).

17. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	32,584	28,646	25,678	26,270
Less: provision for impairment of trade receivables	(956)	(767)	(204)	(269)
Trade receivables - net	31,628	27,879	25,474	26,001
Amounts owed by Group undertakings	-	-	10,087	10,631
Other receivables	2,294	378	2,719	353
Derivative financial instruments - forward contracts (note 22)	178	-	178	-
Prepayments	2,024	886	1,949	670
	36,124	29,143	40,407	37,655

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.

All trade receivables have been reviewed under the expected credit loss impairment model and a provision of £956,000 (2020: £767,000) 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, excluding any reimbursement assets. 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, such as inflation, interest rates and economic growth rates.

An impairment assessment of amounts owed by Group undertakings as at 31 December 2021 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 (2020: £nil).

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

31 December 2021	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	0.8%	9.4%	3.6%	9.9%	37.5%	
Gross carrying amount	27,180	3,152	667	614	971	32,584
Credit loss allowance	(212)	(295)	(24)	(61)	(364)	(956)

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 carrying amount	25,037	661	675	526	1,747	28,646
Credit loss allowance	(86)	(106)	(115)	(57)	(403)	(767)

Movements in the expected credit loss allowance was as follows:

Group	At 1 January 2021 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	At 31 December 2021 £'000
Expected credit loss provision	767	294	(65)	(40)	956
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
Parent	At 1 January 2021 £'000	Charge in the year £'000	Release in the year £'000	Utilised £'000	At 31 December 2021 £'000
Expected credit loss provision	269	-	(65)	-	204
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

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. CASH AND CASH EQUIVALENTS

Group	At 1 January 2021 £'000	Cash flow £'000	At 31 December 2021 £'000
Cash at bank and in hand	47,294	9,380	56,674

Parent	At 1 January 2021 £'000	Cash flow £'000	At 31 December 2021 £'000
Cash at bank and in hand	30,629	8,138	38,767

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

19. TRADE AND OTHER PAYABLES

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current liabilities				
Trade payables	9,210	7,831	7,326	7,143
Amounts owed to Group undertakings	-	-	25,548	19,893
Other taxes and social security	794	430	392	415
Other payables	75	56	8	5
Accruals	17,843	12,330	16,053	11,490
IFRS 16 lease liabilities (note 24)	869	1,022	773	930
	28,791	21,669	50,100	39,876

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-current liabilities				
Other payables	-	198	-	-
IFRS 16 lease liabilities (note 24)	1,954	2,724	1,367	2,040
	1,954	2,922	1,367	2,040

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.



20. PROVISIONS

Group and parent	At 1 January 2020 and at 1 January 2021	Charge in the year £'000	Released in the year £'000	Utilised £'000	At 31 December 2021 £'000
Historic incentive scheme	-	4,242	-	-	4,242

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

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

Included within other receivables (note 17) is a reimbursement asset in respect of these historic contracts.

21. PRIOR YEAR 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. Contingent consideration of £915,000 (£805,000 of cash and £110,000 of overdrawn Directors loans) was paid to acquire the remaining shareholding in the previous year, with £1,085,000 taken as a credit within administrative expenses during the previous year.

2019 Acquisitions

Adrian Mecklenburgh Limited

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

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

During the current year £67,000 was paid in relation to the second stage of contingent consideration.

As at 31 December 2021, a fair value assessment of the third 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, £63,000 of the amount initially recognised at acquisition has been taken as a credit within administrative expenses during the 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 2021 the Group entered into foreign currency transactions resulting in a natural hedge for a large majority of the exposure experienced over the course of the year. To supplement this and to further reduce foreign currency risk, the Group entered into a number of forward contracts to minimise the impact of movements in foreign currency rates on the spot market.

Foreign currency assets	2021 £'000	2020 £'000
US Dollar	2,501	1,594
Euro	3,371	6,001
	5,872	7,595

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% (2020: 5%), then this would have had the following impact:

	US Dollar £'000	2021 Euro £'000	Total £'000	US Dollar £'000	2020 Euro £'000	Total £'000
Net result for the year	(119)	(161)	(280)	(76)	(286)	(362)



If Sterling had weakened against the US Dollar and Euro by 5% (2020: 5%), then this would have had the following impact:

	US Dollar £'000	2021 Euro £'000	Total £'000	US Dollar £'000	2020 Euro £'000	Total £'000
Net result for the year	132	177	309	84	316	400

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.

Derivative financial instruments

Derivative financial assets	2021 £'000	2020 £'000
Foreign currency forward contracts carried at fair value	178	-

In December 2021, the Group entered into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated cash inflows in 2022.

The following table details the foreign currency forward contracts outstanding at the year-end:

Derivative financial assets	Forward rate	Notional value in foreign currency ('000)	Notional value in local currency (£'000)	Carrying amount of derivative financial asset (£'000)
Sell EUR - less than 12 months	1.168	4,500	3,852	72
Sell USD - less than 12 months	1.325	6,500	4,905	106

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 2020.

At 31 December 2021, 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:

Financial assets	Group				Parent			
	Fair value through profit or loss		Amortised cost		Fair value through profit or loss		Amortised cost	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables and other receivables	178	-	32,294	28,257	178	-	36,652	36,985
Cash and cash equivalents	-	-	56,674	47,294	-	-	38,767	30,629
	178	-	88,968	75,551	178	-	75,419	67,614

The IFRS 9 categories of financial liability included in the Statement of Financial Position and the headings in which they are included are as follows:

Financial liabilities	Group				Parent			
	Fair value through profit or loss		Amortised cost		Fair value through profit or loss		Amortised cost	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade and other payables	67	198	9,218	7,887	-	-	32,882	27,041
IFRS 16 lease liabilities	-	-	2,823	3,746	-	-	2,140	2,970
	67	198	12,041	11,633	-	-	35,022	30,011

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

At 31 December 2021	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	9,285	-	-	-
	9,285	-	-	-	-

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	-	-

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

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 2021:

Right-of-use assets	Group			Parent		
	Property £'000	Motor Vehicles £'000	Total £'000	Property £'000	Motor Vehicles £'000	Total £'000
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 1 January 2021	2,033	1,564	3,597	1,295	1,564	2,859
Additions	80	28	108	80	28	108
Depreciation	(384)	(684)	(1,068)	(279)	(684)	(963)
At 31 December 2021	1,729	908	2,637	1,096	908	2,004

Lease liabilities	Group			Parent		
	Property £'000	Motor Vehicles £'000	Total £'000	Property £'000	Motor Vehicles £'000	Total £'000
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 1 January 2021	2,089	1,657	3,746	1,313	1,657	2,970
Additions	80	28	108	80	28	108
Interest expense	89	69	158	57	69	126
Lease payments	(391)	(798)	(1,189)	(266)	(798)	(1,064)
At 31 December 2021	1,867	956	2,823	1,184	956	2,140

24. LEASES (CONTINUED)

The following table sets out the Group maturities of IFRS 16 lease liabilities based on the contractual undiscounted cash flows.

Group	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
At 31 December 2021					
Lease liabilities	273	641	672	1,009	453

Parent	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
At 31 December 2021					
Lease liabilities	242	623	548	611	321

Group	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
At 31 December 2020					
Lease liabilities	313	847	961	1,377	728

Parent	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
At 31 December 2020					
Lease liabilities	282	754	837	987	462

The following table reconciles the changes in IFRS 16 liabilities from financing activities during the year to 31 December 2021:

	Group			Parent		
	Current loans and borrowings £'000 (note 19)	Non-current loans and borrowings £'000 (note 19)	Total £'000	Current loans and borrowings £'000 (note 19)	Non-current loans and borrowings £'000 (note 19)	Total £'000
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 1 January 2021	1,022	2,724	3,746	930	2,040	2,970
Cash Flows	(1,189)	-	(1,189)	(1,064)	-	(1,064)
Non-cash flows						
- interest paid	158	-	158	126	-	126
- lease additions	45	63	108	45	63	108
- transfers	833	(833)	-	736	(736)	-
At 31 December 2021	869	1,954	2,823	773	1,367	2,140

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

	2021		2020	
	Group £'000	Parent £'000	Group £'000	Parent £'000
Short-term lease expense	240	240	203	203

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Sale of goods and services (including recharge of costs)	1,039	959	(15,461)	(9,262)

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 £262,000 (2020: £226,000).

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 £811,000 (2020: £787,000).

The Company operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2020 and approximately updated to 31 December 2021 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 2021 are predominantly credit, liability driven investments and bonds.

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 2021 and 2020 is shown below.

	31 December 2021 £'000	31 December 2020 £'000
Present value of funded obligations	(27,620)	(30,536)
Fair value of plan assets	32,896	30,883
Surplus in the plan	5,276	347
Related deferred tax (liability)/ asset	(1,319)	9
Net surplus recognised	3,957	356



Defined benefit obligation

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

	31 December 2021 £'000	31 December 2020 £'000
Opening defined benefit obligation	30,536	28,941
Current service cost (company only)	26	24
Past service cost	-	64
Interest cost	390	569
Actual contributions paid by plan participants	3	3
Experience adjustment	-	(1,169)
Actuarial (gains) / losses from changes in financial assumptions	(1,910)	3,491
Actuarial gains from changes in demographic assumptions	(331)	(385)
Benefits paid - including insurance premiums	(1,094)	(1,002)
Closing defined benefit obligation	27,620	30,536

Plan assets

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

	31 December 2021 £'000	31 December 2020 £'000
Fair value of plan assets at start of accounting period	30,883	28,689
Interest income	400	572
Return on plan assets (excluding amounts included in net interest)	1,842	1,782
Contributions paid by the employer	905	898
Actual contributions paid by plan participants	3	3
Benefits paid	(1,094)	(1,002)
Expenses paid	(43)	(59)
Fair value of plan assets at end of accounting period	32,896	30,883

The actual return on plan assets was a gain of £2,242,000 (2020: £2,353,000).

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.

	31 December 2021 £'000	31 December 2020 £'000
The major categories of plan assets measured at fair value are:		
Equities	3,455	2,752
Credit	13,664	-
Liability driven investments	6,865	3,372
Diversified growth funds	-	5,951
Absolute return bonds	7,267	4,902
Equity-linked bonds	-	12,184
Other, including cash	295	222
	31,546	29,383

26. PENSION OBLIGATIONS AND EMPLOYEE BENEFITS (CONTINUED)

With the agreement of Trustees, assets were transferred from equity-linked bonds and diversified growth funds during the year, to reduce the overall value risk and to secure the gains achieved over the last 2 years.

Assets included which do not have a quoted market value:

	31 December 2021 £'000	31 December 2020 £'000
Assets included which do not have a quoted market value:		
Property	1,350	1,500

The fair value of the property was revalued as at 31 December 2021, 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 2021	31 December 2020
Future salary increases	3.40%	2.95%
Rate of increase in (post 1997) pensions in payment (a)	3.40%	3.30%
Discount rate at 31 December	1.85%	1.30%
Expected rate of inflation - RPI	3.40%	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 88 years for men (2020: 88 years) and 90 years for women (2020: 90 years). For pensioners currently aged 65, life expectancies have been estimated as 86 years for men (2020: 87 years) and 89 years for women (2020: 88 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 until 28 February 2021 and 46.3% of salaries from 1 March 2021. 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 2021 £'000	31 December 2020 £'000
Current service cost (Company)	26	24
Net interest (on net defined benefit asset)	(10)	(3)
Past service cost	-	64
Scheme administration expenses	43	59
Total amount recognised in the Consolidated Income Statement	59	144

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



2020 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 assessment 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 previous year.

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

Remeasurements recognised in other comprehensive income/(expense)	31 December 2021 £'000	31 December 2020 £'000
Actuarial gains on assets	1,842	1,782
Experience adjustment	-	1,169
Actuarial gains / (losses) from changes in financial assumptions	1,910	(3,491)
Changes in demographic assumptions	331	385
Total gain / (loss) recognised in other comprehensive income / (expense)	4,083	(155)

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 2022. The weighted average duration of the defined benefit obligation at 31 December 2021 is 17 years (2020: 17 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 2021 £'000	31 December 2021 %	31 December 2020 £'000	31 December 2020 %
Increase in discount rate by 0.5%	(1,985)	-7.00%	(2,256)	-7.00%
Increase in price inflation adjustment by 0.5%	646	2.00%	478	2.00%
1 year increase in life expectancy	1,467	5.00%	1,696	6.00%

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

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

27. AUDIT EXEMPTION STATEMENT

Under section 479A of the Companies Act 2006 the Group is claiming exemption from audit for the subsidiary companies listed below. The parent undertaking, Nichols plc, registered number 00238303, guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year (being the year ended 31 December 2021 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	01481282
Beacon Drinks Limited	01732905
Ben Shaws Dispense Drinks Limited	00231218
Cabana Soft Drinks Limited	00938594
Dayla Liquid Packing Limited	00603111
Dispense Solutions (Wales) Limited (year ended 30 September 2022)	08671127
DJ Drink Solutions Limited (year ended 31 May 2022)	05787898
Festival Drinks Limited	01256006
Nichols Dispense (S.W.) Limited	08766560
The Noisy Drink Company North West Limited	05024347
The Noisy Drinks Co. Limited	05905631
Vimto (Out of Home) Limited	08795779

28. SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted, issued and fully paid 36,968,772 (2020: 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 2021 and 31 December 2020.

At the Company's AGM held on 28 April 2021, the Group was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 3,696,877 of its Ordinary shares. During 2021, the Group has repurchased 68,000 Ordinary shares under this authority, which is due to expire at the AGM to be held on 27 April 2022, and accordingly has an unexpired authority to purchase up to 3,560,877 Ordinary shares with a nominal value of £356,088. The Group announced its intention to conduct on-market purchases under a share buy-back programme on 14 December 2021. The purpose of the share buy-backs is to meet future obligations under the Group's SAYE Option Scheme and/or Long Term Incentive Plan. Shares repurchased are held in Treasury. The total number of shares held in Treasury as at 31 December 2021 is 107,664.



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; a Long-Term Incentive Plan (LTIP) 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.

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

	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 2021	Exercised	Lapsed	Awards outstanding at 31 December 2021
2017 LTIP	20,674	(20,674)	-	-
2018 LTIP	32,063	-	(32,063)	-
2019 LTIP	47,245	-	(23,893)	23,352

Of the total number of options outstanding at 31 December 2021, nil (2020: 20,674) had vested and were exercisable.

The weighted average remaining life of LTIP awards at 31 December 2021 is 0.3 years.

The 2018 LTIP award didn't vest based on performance against the agreed targets between 1 January 2018 and 31 December 2020.

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

29. EMPLOYEE SHARE SCHEMES (CONTINUED)

	Options	Exercise price per option £	Share price on grant date £	Expected dividend yield	Risk free rate	Volatility	Fair value per option £
2016 5 year	2,955	9.94	12.80	2.27%	0.97%	22.80%	3.22
2017 5 year	7,339	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
2021 3 year	29,098	10.15	13.95	2.70%	0.19%	44.60%	4.50
2021 5 year	5,967	10.15	13.95	2.70%	0.40%	37.50%	4.33

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

	Options outstanding at 1 January 2021	Granted	Exercised	Lapsed	Options outstanding at 31 December 2021
2016 5 year	2,955	-	(2,654)	(301)	-
2017 5 year	1,745	-	-	(411)	1,334
2018 3 year	14,776	-	(13,058)	(1,718)	-
2018 5 year	3,497	-	-	(1,615)	1,882
2019 3 year	14,716	-	-	(2,380)	12,336
2019 5 year	4,809	-	-	(2,663)	2,146
2020 3 year	101,667	-	-	(13,491)	88,176
2020 5 year	15,014	-	-	-	15,014
2021 3 year	-	29,098	-	(159)	28,939
2021 5 year	-	5,967	-	-	5,967

The weighted average remaining life of SAYE awards at 31 December 2021 is 1.9 years. Volatility has been determined using statistical analysis of the Group share price over a 3 or 5 year period preceding the grant date. The share price on the vesting date of the awards vested in the year was £15.35.



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.

	Awards	Share price on grant date	Expected dividend yield	Risk free rate	Volatility	Fair value per award
2020 Executive share awards	17,402	14.08	2.70%	-0.07%	42.40%	12.98

	Awards outstanding at 1 January 2021	Exercised	Lapsed	Awards outstanding at 31 December 2021
2020 Executive share awards	17,402	-	-	17,402

The remaining life of Executive share awards at 31 December 2021 is 2.0 years.

Volatility has been determined using statistical analysis of the Group share price over a 3 year period preceding the grant date.

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

	2021 £'000	2020 £'000
LTIP	-	(92)
SAYE	197	269
Executive share awards	75	-
Total charge	272	177

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Revenue	144,328	118,657	146,985	142,037	132,789
Adjusted operating profit	21,922	11,654	32,439	31,638	30,543
Exceptional items	(39,477)	(5,074)	-	-	(1,801)
Operating (loss)/profit	(17,555)	6,580	32,439	31,638	28,742
Net finance (expense) / income	(101)	(40)	(17)	115	(20)
(Loss)/Profit before taxation	(17,656)	6,540	32,422	31,753	28,722
Taxation	(4,512)	(1,686)	(5,587)	(6,238)	(5,548)
(Loss)/Profit after taxation	(22,168)	4,854	26,835	25,515	23,174
Dividends paid	(6,868)	(10,338)	(14,466)	(12,803)	(11,213)
Retained earnings movement	(29,036)	(5,484)	12,189	12,712	11,961
(Loss)/earnings per share - (basic)	(60.04p)	13.14p	72.81p	69.23p	62.88p
(Loss)/earnings per share - (diluted)	(60.04p)	13.13p	72.77p	69.19p	62.81p
Earnings per share - (basic) before exceptional items	46.15p	25.56p	72.81p	69.23p	67.76p
Earnings per share - (diluted) before exceptional items	46.09p	25.54p	72.77p	69.19p	67.69p
Dividends paid per share	13.3p	28.0p	39.2p	34.7p	30.4p

Given the current status of the COVID-19 pandemic, it is anticipated that the 2022 Annual General Meeting (the 'AGM') will be held in the normal way and shareholders will be invited to attend in person. The Company will continue to monitor the status of the pandemic and will revise arrangements in connection with the AGM should it become necessary.

NOTICE OF ANNUAL GENERAL MEETING 2022

Notice is hereby given that the thirtieth 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, 27 April 2022 at 11:00 a.m. for the following purposes:

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

- To receive the Company's annual accounts, strategic report and directors' and auditors' reports for the year ended 31 December 2021.
- To declare a final dividend for the year ended 31 December 2021 of 13.3 pence per ordinary share of £0.10 in the capital of the Company, to be paid on 5 May 2022 to shareholders whose names appear on the register of members at the close of business on 25 March 2022.
- To re-elect John Nichols as a Director of the Company.
- To re-elect Andrew Milne as a Director of the Company.
- To re-elect David Rattigan as a Director of the Company.
- To re-elect John Gittins, as a Director of the Company.
- To re-elect Helen Keays, as a Director of the Company.
- To re-elect James Nichols, as a Director of the Company.
- To reappoint BDO LLP as auditors of the Company.
- To authorise the Directors to determine the remuneration of the auditors.
- 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 26 July 2023 (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:

- That, subject to the passing of resolution 11 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 11 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:
 - in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - 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
 - 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
- 12.2 otherwise than pursuant to paragraph 12.1 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 26 July 2023 (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).
13. 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:
- 13.1 the maximum aggregate number of Shares which may be purchased is 3,696,877;
- 13.2 the minimum price (excluding expenses) which may be paid for a Share is 10p; and
- 13.3 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 26 July 2023 (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
1 March 2022

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 2021.
2. In accordance with corporate governance best practice, all of the Directors will retire and offer themselves for re-election at the AGM. The Board considers that each of the Directors continue to make a valuable contribution to the Board and to demonstrate commitment to the Group. Biographical details of all of the directors, who are each offering themselves for re-election respectively, are set out on pages 74 and 75 of this document.
3. **Entitlement to attend and vote.**
The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on Monday, 25 April 2022 (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 attend or vote (and the number of votes they may cast) at the meeting.
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. 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 6 to 9 below and the notes to the form of proxy.
5. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes
6. In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. You are therefore asked to vote in one of the following ways:
 - Register your vote online 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, 25 April 2022 (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

GENERAL NOTES

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 25 April 2022) (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 a 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.

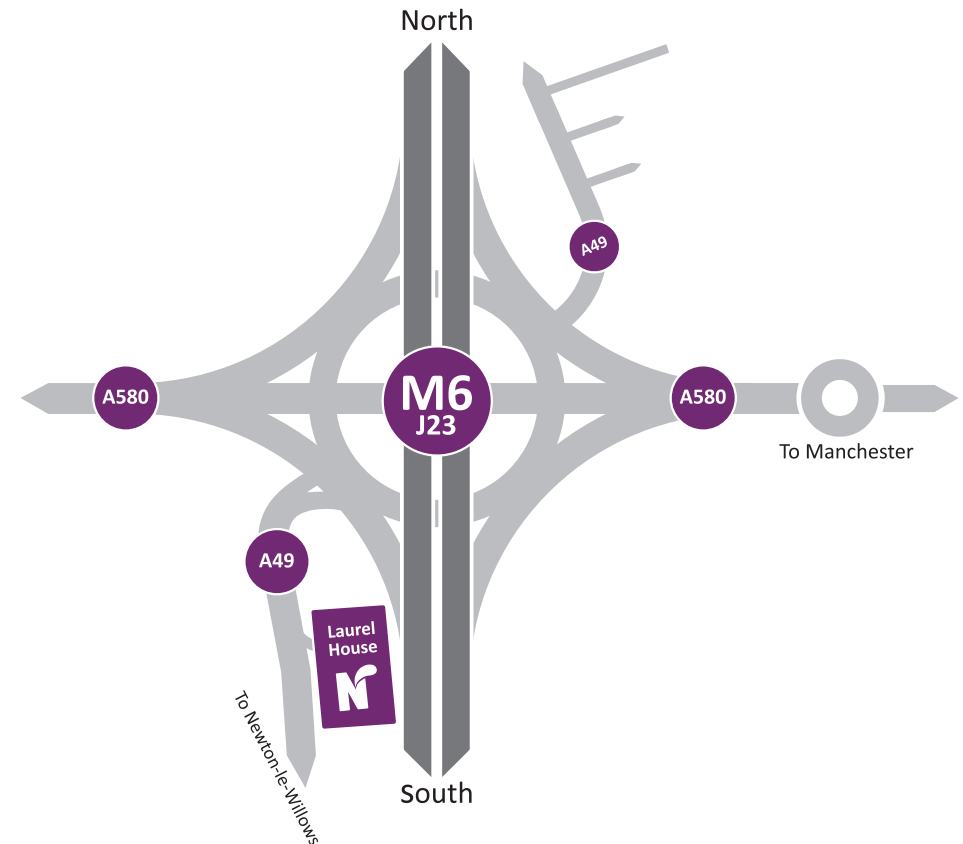
11. As at 8 March 2022 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 36,968,772 ordinary shares of 10 pence each, carrying one vote each. As the Company holds 377,664 ordinary shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 8 March 2022 are 36,591,108
12. You may not use any electronic address provided either in this notice of general meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.

GENERAL NOTES



Directions to the Annual General Meeting

-  **Car:** Leave the M6 at Junction 23 and take the A49 south towards Newton, Woodlands Park is on the left in approximately 0.3 miles. On entering the estate, Laurel House is accessed from the fourth exit of the roundabout.
-  **Train:** Newton-le-Willows railway station is located 1.3 miles away from Woodlands Park on Southworth Road, WA12 9SF.
-  **Bus:** The nearest bus service to Woodlands Park is located on Cobden Street, 0.8 miles from Woodlands Park, operating the number 22 service into Newton-le-Willows.



FINANCIAL CALENDAR

ANNUAL GENERAL MEETING

27 April 2022

INTERIM RESULTS ANNOUNCED

27 July 2022



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



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