INTERIM REPORT

2023

WELCOME

- TO OUR -

INTERIM REPORT

Nichols plc is an international diversified soft drinks business with sales in over 73 countries.

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 SLUSH PUPPiE, Starslush, ICEE, Levi Roots and Sunkist.

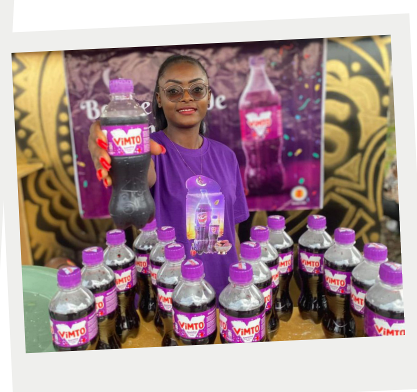
Nichols plc

STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Strong top line growth delivered across the business
  - Focus on accelerating Packaged division in line with strategic plan
  - Continued accelerated momentum in International Packaged geographies
- Significant progress on implementation of Out of Home (OoH) Strategic Review
- Impacts of inflation actively managed

FINANCIAL HIGHLIGHTS

- Group revenue increased by 6.6% to £85.5m (H1 2022: £80.2m)
  - Packaged revenues +10.4% to £64.5m (H1 2022: £58.5m)
    - International Packaged revenues +24.6% to £21.5m (H1 2022: £17.2m)
      - Middle East revenue +17.5%
      - Continued momentum in Africa leading to +26.1% growth
      - ROW markets +29.8%
    - UK Packaged revenues +4.5% to £43.1m (H1 2022: £41.3m)
      - Ongoing focus on value over volume
  - OoH revenues down 3.5% to £21.0m (H1 2022: £21.8m)
    - Reflects planned reduction in activity post OoH Strategic Review
- Gross margin % slightly lower at 41.1% (H1 2022: 42.8%)
  - Absolute gross margin increased by £0.8m
  - Cost of goods inflation recovered through price and mitigating actions
- Exceptional charge of £1.1m largely relating to the Group Systems Review and OoH Strategic Review
- Strong cash and cash equivalents at £56.1m (H1 2022: £49.2m, 31 December 2022: £56.3m), increased interest receipts
- Increased interim dividend of 12.6p (H1 2022: 12.4p)
- Confidence in 2023 Group expectations[6] which remain unchanged



	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Movement
Group Revenue	**85.5**	80.2	+6.6%
Adjusted Profit Before Tax (PBT)[1]	**12.3**	11.3	+9.1%
Profit Before Tax (PBT)	**11.2**	10.1	+10.5%
Adjusted PBT Margin[1]	**14.4%**	14.0%	+0.4ppts
PBT Margin	**13.0%**	12.6%	+0.4ppts
Statutory EBITDA[2]	**11.6**	12.4	(6.5%)
Adjusted Earnings per Share (basic)[1]	**25.70p**	24.80p	+3.6%
Earnings per Share (basic)	**23.31p**	22.22p	+4.9%
Cash and Cash Equivalents	**56.1**	49.2	+14.2%
Free cash flow[3]	**5.4**	(2.6)	+ 310.2%
Adjusted Return on capital employed[4]	**25.9%**	25.2%	+0.7ppts
Statutory Return on capital employed[5]	**14.3%**	(14.3%)	+28.6ppts
Interim Dividend	**12.6p**	12.4p	+1.6%

1 Excluding exceptional items
2 EBITDA is the statutory profit before tax, interest, depreciation, and amortisation
3 Free cash flow is the net increase in cash and cash equivalents before acquisition funding and dividends
4 Adjusted return on capital employed is the rolling 12 months' adjusted operating profit divided by the average period-end capital employed
5 Statutory return on capital employed is the rolling 12 months' adjusted operating profit divided by the average period-end capital employed
6 FY23 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m

EXECUTIVE REVIEW

We are pleased with our encouraging first half performance which again reflects the strength of the Vimto brand. Particularly pleasing is the growth in our core Packaged business, and the continued accelerated momentum across our international markets with very strong performances in Africa, the Middle East and the rest of the world.

The Group achieved significant strategic progress during the period, particularly in relation to our Out of Home business where we are making positive changes to simplify operations and focus on the areas of greatest opportunity and profitability. We are on-track to deliver the material benefits of these changes from FY 2024. Meanwhile, we remain focused on accelerating growth in Packaged, both in the UK and internationally, in line with our strategic plan.

We are mindful that consumer spend is still under pressure from continuing high levels of inflation. However the Group's track record, strong brands and diversified business model, alongside the resilience of the wider soft drinks market, support the Board's confidence in the Group's long-term growth prospects, and that the Group's Adjusted PBT[1] for FY 2023 will be in line with expectations[2].

Andrew Milne
Chief Executive Officer
26 July 2023

1 Excluding exceptional items
2 FY23 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m

Revenue

The Board is pleased to report an encouraging half year performance with Group revenues of £85.5m, an increase of 6.6% compared to the prior year (H1 2022: £80.2m).

The Group's Packaged route to market delivered a strong performance across all regions with revenues increasing by 10.4% to £64.5m (H1 2022: £58.5m).

Within this, the Group's International Packaged business performed particularly strongly, with revenues up 24.6% and all regions experiencing double digit growth. The significant growth seen within Africa in previous years has continued into 2023, with revenues up 26.1% to £13.1m (H1 2022: £10.4m), delivered through a combination of new and existing geographies. Middle East revenues in the period also improved, by 17.5%, with in-market volumes performing well through Vimto's typically strong trading period of Ramadan (+10%). The Group's rest of world markets saw revenue growth of 29.8%, with the US and Europe continuing to perform well, building on increased brand awareness and strong in-market execution.

Within the UK Packaged route to market, the Group saw revenues of £43.1m, 4.5% ahead of the prior year (H1 2022: £41.3m). The business remains focused on its value over volume strategy in order to protect margins.

Following the initial implementation of the previously announced outputs of the Group's Out of Home (OoH) Strategic Review, as expected, revenues within this segment declined by 3.5% to £21.0m (H1 2022: £21.8m).

The actions from the review will continue to be implemented into the second half of the year, with the benefits being realised from FY 2024.

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

Gross Profit

Gross profit of £35.2m was £0.8m higher than H1 2022 (£34.4m) and 1.7 percentage points lower at 41.1%.

The cost of goods inflation experienced in 2022 continued into the first half of the year, with underlying inflation at around 16%. The Group has been able to fully mitigate this by working with its customers and suppliers across the whole of its supply chain, identifying the optimal balance of mitigating actions and price recovery. Excluding the impact of the input costs and the price recovery, gross profit % was comparable with H1 2022.

The impact of movements in foreign exchange rates on gross profit was +£0.2m.

Distribution Expenses

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

Distribution expenses increased by 7.7% to £5.0m (H1 2022: £4.7m), reflecting inflationary pressures, particularly around increased fuel prices, which were experienced in H2 2022 into H1 2023.

Administrative Expenses

Administration expenses excluding exceptional items totalled £18.7m (H1 2022: £18.5m), an increase of £0.2m or 1.1% year-on-year. Additional costs incurred in the period largely relate to payroll and staff related costs in response to cost-of-living pressures, alongside further investment in marketing spend to drive brand equity within the Packaged business. These additional expenses have been partially offset by savings across other cost centres.

Segment Operating Profit

We have, for the first time, included an analysis of segment profitability (see note 3) which identifies adjusted operating profit by business route to market before central costs. Our Packaged business has performed well, delivering an additional £1.5m of profit despite substantial inflation within our supply chain which has led to a slight fall in segment operating margin to 27.9% (H1 2022: 28.1%). OoH has also performed in line with our strategic expectations during a period of considerable change for the business, operating margins were lower at 6.4% (H1 2022: 7.5%). Central costs have increased by £1.0m on the prior year principally as a result of cost-of-living increases to wages and salaries.

Exceptional Costs

The Group incurred £1.1m of exceptional costs during the period (H1 2022: £1.2m).

Out of Home Strategic Review

In 2022 the Group completed a strategic review into its OoH route to market, assessing customer and product mix as well as reviewing ways to enhance net margin and profitability going forward. The Group incurred £0.6m of costs in the period as these recommendations have begun to be implemented. Additional costs will be incurred through the second half of 2023.

Historic incentive scheme

During 2022 the Group settled with HMRC the £4.3m tax and interest charges relating to a historic incentive scheme and has commenced recovery of debts from current and previous employees who had indemnified the Company. The Group incurred legal costs in the period of £0.1m in relation to the case.

Group Systems Review

The Group has commenced a project to implement a new enterprise resource planning (ERP) system, focused on driving business transformation and is expected to be operational at the end of 2024. Costs of £0.5m were incurred in the period.

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.

Finance Costs

Net finance income of £0.8m (H1 2022: £0.1m) was significantly up on the prior year, as the Group ensured the best return for its deposits following the Bank of England interest rate rises.

Profit Before Tax and Tax Rate

Adjusted profit before tax, pre-exceptional items, increased by 9.1% to £12.3m (H1 2022: £11.3m). The tax charge on adjusted profit before tax for the period of £2.9m (H1 2022: £2.2m) represents an effective tax rate of 23.8% (H1 2022: 19.5%). The increase in the effective rate is consistent with published rates. Reported profit before tax was £11.2m, an increase of 10.5% compared to the prior year (H1 2022: £10.1m).

Balance Sheet and Cash and Cash Equivalents

The continued strength of the Group's closing balance sheet reflects its diversified routes to market and asset light model.

Cash and cash equivalents at the end of the period remained strong at £56.1m (H1 2022: £49.2m, 31 December 2022: £56.3m).

The Group has seen its working capital marginally increase since the start of the year (+£3.2m), principally driven by debtors and strong Q2 sales. Capital expenditure in the period was £0.1m (H1 2022: £0.9m) and was historically weighted towards our OoH business where a re-focus on capital allocation and spend has been actioned following the strategic review.

The Group's current Return on Capital Employed is 25.9% (H1 2022: 25.2%).

Earnings per share

Total adjusted basic EPS increased to 25.70 pence (H1 2022: 24.80p) with basic EPS at 23.31 pence (H1 2022: 22.22p). On an adjusted basis, diluted EPS was 25.68 pence (H1 2022: 24.77p).

Dividend

In line with the Group's dividend policy, dividend cover is broadly 2x the adjusted earnings of the Group. As a result, the interim dividend for 2023 will be 12.6p per share, to be paid on 8 September 2023 with a record date of 4 August 2023 and an ex-dividend date of 3 August 2023.

Pensions

The Group operates two employee benefit plans, a defined benefit plan that provides benefits based on final salary, which is now closed to new members, and a defined contribution group personal plan. At 30 June 2023, the Group recognised a surplus on its UK defined benefit scheme of £4.3m (31 December 2022: surplus £4.1m).

Outlook

The Board is pleased with the Group's trading performance and strategic progress in the first half of 2023. The progress in the UK and International Packaged businesses during the first half will support the long-term performance of the business.

We are mindful that consumer spend is still under pressure from continuing high levels of inflation.

However, the Group's track record, strong brands and diversified business model, alongside the resilience of the wider soft drinks market, support the Board's confidence in the Group's long-term growth prospects, and that the Group's Adjusted PBT[1] for FY 2023 will be in line with expectations[2].

Andrew Milne
Chief Executive Officer

David Taylor
Interim Chief Financial Officer

26 July 2023

1 Excluding exceptional items.
2 FY23 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m

CONSOLIDATED INCOME STATEMENT

	Unaudited Half year to 30 June 2023 £'000	Unaudited Half year to 30 June 2022 £'000	Audited Year ended 31 December 2022 £'000
Continuing operations			
Revenue	**85,546**	80,232	164,926
Cost of sales	**(50,356)**	(45,880)	(93,905)
Gross profit	**35,190**	34,352	71,021
Distribution expenses	**(5,009)**	(4,651)	(10,677)
Administrative expenses	**(19,846)**	(19,667)	(46,888)
Operating profit	**10,335**	10,034	13,456
Finance income	**866**	126	514
Finance expenses	**(48)**	(63)	(134)
Profit before taxation	**11,153**	10,097	13,836
Taxation	**(2,649)**	(1,969)	(2,201)
Profit for the period	**8,504**	8,128	11,635
Earnings per share (basic)	**23.31p**	22.22p	31.86p
Earnings per share (diluted)	**23.29p**	22.19p	31.82p

Adjusted for exceptional items			
Operating profit	**10,335**	10,034	13,456
Exceptional items	**1,144**	1,173	11,146
Adjusted operating profit	**11,479**	11,207	24,602
Profit before taxation	**11,153**	10,097	13,836
Exceptional items	**1,144**	1,173	11,146
Adjusted profit before taxation	**12,297**	11,270	24,982
Adjusted earnings per share (basic)	**25.70p**	24.80p	55.38p
Adjusted earnings per share (diluted)	**25.68p**	24.77p	55.32p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Half year to 30 June 2023 £'000	Unaudited Half year to 30 June 2022 £'000	Audited Year ended 31 December 2022 £'000
Profit for the financial period	**8,504**	8,128	11,635
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability	**69**	910	(2,071)
Deferred taxation on pension obligations and employee benefits	**(17)**	(228)	459
Other comprehensive income/ (expense) for the period	**52**	682	(1,612)
Total comprehensive income for the period	**8,556**	8,810	10,023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 June 2023 £'000	Unaudited 30 June 2022 £'000	Audited 31 December 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	**10,247**	16,073	10,958
Intangibles	**297**	5,226	88
Pension surplus	**4,257**	6,621	4,125
Total non-current assets	**14,801**	27,920	15,171
Current assets			
Inventories	**10,595**	14,751	10,432
Trade and other receivables	**42,001**	38,548	39,561
Corporation tax receivable	**986**	1,017	695
Cash and cash equivalents	**56,128**	49,167	56,296
Total current assets	**109,710**	103,483	106,984
Total assets	**124,511**	131,403	122,155
Liabilities			
Current liabilities			
Trade and other payables	**29,533**	30,193	30,711
Provisions	**-**	4,242	-
Total current liabilities	**29,533**	34,435	30,711
Non-current liabilities			
Other payables	**2,378**	1,953	2,038
Deferred tax liabilities	**687**	3,307	670
Total non-current liabilities	**3,065**	5,260	2,708
Total liabilities	**32,598**	39,695	33,419
Net assets	**91,913**	91,708	88,736
Equity			
Share capital	**3,697**	3,697	3,697
Share premium reserve	**3,255**	3,255	3,255
Capital redemption reserve	**1,209**	1,209	1,209
Other reserves	**1,481**	943	1,280
Retained earnings	**82,271**	82,604	79,295
Total equity	**91,913**	91,708	88,736

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Half year to 30 June 2023		Unaudited Half year to 30 June 2022		Audited Year ended 31 December 2022	
	£'000	**£'000**	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Profit for the financial period		**8,504**		8,128		11,635
Adjustments for:						
Depreciation and amortisation	**1,193**		2,318		4,521	
Impairment losses on intangible and fixed assets	**-**		-		8,714	
Loss on sale of property, plant and equipment	**74**		61		186	
Finance income	**(866)**		(126)		(514)	
Finance expense	**48**		63		134	
Tax expense recognised in the income statement	**2,649**		1,969		2,201	
Increase in inventories	**(163)**		(5,045)		(726)	
Increase in trade and other receivables	**(2,096)**		(2,939)		(4,100)	
(Decrease)/increase in trade and other payables	**(928)**		2,110		2,963	
Decrease in provisions	**-**		-		(4,242)	
Change in pension obligations	**(63)**		(435)		(920)	
Fair value (gain)/loss on derivative financial instruments	**(344)**		515		662	
		(496)		(1,509)		8,879
Cash generated from operating activities		**8,008**		6,619		20,514
Tax paid		**(2,939)**		(2,319)		(4,178)
Net cash generated from operating activities		**5,069**		4,300		16,336
Cash flows from investing activities						
Finance income	**866**		126		514	
Acquisition of property, plant and equipment	**(138)**		(913)		(1,245)	
Payment of contingent consideration (note 8)	**-**		(71)		(71)	
Net cash from/(used in) investing activities		**728**		(858)		(802)
Cash flows used in financing activities						
Payment of lease liabilities	**(385)**		(554)		(995)	
Purchase of own shares	**-**		(5,534)		(5,534)	
Dividends paid	**(5,580)**		(4,861)		(9,383)	
Net cash used in financing activities		**(5,965)**		(10,949)		(15,912)
Net decrease in cash and cash equivalents		**(168)**		(7,507)		(378)
Cash and cash equivalents at start of period		**56,296**		56,674		56,674
Cash and cash equivalents at end of period		**56,128**		49,167		56,296

	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 2022	**3,697**	**3,255**	**1,209**	**676**	**84,189**	**93,026**
Dividends	-	-	-	-	(4,861)	(4,861)
Movement in ESOT	-	-	-	(2)	-	(2)
Credit to equity for equity-settled share-based payments	-	-	-	269	-	269
Purchase of own shares	-	-	-	-	(5,534)	(5,534)
Transactions with owners	**-**	**-**	**-**	**267**	**(10,395)**	**(10,128)**
Profit for the period	-	-	-	-	8,128	8,128
Other comprehensive income	-	-	-	-	682	682
Total comprehensive income	**-**	**-**	**-**	**-**	**8,810**	**8,810**
At 30 June 2022	**3,697**	**3,255**	**1,209**	**943**	**82,604**	**91,708**

	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 2023	3,697	3,255	1,209	1,280	79,295	88,736
Dividends	-	-	-	-	(5,580)	(5,580)
Movement in ESOT	-	-	-	(2)	-	(2)
Credit to equity for equity-settled share-based payments	-	-	-	203	-	203
Transactions with owners	**-**	**-**	**-**	**201**	**(5,580)**	**(5,379)**
Profit for the period	-	-	-	-	8,504	8,504
Other comprehensive income	-	-	-	-	52	52
Total comprehensive income	**-**	**-**	**-**	**-**	**8,556**	**8,556**
At 30 June 2023	**3,697**	**3,255**	**1,209**	**1,481**	**82,271**	**91,913**

1. Basis of Preparation

The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2022, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements for the half year reporting period ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim financial reporting* and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. The Interim Report has not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

The interim financial statements were authorised for issue by the Board of Directors on 26 July 2023.

2. Going Concern

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

Our modelling has sensitised the impacts of Russia's continued invasion of Ukraine, in particular their impact on global supply chains and macroeconomic inflationary factors. Alternative scenarios, including the potential impact of key principal risks from a financial and operational perspective, have been modelled with the resulting implications considered. In all cases, the business model remained robust. The Group's diversified business model and strong balance sheet provide resilience against these factors and the other principal risks that the Group is exposed to. At the 30 June 2023 the Group had cash and cash equivalents of £56.1m with no external bank borrowings.

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

3. Segmental Reporting

The Board, as the entity's chief operating decision maker, analyses the Group's internal reports to enable an assessment of performance and allocation of resources. The operating segments are based on these reports.

During the year, the Group changed its reportable segments to ensure the appropriate strategic focus across the business given the differing strategic challenges between its Packaged and Out of Home routes to market. The Group is now segmented into the operating segments Packaged, Out of Home and Central. This replaces the operating segments, Stills and Carbonates used in previous reporting periods.

The new segmental reporting allows the Group to deliver on its strategic ambitions of accelerated growth across the Packaged business, both in the UK and Internationally, and maximise value within the Out of Home business, whilst providing oversight to manage central overheads from a total Group perspective.

This is the first time results have been presented in these segments within the Group's Interim financial statements and thus the results reported for the previous half year to 30 June 2022 and financial year to 31 December 2022 have also been re-presented for comparison purposes.

3. Segmental Reporting (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment performance is evaluated based on adjusted operating profit (excluding exceptional items), finance income and exceptional items. This is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

Half year to 30 June 2023	Packaged								
	UK £'000	Middle East £'000	Africa £'000	Rest of World £'000	Total Packaged £'000	Out of Home £'000	Total Segments £'000	Central* £'000	Total Group £'000
Revenue	**43,097**	**4,905**	**13,081**	**3,466**	**64,549**	**20,997**	**85,546**	**-**	**85,546**
Adjusted operating profit					**17,988**	**1,352**	**19,340**	**(7,861)**	**11,479**
Net finance income									818
Adjusted profit before tax									**12,297**
Exceptional items									(1,144)
Profit before tax									**11,153**

Half year to 30 June 2022	Packaged								
	UK £'000	Middle East £'000	Africa £'000	Rest of World £'000	Total Packaged £'000	Out of Home £'000	Total Segments £'000	Central* £'000	Total Group £'000
Revenue	**41,258**	**4,176**	**10,372**	**2,670**	**58,476**	**21,756**	**80,232**	**-**	**80,232**
Adjusted operating profit					**16,453**	**1,621**	**18,074**	**(6,867)**	**11,207**
Net finance income									63
Adjusted profit before tax									**11,270**
Exceptional items									(1,173)
Profit before tax									**10,097**

Year ended 31 December 2022	Packaged								
	UK £'000	Middle East £'000	Africa £'000	Rest of World £'000	Total Packaged £'000	Out of Home £'000	Total Segments £'000	Central* £'000	Total Group £'000
Revenue	**82,813**	**11,752**	**18,870**	**6,420**	**119,855**	**45,071**	**164,926**	**-**	**164,926**
Adjusted operating profit					**34,338**	**3,537**	**37,875**	**(13,273)**	**24,602**
Net finance income									380
Adjusted profit before tax									**24,982**
Exceptional items									(11,146)
Profit before tax									**13,836**

* Central includes the Group's central and corporate costs, which relate to salaries and head office overheads such as rent and rates, insurance and IT maintenance as well as the costs associated with the Board and Executive Leadership Team, Governance and Listed Company costs.

A geographical split of revenue is provided below:

	Half Year to 30 June 2023 £'000	Half Year to 30 June 2022 £'000	Year ended 31 December 2022 £'000
Geographical split of revenue			
Middle East	**4,905**	4,176	11,752
Africa	**13,081**	10,372	18,870
Rest of the World	**3,301**	3,059	7,350
Total Exports	**21,287**	17,607	37,972
United Kingdom	**64,259**	62,625	126,954
Total revenue	**85,546**	80,232	164,926

4. Exceptional items

	Half Year to 30 June 2023 £'000	Half Year to 30 June 2022 £'000	Year ended 31 December 2022 £'000
Out of Home Strategic Review	**569**	48	518
Historic incentive scheme	**56**	54	134
Group Systems Review	**519**	-	316
Review of UK packaged supply chain	**-**	1,071	1,464
Impairment of intangibles and fixed assets	**-**	-	8,714
	1,144	1,173	11,146

The Group incurred £1.1m of exceptional costs during the period (H1 2022: £1.2m).

Out of Home Strategic Review

In 2022 the Group completed a strategic review into its OoH route to market, assessing customer and product mix as well as reviewing ways to enhance net margin and profitability going forward. The Group incurred £0.6m of costs in the period as these recommendations have begun to be implemented. Additional costs will be incurred through the second half of 2023.

Historic incentive scheme

During 2022 the Group settled with HMRC the £4.3m tax and interest charges relating to a historic incentive scheme and has commenced recovery of debts from current and previous employees who had indemnified the Company. The Group incurred legal costs in the period of £0.1m in relation to the case.

Group Systems Review

The Group has commenced a project to implement a new enterprise resource planning (ERP) system, focussed on driving business transformation and is expected to be operational at the end of 2024. Costs of £0.5m were incurred in the period.

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.

NOTES

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit after tax for the period of the Group by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period multiplied by a time-weighting factor. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

The earnings per share calculations for the period are set out in the table below:

	Earnings £'000	Weighted average number of shares	Earnings per share
30 June 2023			
Basic earnings per share	**8,504**	**36,478,934**	**23.31p**
Dilutive effect of share options		38,891	
Diluted earnings per share	**8,504**	**36,517,825**	**23.29p**

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

	Earnings £'000	Weighted average number of shares	Earnings per share
30 June 2023			
Basic earnings per share	**8,504**	**36,478,934**	**23.31p**
Exceptional items after taxation	872		
Adjusted basic earnings per share	**9,376**	**36,478,934**	**25.70p**
Diluted effect of share options		38,891	
Adjusted diluted earnings per share	**9,376**	**36,517,825**	**25.68p**

6. Non-current Assets

	Property, Plant & Equipment £'000	Intangibles £'000
Cost		
At 1 January 2023	35,311	9,760
Additions	765	-
Transfers	(238)	238
Disposals	(1,626)	-
At 30 June 2023	**34,212**	**9,998**
Depreciation and Amortisation		
At 1 January 2023	24,353	9,672
Charge for the period	1,164	29
On disposals	(1,552)	-
At 30 June 2023	**23,965**	**9,701**
Net book value		
At 1 January 2023	10,958	88
At 30 June 2023	**10,247**	**297**

7. Defined Benefit Pension Scheme

The Group operates a defined benefit plan in the UK. A full actuarial valuation was carried out on 5 April 2020 and updated at 30 June 2023 by an independent qualified actuary.

A summary of the pension surplus position is provided below:

	£'000
Pension surplus	
At 1 January 2023	4,125
Current service cost	(44)
Net interest income	96
Actuarial gains	69
Contributions by employer	11
At 30 June 2023	**4,257**

8. Contingent consideration

Within the Statement of Cash Flows there is a £0.1m cash outflow in the prior period in relation to the payment of contingent consideration. This payment relates to the final stage of contingent consideration paid for an acquisition made in previous financial years.

9. Provisions

During the second half of FY22, the Group settled with HMRC the tax and interest charges regarding the historic incentive scheme provided at 30 June 2022 (£4.2m). Recovery of debts from current and previous management who had indemnified the Company has commenced during FY23. Included within other receivables is a reimbursement asset in respect of these historic contracts.

10. Dividends

Dividend cover is broadly 2x adjusted earnings of the Group. As a result, the interim dividend for 2023 will be 12.6p per share to be paid on 8 September 2023 with a record date of 4 August 2023.

Cautionary Statement

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Report should not be relied on by any other party or for any other purpose.

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