

ADNAMs.

SOUTHWOLD

Annual Report
and Accounts 2022

Inside this year's report



14/15



06/07



18



11



16/17

Strategic Report

- 02 Financial Highlights**
- 03 Chairman's Report**
Jonathan Adnams
- 06 Strategic Report**
Andy Wood
- 14 Our Stories**
 - 14** Fergus Fitzgerald
 - 16** Sadie Lofthouse
 - 18** Nick Attfield
- 20 Finance Commentary**
Jenny Hanlon

Governance

- 24** Our Board
- 26** Report of the Directors
- 28** Corporate Governance
- 31** Directors' responsibilities in respect of the accounts

Financial Statements

- 32** Profit and loss account
- 32** Statement of comprehensive income
- 33** Balance sheet
- 34** Statement of changes in equity
- 35** Statement of cash flows
- 36** Notes to the financial statements
- 52** Independent auditor's report

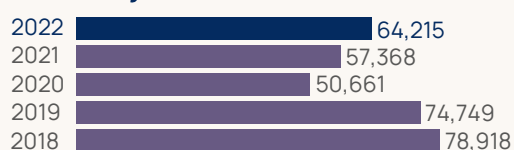
Cover

The paper is made from waste in beer production.

Financial Highlights

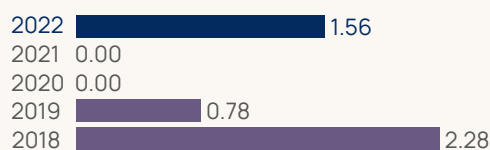
Turnover £000

£64,215 +11.9%



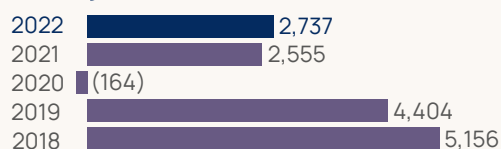
Dividend £ (per £1 share)

1.56 +100.0%



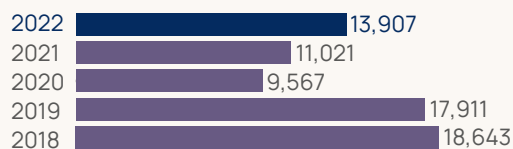
EBITDA £000*

£2,737 +7.1%



Net bank debt £000

£13,907 +26.7%



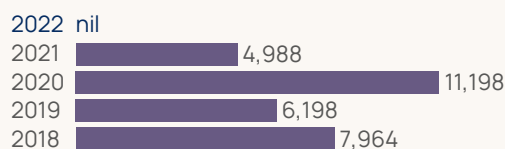
Operating profit £000**

(£1,227) -36.7%



Net pension liability £000 (pre-tax)

£nil -100%



The above financial highlights comprise the key performance indicators monitored by the company.

* Earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance.

** Operating profit is reported before highlighted items.



We are resilient and focused on what is right.

Dr Jonathan Adnams OBE
Chairman

As I prepared this report one year ago, I talked with some hope that the two years of pandemic were behind us and that the world for brewing, distilling and hospitality would enjoy a period of stability as markets returned to some normality and businesses in our sector would be able to rebuild their balance sheets. I wrote those words before the Russian invasion of Ukraine and all the implications this has brought to economies around the world with the widely reported knock-on effects for global energy and commodity prices. The UK economy was far from immune and has been profoundly impacted. This, along with the instability brought about by the autumn mini-budget, rising interest rates and industrial unrest, has led to consumer confidence levels being at their lowest for decades. It is no overstatement to suggest that, for the company and the wider brewing and hospitality sector, the business

environment has been at least as challenging as during the Covid-19 pandemic. In the final nine months of 2022, the business has had to absorb a £4.9m increase to its costs base driven by rising prices. The business has worked extremely hard during the year to mitigate inflation, control expenses, manage cash flows and serve customers well. However, it has had no alternative other than to pass most of the increased costs through to customers.

The challenge for Adnams and the sector as a whole is to ensure that the increased costs of going out are met with an experience that the customer values and feels compelled to repeat even during a cost-of-living crisis. Our response has been, through our data, to know our customer better, to maintain quality in all that we do, and to seek to exceed their expectations. Related to this, as the company emerged from the pandemic,

it needed to catch up on a property maintenance deficit and this has been the principal driver behind borrowing increasing by £2.9m to £13.9m as we invested in the long-term fabric of our buildings. It is against this backdrop and given continued uncertainty in the UK economy that the company is unable to recommend a final dividend this year. The Board keeps this matter under regular review and wishes to return to its regular pattern of paying dividends as soon as practicable.

During the year the business was able to rebuild sales to £64.2m and has generated an EBITDA, a proxy for cash flow, of £2.7m. When depreciation and interest are added, this leads to an operating loss of £1.2m (2021: £0.9m). In the early months of 2022, there were certainly signs of recovery as the beer market began its journey back to health, following a 55% fall in the previous

Chairman's Report

Continued

two years, and customers were clearly pleased to be visiting pubs and bars again throughout our heartland and London. Our retail shops, hotels and pubs also enjoyed a good beginning to the year and we were able to pay an interim dividend in February of 156p per 'B' share and 39p per 'A' share reflecting strong trading in the summer of 2021 and the good start to 2022. By mid-year the impact of the conflict in Ukraine and its implications for the UK economy were being felt and this led to the beer market beginning to plateau and customer sentiment begin to move from a broadly positive stance to concerns about inflation and the cost of living. The long warm summer offset this to a certain extent and bookings in our well-located hotels, pubs and restaurants remained strong through this period. As we moved from summer to autumn, the mood began to change as the nation mourned the passing of the Queen and the mini-budget hit consumer confidence hard.

Throughout all of this, the low and no alcohol sector has been enjoying continual growth and our Ghost Ship 0.5% beer has become the best-selling Lo/No Ale in the on-trade and, alongside its full-strength sibling Ghost Ship, it continues to secure further distribution in both the on- and off-trade. We also won some awards in the year, which are a useful external validation of our product quality.



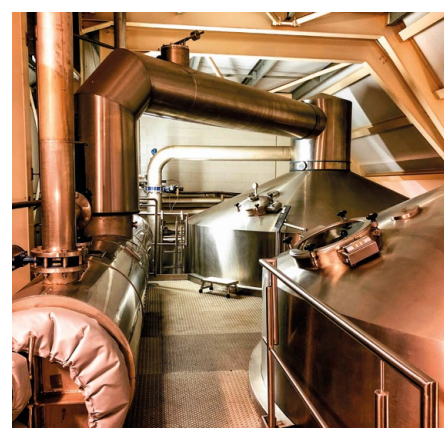
Her Majesty Queen Elizabeth II

We are immensely thankful for her lifetime of dedicated service and proud of her extraordinary legacy. She has been a symbol of all that is great about Britain.

The World Whiskies Awards 2022 saw Adnams Rye Malt Whisky win an 'Icon' award and be inducted into the Whisky Hall of Fame, the International Wine & Spirit Competition (IWSC) gave awards to our Copper House Gin and First Rate Gin, Dry Hopped Lager won a Society of Independent Brewers (SIBA) Gold award and was supported by Silver awards for Adnams New England IPA and Innovation and Bronze awards for Mosaic Pale Ale and Kobold English Lager. The quality and distinctiveness of our products will always remain a priority of ours.

The autumn also saw us celebrate the 150th anniversary of Adnams. We were joined over two days by suppliers, local dignitaries and the wider Adnams team to celebrate all the company has achieved. Across the two days, I was able to present both the long heritage of Adnams and talk of the more contemporary things we have done with our award-winning products and our approach to wider societal work through the Adnams Community Trust (ACT) and our commitment to environmental sustainability. We also produced a suite of beer products to mark the occasion, bringing back Spindrift following a public vote, undertaking a collaboration brew with Sierra Nevada called Eastern Edge, encouraging one of our young brewers to develop a hazy pale ale called Sea Fog and, finally, producing a limited release barrel-aged beer called '150'. The year also saw Broadside celebrate its 50th birthday. Once described by a customer as 'fruitcake in a glass', this classic dark bitter remains a firm favourite with customers in cask format and in bottle as Broadside, Strong Original. The name is derived from naval guns firing a 'Broadside' during the battle of Sole Bay in June 1672. To mark the company's 150th and Broadside's 50th - I was delighted to receive the gift of a new pub sign for the Sole Bay Inn, Southwold. This beautiful work of art depicting the battle was hand-painted by Dave Barber and replaces a sign produced by his father. Three generations of Barbers have contributed so much to Adnams over the years and embody the long-term, mutually beneficial relationships the company builds. This latest example of the signwriter's craft can be seen hanging proudly outside the Sole Bay Inn for all to see. The period of celebration culminated in December with the Lord Lieutenant presenting the company with its third Queen's Award for Sustainable Development.





We continue to pursue our long-term strategy of building a premium beer, spirits and hospitality brand.

The outside world remains uncertain and volatile. Early in the year, we had looked forward to our markets returning to normal post pandemic. The start to the year promised this, then global events transpired and has led to the UK and the rest of the world facing many challenges from economic, social and environmental perspectives. Our response is that we continue to pursue our long-term strategy of building a premium beer, spirits and hospitality brand that attracts and grows its loyal customer base. We do this by continuing to invest in the fabric of our hotels, pubs, shops and online businesses, by exceeding customers' expectations in terms of service and product quality, and by using our data to better target offers towards customers to reward their loyalty. Simultaneously, we are digitally transforming our back office for better efficiency and effectiveness. Relationships in our supply chain remain strong and we remain committed to operating with care for the natural, built and social environment and to doing the right thing.

The pandemic slowed down our Board succession plan as we opted for continuity and experience, as our industry endured the impact of the prolonged closure of large parts of the business. Having come through this period of uncertainty, I am able to announce a number of Board changes in accordance with good corporate governance.

First, I would like to express my gratitude to Bridget McIntyre who retired as a

non-executive director of Adnams on the 31 December 2022. During her nine-year tenure, Bridget has brought wise counsel and considerable expertise to the Board. Bridget will continue her role as Chair of the Adnams Pension Trustees and I thank her for her contribution to the company over the years.

Bridget has been succeeded by Simon Townsend. Simon was most recently CEO of Ei Group plc, the FTSE-listed owner and operator of 4,000 pubs across England and Wales. Simon also served as a non-executive director of Countryside Properties from March 2019 to November 2022 and is a non-executive director of private equity owned Cote Restaurants and senior adviser at global consultancy Teneo. He is also a member of the advisory board of diversity and inclusion organisation WiHTL.

Nicky Dulieu also intends to retire as a non-executive director at the company's Annual General Meeting and having been in office for over nine years will not be offering herself for reappointment. Again, I thank Nicky for her nine years of service to the company, and her expertise and counsel has been invaluable during that time.

Nicky will be succeeded by Sacha Berendji. Sacha is a qualified accountant and has extensive experience in the UK retail industry.

Sacha joined Marks & Spencer in 1994 through their graduate recruitment scheme and has held a number of senior

roles in the company and is currently their Operations Director, responsible for their stores, property and store development. Sacha has joined the Board as a non-executive director, and will chair our audit committee.

Having been appointed by the Board during the year, both Simon and Sacha will resign at the company's Annual General Meeting and offer themselves for reappointment, in accordance with the company's articles of association.

Finally, Guy Heald intends to retire as a non-executive director of the company at the company's Annual General Meeting this year. Guy joined the Board in April 2015 and is a long-term supporter of the company. His family has been involved with Adnams since its very early days and is a major shareholder. Guy has suggested that he be succeeded by his son, Andrew Heald, and the Board has agreed to this seeing it as the natural succession of a major stakeholder in the company.

Finally, it just leaves me to say that I am grateful to the whole Adnams team and to our loyal shareholder base in supporting the company through these uncertain and challenging times.

Dr Jonathan Adnams OBE
Chairman

Strategic Report

Andy Wood OBE DL
Chief Executive Officer



During a challenging year, doing things the right way continues to guide us...

The Chairman has set out in his report the global context that impacted our operating environment in 2022. We have continued to respond to the challenges this has thrown up whilst remaining true to our long-term strategy as a producer and retailer of premium alcoholic drinks, underpinned by our purpose and a clear set of values. Our investments in technology over the past few years have helped enormously and enabled us to manage those expenses within our control. Notwithstanding the environmental efficiency embedded within our buildings and brewery, we are still significant consumers of energy and raw materials and it is these commodities that have significantly increased our cost base and directly impacted the business result for 2022. The cost pressures on domestic households and businesses have been well documented in the media and we have seen some policy responses from Government, although it is fair to say that our industry, through the British Beer and Pub Association, believes further specific sector support is necessary. We concur with this point of view. From the company's perspective, inflation has hit us in two ways: firstly, through the cost of our manufacturing operations with energy, grain, cleaning materials and CO₂

prices all increasing exponentially, directly affecting the cost of producing our products. And secondly, through the costs of operating the business in respect of energy costs, food prices and employment costs in our pubs and hotels and our wider operations. As for many businesses, this has been a perfect storm of increasing costs allied to subdued demand. Fortunately, we had energy contracts in place that provided something of a hedge against the worst effects of energy inflation and this has meant that our costs have been slower to rise and will be slower to fall as prices stabilise and reduce at some point in the future. Our energy price increase for the year was >100%, although this remains below the price cap. Our principal concern and that of the whole sector has been how much of this inflation can be passed directly through to the consumer without severely impacting demand, particularly in pubs the length and breadth of the country. We remain fundamentally committed to the principle that a drink or a meal in a pub should remain affordable for customers who are finding it hard to support local pubs at a time when the country and local communities need to come together.

Production and supply chain

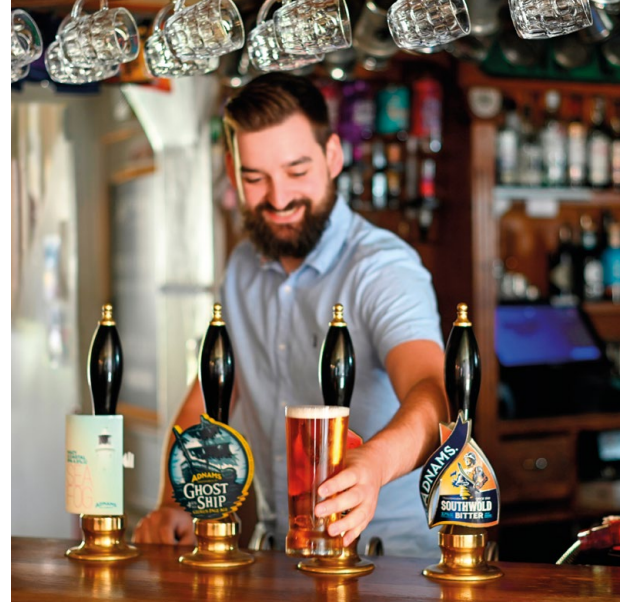
Our production operations were hard hit by rising prices and supply chain disruption. Therefore the principal objectives of our supply chain teams morphed fully into the mitigation of the cost inflation we were experiencing. Whilst we have longstanding contracts in place that ensure continuity of supply, nonetheless our barley price was adversely affected by the closure of the UK's largest fertiliser plant due to energy costs. This remains a structural issue for the UK generally as production was moved to cheaper plants elsewhere in the world leaving the UK with significant shortages, higher prices and vulnerability around supply on an ongoing basis. As the impact of these events was felt, the cost of beer and spirit production increased substantially, and unfortunately resulted in the company having to pass the majority of these increases through to our customers. In addition to this, our supply chain

continued to experience extended lead times and increased costs across, CO₂, glass, wine and point-of-sale merchandising.

Furthermore, poor 2021 harvests in Burgundy and Marlborough, where yields were down 30%, resulted in a shortage of some of our best-selling wines, notably, Adnams White Burgundy and Adnams New Zealand Sauvignon Blanc. These were overcome by the wine-buying team who were able to source alternatives of equal quality and price as the year progressed. Throughout the year, our teams have worked tirelessly to secure UK supply of vital products, substituting products with alternatives and building resilience for the future. In our brewing and distilling operation we felt the impact of global events, as the cost of beer and spirits production increased substantially and unfortunately we had to pass the majority of these increases onto our customers.

...building resilience for the future.





“ We were sad to leave

The Swan, having felt too well looked after. Like a kindly Aunt had wrapped her arms around us for the weekend. A masterclass in hospitality from start to finish.

”
Charlotte
East Anglian Daily Times review

Pubs and Hotels

Our leased and tenanted estate enjoyed an exceptional first quarter. Staycations and long weekends were still a feature and the weather was particularly good in East Anglian coastal locations and this benefited pubs with rooms. This trend continued into the second quarter although many of the pubs, consistent with the previous year, were still operating on reduced hours, being caused principally by the lack of availability of labour. As the year moved into its second half, lessees and tenants became considerably more nervous about the costs of operating their businesses, particularly with regard to their energy supply. As the spring and summer progressed into autumn, they then experienced the long period of mourning following the passing of Her Majesty the Queen, followed by a mini-budget that sent a lasting shockwave of reduced consumer confidence. Following the defenestration of the Truss Government, further uncertainty followed from the incoming administration and their lack of clarity about the future of the energy price cap. These matters are difficult to deal with for a large company with available specialised resources, so for the many owner-operated businesses that comprise our leased and tenanted estate, the current environment has been most difficult.

Clearly, we remain steadfast in our commitment to pubs being at the centre of their communities and to the future ongoing success of our estate. We have therefore continued to provide support for the business owners and their pubs on a case-by-case basis.

Our managed inns and hotels also enjoyed a good first quarter and in the case of The Swan, The Crown and The Lord Nelson, all Southwold properties, this continued throughout the year. The Cross Keys in Aldeburgh also traded well, as did The White Horse, Blakeney, once its management team was stabilised from mid-year onwards. The Bell Walberswick, The Harbour Inn Southwold, The Five Bells Wrentham and The Plough Wangford were more reflective of the leased and tenanted estate in their results and had a more challenging year.



“Excellent store,

great for gifts and wine and spirits, and of course, beer. Also a very good coffee and light lunch shop. Well worth a visit.

”

John
Trip Advisor



Retail

Customers were slower to return to our stores following the Covid-19 period, and consequently the retail business had a slower start to the year than has traditionally been the case. As stores picked up throughout the year we saw a corresponding reduction in online sales, although these settled well ahead of pre-pandemic levels. Both our shops and online suffered some product shortages as harvests were poor in key wine regions for us and it took time to convert customers to the alternative products.

We have recruited a new retail manager from a premium London-based retailer and we intend to further improve retail standards and the experience for the customer. We opened a new store in Bishop's Stortford, a location that our data suggests has a concentration of Adnams customers, and intend to open a further store in Frinton-on-Sea early in the new year. Our retail business continues to be a showcase for new product development and continues to sell significant quantities of Adnams beer and spirits.

“Personal touch

The staff in this shop are so friendly and helpful. Will always go out of their way to give you the best advice and help in what you are looking for 5 star service every time.

”

Luci
Google review



Strategic Report

Continued

Beer and Spirit Sales

Cask beer has been particularly hard hit as the market continues its recovery from the pandemic. As a live product, reliant on a high level of throughput across the bar, things such as uncertain footfall or disrupted opening hours do not serve the unique product characteristics of cask beer well. In 2022 we saw around 1,000 UK pubs close (source BBPA) and we have sadly seen many licensees reduce their cask range, even though it is the only product that is unique to the pub experience. In response, we continue to blend our on-trade product portfolio between cask and kegged beers, which have a longer shelf life, and we anticipate continuing this work in 2023. We did see growth in 2022 versus 2021 in the UK on-trade, although tempered by a contracting number of pubs overall. Therefore our volumes remain below pre-pandemic levels. Our bottled beer

portfolio is stocked in all major supermarkets and we have continued to grow distribution.

Ghost Ship remains a key product for us, as does its low-alcohol sibling, which is being recognised by consumers everywhere as the low-alcohol ale product that has an abundance of beer flavour. With the on-trade reopening we did see some decline in both beer and spirits sales in the off-trade distribution channel. We continue to grow carefully our export customer base and we saw export volumes grow during the year from our key partners in Europe, Australia and the USA. We removed our products from the Russian market in early 2022 following the invasion of Ukraine.

With an eye on the future we have made additional investment to strengthen our on-trade sales team, customer service hub and online ordering app to further build and support our sales across the UK in 2023.

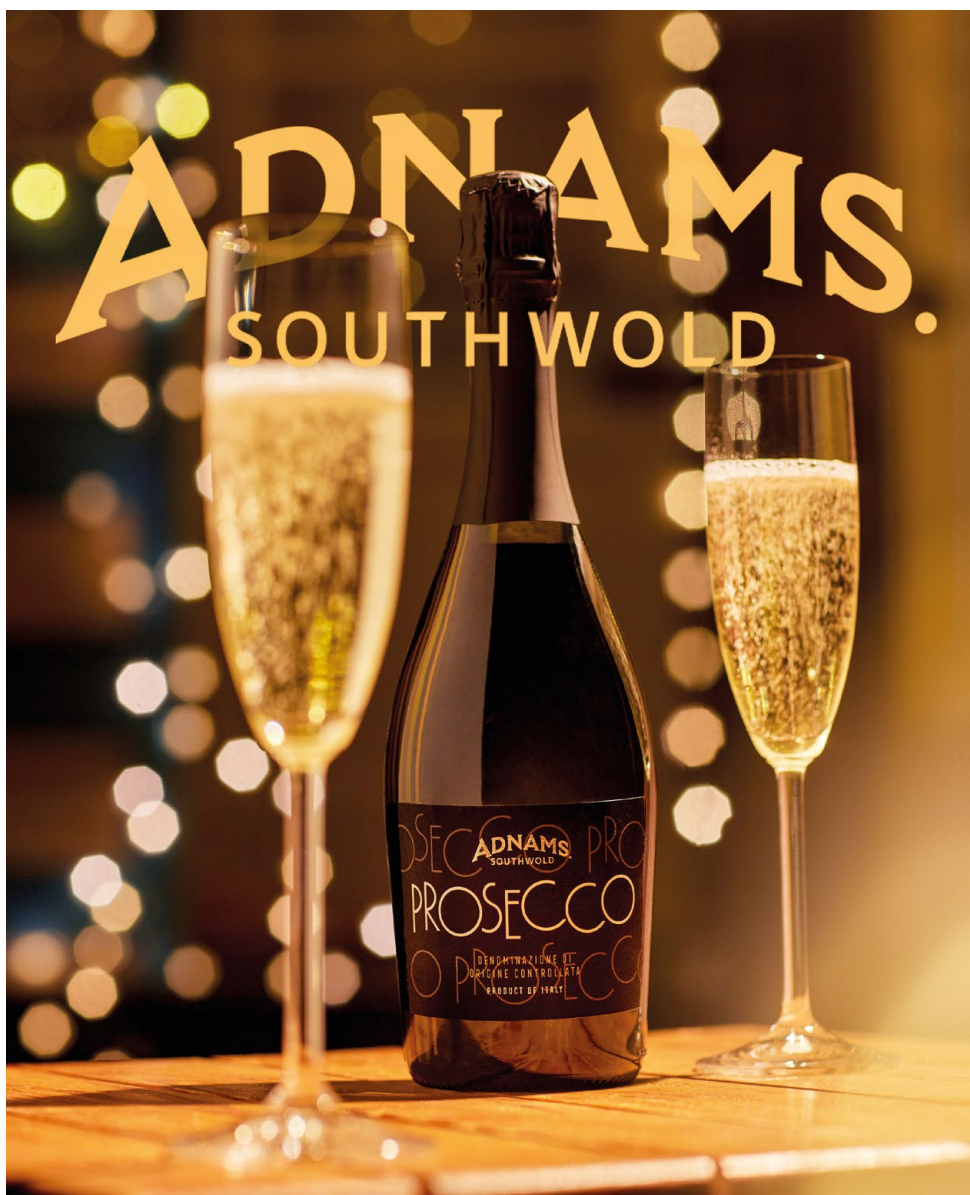


Eastern Edge

This collaboration brew has been inspired by two key beers for our breweries from the last 40 years, namely Sierra Nevada's Pale Ale and Adnams' cask Southwold Bitter.

Distiller's Choice

Adnams' Head Distiller John McCarthy hand-picks special spirits from our cellars for the Distiller's Choice range. A single malt, first fill port cask whisky stood out to him as having exceptional character – in fact, he thinks it might be his favourite so far. It is available in a limited edition run of just 271 bottles.



Brand Marketing

The photography-led brand imagery that you see in this document has been developed during the year and is aimed at highlighting the important moments that people share in their lives and how Adnams can be alongside them as a companion to make those moments even more special. We have tracked the impact of the campaign and its cut-through with customers, and the indications are that customers understand the sentiment being expressed and are viewing Adnams as a brand with the credibility to make this happen. This new style will be used over the next few years to continue to build positive associations with the Adnams brand in the mind of our customers and advertise our award-winning drinks portfolio.

Business Transformation

We continued to invest in our core systems, upgrading this year to the latest software version and moving it to a state-of-the-art cloud host. This work safeguards the benefits we achieved in 2019 from our major systems renewal by enabling us to use the latest automation tools in our digital transformation whilst providing excellent reliability and availability. Our aim here is to automate as many mundane repetitive tasks as possible in order to provide more meaningful work for our team members and focus resources toward serving customers better. We also validated our external cyber security posture with two independent penetration tests during the year. As we become ever more reliant on data and being data led, these events enabled us to strengthen our defences and gave us external assurance as to the effectiveness of our data handling and information technology processes. Our business transformation continues with the aim of making Adnams easy to do business with.

Part of the solution, not the problem

Environmental, Social and Governance

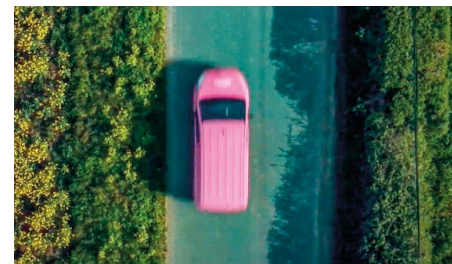
Business must be a key part of the solution and not a significant part of the problem when it comes to climate change and the health of the planet. Sustainability has been an integral part of our business for at least 25 years and, unlike many others, we are able to confidently talk about, and evidence, what we have already done, as well as what we are committed to doing now and in the future. The Queen's Award for Sustainability is not given lightly and the fact that we've been awarded this three times is a testament to us being a business our shareholders can be proud of and our staff can be proud to work for.

Our 2022 achievements include successful trials of bio fuels within our owned fleet, which will help ensure that we can meet our target of reducing own fleet emissions by 50% by 2026. Despite long purchasing lead times, our roll-out of electric vans continues, leading to cost efficiencies, reduction in emissions and enhanced customer service.

A far less glamorous and exciting but vital part of our work is to understand our waste, and we now have the ability to accurately report on all of our waste. We are developing an approach for our teams and our customers which will ensure that we reduce, reuse and recycle.

We continue to have a strong and mutually beneficial relationship with GEA, the manufacturer and installer of our new brewhouse in 2007. We are working with them to develop new and innovative technology which will enable us to significantly reduce the water used in the production of low-alcohol beer.

As members of Business in the Community, we are working closely with others across the region to ensure that we play our part in supporting the economic prosperity of our area, create good work for our young people and improve the health of our local communities. We continue to support schools and colleges both locally and further afield.



Carbon Data

Year	Total emissions Tonnes of carbon dioxide equivalent (CO ₂ e)	Normalised emissions kgCO ₂ e per £k revenue	Scope 1 emissions (tonnes): "Fuels used for combustion and owned transport"		Production kgCO ₂ e per barrel produced	Distribution kgCO ₂ e per barrel delivered	Retail kgCO ₂ e per £k revenue	Managed properties kgCO ₂ e per £k revenue
			2022	2021 restated				
2022	3,102 -6.0%	48.257 -15.6%	3,102 -6.0%	624.22 1.0%	17.5 -19.3%	5.7 26.7%	4.6 21.0%	61.8 -19.1%
2021 restated	3,301	57.157	3,301	618	21.7	4.5	3.8	76.4
Water usage	m ³ per production volumes		5.9	5.2	13.5%	Note: Using location-based emission factors, total emissions were 3,102 (-6.0%) tonnes of carbon dioxide equivalent (CO ₂ e), normalised emissions were 48.3 (-15.6%) kgCO ₂ e per £k revenue, fuels used for combustion and owned transport were 3,102 (-6.0%) tonnes. The company's total energy use for 2022 was 19,664,143 kWh (2021: 16,601,890 kWh).		
Glass usage	kg per hl of volume sold		19.8	23.3	-15.2%			



Finally, we acknowledge the importance of the communities on our doorsteps by supporting local causes and events with funding, product donation, resource and advice.

We all remain committed to delivering on our social and environmental commitments and will be both innovative and determined in our approach.

In closing, the company has always strived to ensure shareholders receive a return on their investment through an annual dividend. The Pandemic and its resultant aftershocks adversely affected the wider economy, the brewing and hospitality sector and the Company. Our priority therefore has been to conserve cash to ensure the business has a stable and sustainable base from which to grow in future. As the Chairman observes in his report we keep our financial position under constant review and aim to resume dividend payments once the Board is confident the company has sufficiently improved its cash position.

We acutely understand the importance of dividends to our shareholders and regret the inconvenience this may cause. Thank you for your continued support. We are committed to emerging stronger from these economic challenges.

Finally, I would also like to say thank you to the whole Adnams team who have been unflinching in their determination, and positive in their response to some significant economic headwinds.

Andy Wood OBE DL
Chief Executive Officer



Our Stories

Fergus Fitzgerald
Director of Production and
New Product Development



The best of the new and the old

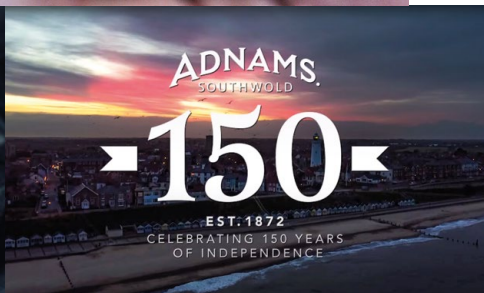
150th and Spindrift

2022 marked the 150th anniversary of Adnams, and whilst it was tempting to sit back and think about what it means to us, we decided early on that it was more important to think about what it meant to our customers. So a major part of the seasonal beer programme was asking our customers what they wanted. In spring 2022 we asked what beer they wanted us to resurrect, and the winner by the proverbial country mile was Spindrift, and so we duly brought the beer back for a 'limited time only' appearance.

At Adnams we have our permanent, seasonal and collaboration beers – this gives our customers opportunities to stay with what they love and also to try new and exciting beers that could become their new favourite. The production team live to brew and distil, revelling in their ability to maintain a quality range and to deliver new and exciting beers and spirits, as tastes and fashions evolve.

A Winning Recipe

Ghost Ship 0.5% has continued to grow in importance for us, taking up position just behind its full-strength version. We were delighted to find out it had become the best-selling pale ale in the on-trade in 2022 and I think justifies our commitment to quality and flavour from the very beginning.



Scan me!
To watch
our 150th
anniversary
video



Sadie Lofthouse
Director of Culture
and Performance

Sparkling individuality

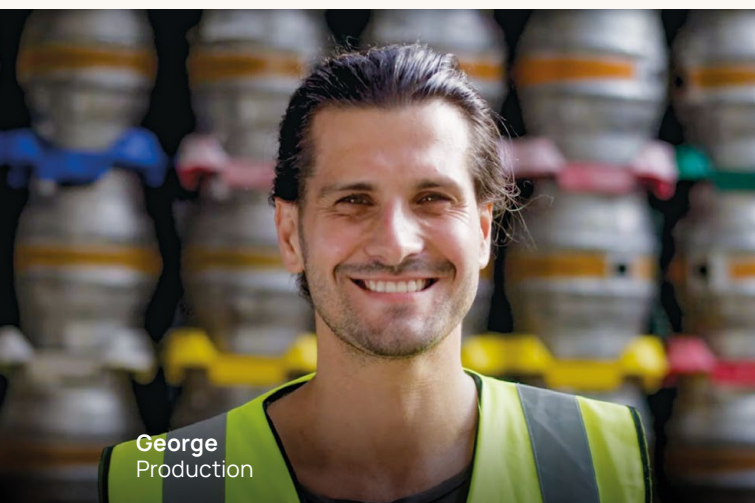
Our people deliver 'those' moments

Love to Learn

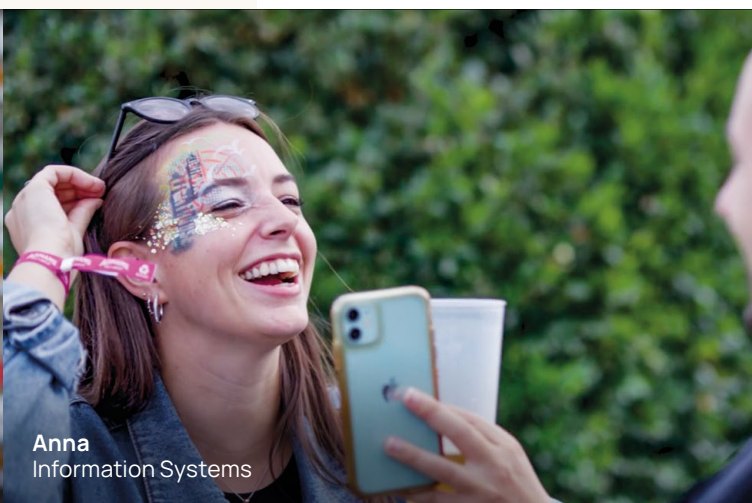
The recruitment challenges experienced by so many sectors in 2022 have reinforced the need to have a consistent talent pipeline across all areas of our business. We achieve this through our learning culture, which is well established, and we continue to offer a broad spectrum of learning and development opportunities for all employees. Our reputation in this area not only helps us attract new employees but is also a strong retention mechanism. Our Approved Programme Provider status with the Wine & Spirit Education Trust is an important part of our employee value proposition and allows for employees across all areas to study internationally recognised qualifications and to develop product knowledge that ensures they sell with confidence and competence. We are one of only a small number of employers who have always maximised the value from our Apprenticeship Levy and are proud of the part this can play in improving social mobility within our teams.

Well-being

The last three years have been challenging for some of our teams and the need to support their physical, emotional and financial well-being remains an important focus. We continue to offer a range of well-being services to proactively encourage healthy lifestyles and to support employees in times of need. We have carried out on-site occupational health screening for those in the most physically demanding roles and we have promoted and facilitated NHS Workplace Health Checks. Our confidential Pastoral Care support is available to all employees and our Employee Assistance Programme is available 24 hours a day for those in immediate need.



George
Production



Anna
Information Systems



Vix
Marketing



Michelle
Tours & Experiences

Graham
Guest Services

For Our People

2022 saw a focus on our teams. Following the introduction in 2021 of Fourth, a specialist hospitality software product for people management, work continued to embed this new tool and we were able to benefit from an optimal level of staffing in high headcount divisions, being our Managed Properties and our Shops. Managers gained clearer visibility of fully costed rotas, analytical tools at the touch of a button, applicant tracking and a seamless way to communicate with the team. But also, as importantly, Fourth also provides a better user experience for our employees with easy time and attendance tracking, access to key documents and policies, wage stream which is a salary draw-down facility, essential during a cost-of-living crisis and a way to replace staff discount cards with a simple app.

Fourth also provided the bedrock for the business to introduce salary sacrifice on pensions, with holiday trading and electronic vehicle benefits planned in early 2023. When staff availability is at an all-time low, providing a competitive package of benefits, as well as continuing to be a Real Living Wage Employer, is a strong tool for the business to use in attracting talent.

Your m



Nick Attfield
Director of Hospitality
and Retail

oment

AA Inspectors' Choice
The Swan was once again awarded the AA Four Star Red Inspectors' award.

The Ultimate Experience

In September we transferred The White Hart, Blythburgh to our Managed Estate. This large pub with stunning estuary views will provide a sophisticated pub food offering, complemented by four guestrooms, and gives a wonderful opportunity to curate the perfect visit to Southwold and the surrounding villages.

Recognising the need to evolve our offerings, we have completed a series of upgrades to our properties, including The Crown, Southwold. This has been reflected in improved customer feedback and profitability.

Always Listening

Our touch points with so many new and existing customers are important. Their feedback helps us constantly improve what we do.

Finance Commentary



Jenny Hanlon
Chief Financial Officer

With the business fully open in 2022, trading revenues grew 12% on 2021 to £64.2m. The corresponding increase in cost of goods sold was just under 9%, which, given the significant inflationary pressures experienced in 2022, demonstrates the company's ability to operate efficiently. Our operating loss for the year closed at £1.2m, which, with the exclusion of furlough income received, represents an improvement on 2021 of over 95%.

Unsurprisingly, losses before taxation grew disproportionately to £2.3m, with the rising interest base rate closing the year 14 times higher than where it started and foreign exchange rate volatility both taking their toll. The business purchased an interest rate SWAP and acquired foreign exchange forward contracts to mitigate this and bring some certainty to our cash outflows.

Digitalisation

A business with the breadth of operations such as ours will always have opportunities to enhance processes using technology, and as highlighted in previous annual reports, this year was no different. Without implementing new ways of working through leveraging technology, the business would not have been able to absorb over £4.9m of inflationary cost pressures and produce the current set of results.

Borrowings

The disciplines gained through the Covid years enabled the business to continue to manage its cash flows very carefully, minimising capital expenditure and operational expenses wherever appropriate. Our net bank debt increased from £11m to £13.9m, driven by the final unwinding of £0.6m with HMRC of deferred payment arrangements from the Covid period and capital investment in our estate.

Our stock levels increased moderately, £0.8m from 2021, predominantly in terms of value rather than volume, given the cost increases incurred during the year. In addition, concerns remain with some supply chain challenges following the changes made post-Brexit, which has generally increased delivery timelines for wine from Europe and therefore requires a slightly larger holding than in previous years.

A new debt facility was arranged in early 2022 and continued to be with our long-term banking partners, Barclays. The size of the facility remained unchanged at £20m and is now a fully committed facility. It comprised a £10m Term Loan, a £7m Revolving Credit Facility

Financial Highlights

	2018	2019	2020	2021	2022	Variance ¹
EBITDA	5,156	4,404	(164)	2,555	2,737	7.2%
Operating profit (£000) ²	1,606	719	(3,742)	(898)	(1,227)	(36.7%)
ROCE (percentage) ³	3.5%	1.6%	(12.6%)	(2.6%)	(3.1%)	(19.2%)
Gearing (book value)	67.6%	64.5%	47.3%	46.0%	52.9%	15.0%
Net debt (£000)	18,643	17,911	9,567	11,021	13,907	26.2%
Interest cover ⁴	3.2	1.4	(10.5)	(2.6)	(1.6)	38.5%
Ordinary dividend (per £1 share)	2.28	0.78	0.00	-	1.56	100.0%

1 % variance between 2021 and 2022.

2 Before highlighted items, where applicable.

3 The return on capital is based on the pre-highlight operating profit line and capital employed, including debt.

4 Excluding highlighted items and interest on pension deficit.

and a £3m overdraft. As to be expected, this facility incorporated quarterly covenant tests. As the year progressed, the December requirements were renegotiated to be a non-test month, thus ensuring the business avoided breaching its covenants, or alternatively the need to request a waiver. The covenant suite will be reset for 2023 so that the 2022 trading position can be appropriately incorporated into our banking metrics.

For the first time our bank facility included two Environmental, Social and Governance (ESG) key performance indicators (KPIs). Firstly, to reduce glass packaging in products sold (glass kg/hectare litre), and secondly, water usage per products sold (m³/litre). We successfully achieved the first KPI, but the second proved too challenging. We brewed a higher proportion of Ghost Ship 0.5% than in the previous year, which is a more water intensive process, and our batch sizes were generally slightly smaller than in 2021, which also nudges up water usage.

Tax

Delivering a loss before tax results in no current year tax charge. It is movements in our deferred tax liability that results in a credit on the tax line. The business benefited from a tax credit of £0.8m this year from the increasing size of the deferred asset on tax losses, which reduces the overall deferred tax liability.

Pensions

Volatility remained a theme for our defined benefit scheme. The year opened with a £5.0m deficit and closed with a £1m asset. The position at each year end is a measure of the difference between the scheme's assets, measured at market value, and the scheme's liabilities, measured at the discounted value of the estimated future pension payments. In 2022, the £6m improvement in the scheme valuation was the net result of a £15.4m fall in the pension obligations being greater than the £9.7m fall in scheme assets. Any movement in the discount rate from one year to the next will be the driver of changes in the liability valuation. With bond yields rising throughout the year, the discount rate mirrors these significant movements. The discount rate increased significantly, from 1.8% in 2021 to 4.75% in 2022, resulting in a correspondingly large impact on the

value of the future liabilities. The liability to the approximately 269 members of the scheme has been assessed as £31.9m. The scheme closed to new members in 2002 and to all future accruals in 2005.

As at 31 December 2022, the present value of the defined benefit obligation is £31,860k compared to a fair value of £32,883k, which gives rise to a surplus of £1,023k.

The company is not able to determine that future contributions will be reduced, and it is not possible for Adnams plc to receive a refund, as the specific conditions for this have not been met. Therefore, the pension surplus is recognised as a nil asset at the year end.

Treasury Policies

We keep our Treasury policies under review in the light of economic circumstances. Given volatility in the currency markets in 2022 it felt prudent to minimise the impact of these, as the quantum of some of the exchange rate movements was significant enough to deem a change in approach. It is worth noting that this is not seen as a mechanism for making additional profits, it is one of financial risk mitigation. The majority of exposure comes from paying suppliers in euros and so we chose to purchase two individual forward foreign exchange contracts. Both are ongoing into 2023 and we will make a further assessment at the end of their terms as to whether we wish to engage in further contracts.

It will also come as no surprise that the interest rate fluctuations experienced during the year resulted in the need to act and minimise the risk posed by rapidly rising interest rates. The business had previously set an internal metric for when it would be deemed appropriate to purchase an interest rate SWAP. This was triggered in October following the mini-budget issued by Kwasi Kwarteng. The SWAP ensures that the business has a fixed rate cost of interest on £10m of our debt. In times of uncertainty, known absolutes ensure that the business can be best placed to manage its cash flows and so operate as efficiently as possible. The base rate rose 1,400%, starting the year at 0.25% and closing at 3.5%.

We continue to choose not to insure our debts owed to us as we benefit from our close relationships with our customers and our level of monitoring and oversight, ensuring that we do not have a need for this. We manage our credit risk with appropriate limits applied to each customer, based on payment history and credit references. Limits are reviewed regularly and debt appropriately chased.

Dividend Policy

We are not recommending a final dividend in relation to 2022, as was the case for 2021. An interim dividend was paid in February 2022, whereas in 2021 this was not possible.

Shareholders (Statement under s.172 Companies Act 2006)

Our business's underlying principle in how we operate is to be an exemplar in all we choose to do; to be the model company that delivers for all stakeholders, whether they are customers, suppliers, owners, employees, our local community or the environment. This drives the purpose and values that are central to the Adnams ethos and the way in which management and Board decisions are taken. We are a company that our owners can feel proud to own and that delivers long-term value for them.

This report, together with the Chairman's report and the Strategic report, outlines the significant levels of work performed by Adnams across the community, and environmental and social investment, in line with the requirements of s.172 of the Companies Act 2006.

Adnams benefits from a very active Board, with a deep understanding of this multifaceted business. Discussions are focused on tenants, customers, staff welfare, cash flow and our overall financial position, against a backdrop of our environmental and social responsibilities, enabling stakeholder interests to be balanced. Such balance is the essence of how we do business. In the latter part of the year, time could be redirected to our longer-term business planning as we can now look to ways to grow and further enhance our activities as we emerge from the restrictions of the pandemic.

Finance Commentary

Continued

Business Risks and Uncertainties

In this report and that of the Chairman, we highlight and explain the principal risks and uncertainties that we face. We have also sought to classify the main categories of risks and uncertainties beyond the environmental and financial risks discussed above, as follows:

- Firstly, the economy, with high levels of inflation, a cost-of-living crisis dampening consumer confidence to an all-time low and the changes to their alcohol consumption patterns. We have a number of internal teams that focus on how the business can pre-empt these impacts, maximising opportunity and minimising downside, utilising external experts where necessary. Our New Product Development team is always busy, looking at ways to excite our customers, whether it be a new collaboration beer, broadening our low and no alcohol offerings, health-related aspects (such as vegan or gluten free), or simply product extension.
- Secondly, the regulation of our industry affects the ways in which we compete, given its highly regulated status. We seek to ensure that we adopt a consistently responsible attitude towards alcohol consumption, are well informed on regulatory development and engage with the development of these regulations.

We are active members of the British Beer and Pub Association and Drinkaware.

Most recently our activities were focusing on the impact of the Scottish Deposit Return Scheme and the changing landscape of packaging.
- Thirdly, we face operational risks across the business, given our diverse sales channels and vertically integrated business model. Key areas are ensuring the continuing functioning of our brewery, distillery and enterprise resource planning (ERP) systems. We mitigate these risks by attracting, retaining and training staff and by establishing wider risk management processes.



- Fourthly, our brand and reputation are crucial to all our business activities and we seek to be constantly vigilant in ensuring that we stand by our values and live up to the name that we have built, consistently across all our sales channels and business functions.
- Finally, cyber is an ever-increasing threat to our business, as we grow our digital capabilities, with off-the-shelf products or those built in house, and as we continue to integrate technology across our business operations. This growing potential for loss or harm related to our technical infrastructure is a key focus for our IT team who are constantly working on ways to minimise this.

Our Outlook

The challenges the business faced in the latter part of 2022 remain as we progress into the first quarter of 2023. Whilst the business feels cautious about how consumer confidence may impact the sales line, we are confident that we are well placed with our diversified sales channels, vertically integrated business model, technological focus and ability to react to the changing consumer and societal demands, that we can enhance returns, maintain our values and deliver to our wider stakeholder group. All set against a backdrop of continuing to win awards for our products.

Jenny Hanlon
Chief Financial Officer



Our Board



Dr Jonathan Adnams OBE Chairman

Favourite drink
Either a pint of Ease Up IPA, or an Adnams Rye Malt Whisky

Jonathan joined Adnams on 25 November 1975, starting out in brewery engineering and working in every aspect of the company since.

He joined the Board in 1988 running pubs and property and assumed the role of Managing Director in 1997. In August 2006, Jonathan took over the role of Chairman, in which post he remains today.

Jonathan has been instrumental in driving Adnams forward in terms of innovation and sustainability. The introduction of the modern and energy-efficient brewing equipment and the world-class distillery that is Adnams today are all thanks to Jonathan. Jonathan was awarded an OBE in 2008 for his commitment to corporate social responsibility.

In November 2020, Jonathan celebrated completing 45 years at Adnams, and in October 2022 he was awarded an honorary degree from the University of Suffolk.

Outside work Jonathan is a keen sailor, and spent many years as part of the RNLI Lifeboat crew in Southwold.



Dr Andy Wood OBE DL Chief Executive

Favourite drink
A pint of Ghost Ship, in either format, 4.5% or 0.5%

Andy joined Adnams in 1994. He joined the Board in 2000 as Sales and Marketing Director, becoming Managing Director in 2006 and Chief Executive in 2010.

He is non-executive chairman of SG Wealth Management, a non-executive director of Roys and a governor of Norwich School and the UEA. He was awarded an OBE in The Queen's Birthday Honours 2013.



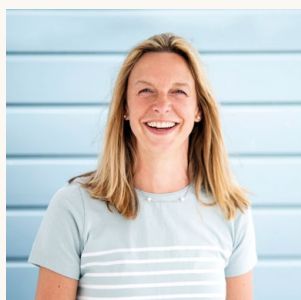
Dr Karen Hester Chief Operating Officer

Favourite drink
Orange & Sea Buckthorn Gin with lemonade

Karen joined Adnams in 1988 as a part-time cleaner with a background in army logistics and transport; her expertise in operational management was soon spotted. Having progressed in logistics, procurement and transport, Karen became Operations Director in 2007.

In 2008, Karen won the title of East of England Business Woman of the Year and in 2013 won the CBI First Women Business of the Year title in recognition of Adnams' success in supporting women employees to reach their full potential. Karen is also a magistrate and joined the Adnams Board in 2015. In October 2015, Karen was awarded an honorary doctorate by University Campus Suffolk (UCS).

Karen also works with a number of local charity and not-for-profit organisations as a non-executive director.



Jenny Hanlon Chief Financial Officer

Favourite drink
A satisfying pint of Southwold Bitter or a refreshing Smidgin

Jenny started her career training to be an accountant with Ernst & Young. From here she worked across multiple sectors, having spent time with Barclays, Greene King, Willis plc, iprism and GRP Group.

Jenny is also a non-executive trustee at BEST, a multi-academy trust in the East of England for children with special educational needs.

Jenny joined the Board in June 2020. More recently, she joined the trustees of Aldeburgh Cinema, a small local charity.



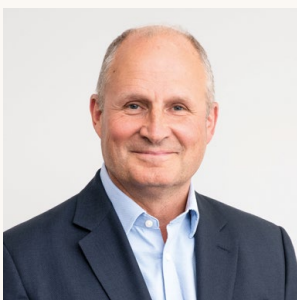
Nicky Dulieu
Non-executive Director & chair
of the Remuneration Committee

Favourite drink
Adnams Quince Gin and tonic with a slice of apple

Nicky is an experienced non-executive director with a wealth of retail industry experience. She trained as an accountant with Marks & Spencer plc and undertook numerous strategic and financial roles in the company over a 23-year period, including as finance director of the

Food Division. Nicky joined Hobbs Limited as its finance director in 2006 before becoming its chief operating officer and subsequently chief executive between 2008 and 2014.

Nicky is currently a non-executive director and chair of the Remuneration Committees at Marshall Motor Holdings plc and Redrow plc and is a non-executive director and chair of the Audit Committee at WH Smith plc. Nicky is also a trustee of the Royal Norfolk Agricultural Society and a director of Norfolk Showgrounds Ltd.



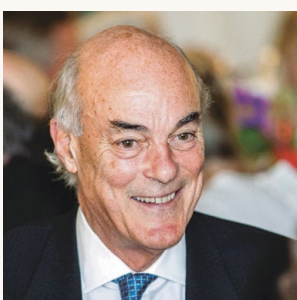
Simon Townsend
Non-executive Director

Favourite drink
A pint of Adnams Ghost Ship 4.5%

Simon has extensive experience in the UK hospitality industry, having worked for over 35 years in various sales, marketing, commercial and operational roles. He was most recently Chief Executive Officer of Ei Group plc, the FTSE-listed owner and operator of over 4,000 pubs across England and Wales.

Simon served as a non-executive director of FTSE-listed housebuilder Countryside Properties plc from March 2019 to November 2022, is a non-executive director of private equity-owned Cote Restaurants, a senior adviser at global consultancy Teneo and a member of the advisory board of diversity and inclusion organization WiHTL.

Simon joined the Adnams Board in January 2023.



Guy Heald
Non-executive Director

Favourite drink
Adnams Dry Hopped Lager

Guy has been a long-term supporter of Adnams. His family has been involved with Adnams since its very early days and is a major shareholder.

Guy has been an Adnams Community Trust trustee since 2004. He has had a successful international career in finance and has wide-ranging interests in Suffolk.

Guy joined the Adnams Board in April 2015.



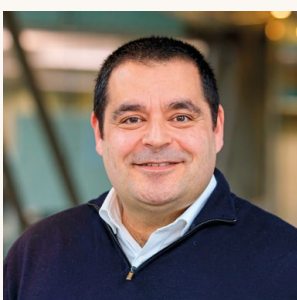
Steven Sharp
Senior Non-executive Director &
chair of the Nomination Committee

Favourite drink
An Adnams Smidgin

A former executive director of Marks & Spencer, Steven was responsible for marketing, financial services, e-commerce and store development.

He is executive chairman of Imagineer London, an international marketing and branding agency.

Steven is a fellow of the Chartered Institute of Marketing and a doctor and visiting professor of Glasgow Caledonian University.



Sacha Berendji
Non-Executive Director & chair
of the Audit Committee

Favourite drink
A pint of Kobold English Lager

Sacha is currently Operations Director at Marks & Spencer, looking after stores and store operations, property and store development for UK and Ireland. Sacha joined Marks & Spencer in 1994 through the graduate training programme and undertook various retail appointments across the country, including General Manager

of Marble Arch Store and Regional Manager for London. In 2007, Sacha joined the Property Group as Head of Property Planning & Store Development where he was responsible for both new space development and the store modernisation programme, before being appointed Executive Assistant to the Chief Executive in 2009. Following this, Sacha joined the General Merchandise division as Director of Merchandising before taking up his current position of Retail, Operations & Property Director in November 2012.

Sacha joined the Adnams Board in February 2023.

Report of the Directors

For the year ended 31 December 2022

The earlier pages of this report include information about the company's business and financial performance during the year and indications of likely future developments and should be read in conjunction with this report.

Dividends to ordinary shareholders	2022 £000
Final 2022	-
Interim 2022	736

Financial risks

The financial risk management objectives, policies and exposures of the company are set out in the Strategic report and in notes 16 and 29 to the accounts.

Directors' interest Ordinary shares	'A' Ordinary 25p		'B' Ordinary £1	
	2022	2021	2022	2021
JPA Adnams	207,471	195,641	10,138	10,138
NJ Dulieu*	161	161	-	-
JEI Hanlon	100	100	-	-
MGH Heald*	170,580	175,576	58,214	52,014
	14,467**	14,467**	-	-
K Hester	1,793	1,793	-	-
BF McIntyre*	105	105	-	-
SM Sharp*	304	304	-	-
AC Wood	1,745	1,745	-	-
	10,670**	10,670**	3,800**	3,800**

* Denotes non-executive director.

** Shares held as Trustee.

The company has a Share Incentive Plan (SIP) in which the executive directors are eligible to participate. Directors' interests in shares attributed under the terms of this scheme are included above.

Customers

We engage regularly with customers including through our website, our local community and brewery and distillery tours.

Employee matters

Engagement

Adnams is committed to involving employees in the performance and development of the company by encouraging them to discuss with management matters of interest and subjects affecting day-to-day operations through an Employee Forum, staff surveys, regular briefings from the Chief Executive, a written Board report and by invitation to attend and present to the Board. Regular business performance updates are provided by the executive directors through internal social media.

Properties

In the opinion of the directors the market value of the properties considerably exceeds the amount included in the balance sheet. At this current juncture the directors see no need to reflect this additional value in the accounts.

Directors

The directors who held office during the year and their interests in the share capital of the company, at the beginning and end of the financial year, and whilst a director, are shown below.

The statement of directors' responsibilities is shown on page 31.

NJ Dulieu and MGH Heald retire by rotation and will not be offering themselves for reappointment. AC Wood retires by rotation and being eligible offers himself for reappointment. BF McIntyre resigned on 31 December 2022.

Remuneration

The Board regularly debates its remuneration policy and the company runs incentive schemes to improve performance and to allow employees to benefit from the company's success. As described in the stakeholder section of the Strategic report, employee interests, along with those of other stakeholders, are central to decision-making at Adnams.

Health, welfare and development of employees

Adnams operates numerous schemes to promote the physical and mental welfare of employees. As well as pension and life assurance, we provide cover for illness and we make available to employees qualified specialists to cover health, welfare, pension advice and any counselling needs. Health, safety and well-being policies are given a high profile in all areas with wide representation throughout the company on the Health and Safety Committee. Adnams has ensured that every possible measure is in place to mitigate against the risk of Covid-19 and has adopted new working practices and processes to ensure safe working.

Learning and development

It is our policy to offer wide-ranging training and development opportunities to all employees at every level and to provide long-term secure and fulfilling employment with career progression for those that seek it.

Diversity

It is the company's policy to give full consideration to suitable applications for employment by all individuals regardless of their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or belief. Opportunities also exist for employees where their circumstances have changed, to continue their employment or to be trained for other positions.

Independence

Adnams continues to value and work to preserve its status as an independent company.

Charitable donations

Adnams is committed to giving not less than 1% of its annual profits to charitable causes.

Donations to the Adnams Charity during the year amounted to £2,470 (2021: £12,500).

Suppliers

Adnams suppliers are imperative to delivering high quality goods and services to customers.

Adnams make a conscious effort to communicate regularly with suppliers including managing terms of payment to ensure that suppliers are made aware of the terms and to abide by them.

At 31 December 2022, the company had an average of 43 days (2021: 43 days) purchases outstanding in trade creditors.

Directors' qualifying third-party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

Statement as to disclosure of information to the auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the 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.

Auditor

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

MHA were appointed as auditors on 23 October 2022 following a tender.

By order of the Board

BA French
Secretary

24 May 2023

Notice of meeting

Notice is hereby given that the one hundred and thirty-fourth Annual General Meeting will be held at Snape Maltings on the 30th June 2023 at 11 o'clock. You will be asked to consider and vote on the resolutions below.

Ordinary Resolutions

1. Receipt of Annual Report and Accounts
To receive the Annual Report and Accounts for the year ended 31st December 2022.
2. Reappointment of retiring director
To reappoint AC Wood as a director, who retires by rotation in accordance with the company's articles of association.
3. Reappointment of retiring director
To reappoint WS Townsend as a director, who retires in accordance with the company's articles of association.
4. Reappointment of retiring director
To reappoint SM Berendji as a Director, who retires in accordance with the company's articles of association.
5. Appointment of director
To appoint Mr A Heald as a director of the company.

6. Reappointment of auditor

To reappoint MHA as the company's auditor to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the company.

7. Auditor's remuneration

To authorise the directors to determine the auditor's remuneration.

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote.

By order of the Board

BA French
Secretary

24 May 2023

Registered Office

Sole Bay Brewery, Southwold, Suffolk IP18 6JW
Company registered number 31114

Corporate Governance

Adnams is committed to high standards of corporate governance incorporating best practice. It has a long history of applying good corporate governance and is committed to continuously improving its corporate governance to support its purpose, values and strategies. The Board has regard to the requirements of the Quoted Company Alliance Corporate Governance Code (QCA Code) insofar as it is thought appropriate in relation to the nature and size of the company. Details on how it applies the ten principles of the QCA Code are set out below and on the company's website at <https://adnams.co.uk>. Adnams plc is subject to the UK City Code on Takeovers and Mergers.

Strategy and business model promoting long-term value for shareholders

Principle 1 of the QCA Code requires the company to establish a strategy and business model which promote long-term value for shareholders. Adnams was founded some 150 years ago; and to have achieved such longevity the business has focused over those years on producing quality products, serving customers well and looking after its people. Today the purpose of the company is threefold: to be a company that creates memorable moments for its customers, to be a company that shareholders are proud to own, and to be an exemplar in all it chooses to do. The company believes doing these things well will create customer, staff and supplier loyalty and create enduring competitive advantage. This will in turn generate sustainable shareholder returns over the long term.

Understanding and meeting shareholders' needs and expectations

Principle 2 of the QCA Code requires the company to seek to understand and meet shareholder needs and expectations. The Board seeks to understand the needs and expectations of its stakeholders, particularly shareholders. The company provides shareholders and other stakeholders with relevant information in a timely and balanced manner. Adnams actively encourages shareholders to participate in its AGM as an opportunity to ask questions and raise issues during the formal business or, informally, before or after the meeting. The company sends its annual report and accounts and half-yearly report to all shareholders. Copies are also available for download from the company's website.

Stakeholder and social responsibilities

Principle 3 of the QCA Code requires the company to take into account wider stakeholder and social responsibilities and their implications for long-term success. The Board recognises its legal responsibility to promote the long-term success of the company for the benefit of its members as a whole, taking into account the interests of other stakeholders, including customers, employees, partners, suppliers, regulators, the environment and its local communities.

The company's underlying principle in how it operates is to be an exemplar in all it chooses to do and to be the model company that delivers for all stakeholders, whether they are customers, suppliers, owners, employees, its local community or the environment. This drives the purpose

and values that are central to Adnams. The Board and management use this model alongside appropriate financial analysis and methods in its decision-making. The company sets out in its annual report significant levels of work performed by Adnams across the natural, built and social environment, in line with the requirements of s.172 of the Companies Act 2006. Adnams benefits from a very active Board, with a deep understanding of this multifaceted business. Discussions focus on tenants, customers, staff welfare, cash flow and overall financial position.

Risk management

Principle 4 of the QCA Code requires the company to embed effective risk management, considering both opportunities and threats, throughout the organisation. Adnams recognises that effective risk management is critical to enable the company to meet its strategic objectives and therefore has a framework for identifying and managing risk. The key risks facing the company and commentary on risk adaptation are included in the company's annual report and have been for more than a decade.

The Board

Principle 5 of the QCA Code requires the company to maintain the board as a well-functioning, balanced team led by the Chairman. During 2022, the Board comprised four executive directors and four non-executive directors. As part of good succession planning, the number of non-executive directors has temporarily increased to five. The Board is responsible to shareholders for the proper management of the company. It meets ten times per year, setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, examining acquisition possibilities, formulating policy on key issues and reporting to shareholders.

Board meeting agendas are set in consultation with both the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business. Comprehensive Board papers are circulated in advance of meetings, giving directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow-up. The directors have a broad knowledge of the business and understand their responsibilities as directors of a UK public company admitted to trading on the Aquis Growth Market and developing appropriate corporate governance procedures.

The Board has two standing Committees covering Audit and Remuneration. A Nomination Committee is convened as required.

The Audit Committee meets not less than twice annually. The Committee provides a focal point for the company's external auditors. The Chief Financial Officer attends meetings at the invitation of the Committee. The Committee is responsible for reviewing a wide range of financial matters including the annual figures and reports and monitoring the controls which are established in the company to ensure the integrity of the financial information reported to shareholders. During 2022 the Committee was chaired by BF McIntyre.

The Remuneration Committee meets twice annually. The Director of Culture and Performance attends at the invitation of the Committee. During 2022 the Committee was chaired by NJ Dulieu.

During 2022 the membership of the Audit and Remuneration Committees comprised the three independent non-executive directors: NJ Dulieu, BF McIntyre and SM Sharp (Senior Independent Director).

Membership of the Nomination Committee is agreed according to the circumstances of the nomination. During 2022 the Nomination Committee comprised the independent non-executive directors: NJ Dulieu, BF McIntyre and was chaired by SM Sharp (Senior Independent Director).

In addition, the Board holds an annual strategy session to review its medium- to long-term strategic plans at which all directors are normally present.

Non-executive directors' letters of appointment stipulate that they are expected to devote such time as is necessary for the proper performance of their duties. The Board is satisfied that all directors have continued to be effective and demonstrate commitment to their respective roles.

At each Annual General Meeting (AGM) of the company the following directors retire from office and may offer themselves for reappointment:

- (a) any director appointed by a resolution of the Board since the last AGM; and
- (b) one third of the directors, being those directors who have been longest in office since their appointment or reappointment.

At the 2023 AGM the following directors will retire from office:

- SM Berendji (having been appointed by the directors since the last AGM)
- WS Townsend (having been appointed by the directors since the last AGM)
- AC Wood (retiring by rotation)
- NJ Dulieu (retiring by rotation)
- MGH Heald (retiring by rotation)

Each of the above directors intend to offer themselves for reappointment except for:

- NJ Dulieu who has served on the Board for nine years and will therefore, in accordance with good corporate governance, not be offering herself for reappointment.
- MGH Heald, who has suggested he be succeeded by his son, Andrew Heald, given that his family are a major shareholder in the company. This is seen by the Board as the natural succession of a major stakeholder in the company.

BF McIntyre retired from office at the end of 2022, having served as a director of the company for over nine years.

The Board has carefully considered the position of each of the directors offering themselves for reappointment and considers their contribution to be significant and effective; accordingly, the Board recommends their reappointment.

Directors' experience, skills and capabilities

Principle 6 of the QCA Code requires the company to ensure that between them the directors have the necessary up-to-date experience, skills and capabilities. The Board is satisfied that it has an appropriate balance of skills and experience as well as an appropriate balance of personal qualities and capabilities to deliver the company's long-term strategic objectives. The Board is committed to maintaining and where possible increasing diversity across the organisation, including at Board level and within the Executive team.

The Board regularly reviews its composition and that of its Committees to ensure that it has access to diverse perspectives and the necessary up-to-date experience, skills and capabilities to discharge its duties effectively. In accordance with the company's articles of association, each director retires by rotation every three years. The Board also reviews the length of time each director has served on the Board and assesses if contributions made by each director remain effective.

Changes are made to the composition of the Board and its Committees to ensure the right balance of complementary skills and capabilities for the next phase of the company's strategic direction. The Nomination and Remuneration Committees also work to ensure the right balance of skills, knowledge and capabilities on the Board. Further information about the Board, including biographies describing each director's experience, are set out elsewhere in this report and on the company's website.

The Company encourages each director to identify their individual training needs to support the effective operation of the Board and the delivery of the company's strategy.

The Company Secretary advises the Board members on their corporate and legal responsibilities and matters of corporate governance.

Procedures are in place to enable individual directors to seek independent advice at the expense of the company. The Board and its Committees may take external advice as appropriate.

Board evaluation

Principle 7 of the QCA Code requires the company to evaluate board performance based on clear and relevant objectives, seeking continuous improvement. The Board conducts an annual evaluation process to assess its effectiveness, as well as that of its Committees and the individual Directors as part of the Board's commitment to continuous improvement.

During 2022, the Nomination Committee continued to deliver good succession planning, as evidenced by the appointment of Simon Townsend and Sacha Berendji, and will continue to do so going forward.

Corporate Governance

Continued

Ethical culture and behaviours

Principle 8 of the QCA Code requires the company to promote a corporate culture that is based on sound ethical values and behaviours. The company's values and embedded culture of sustainable success are what drive the business to continually improve. The culture is set by the Board and is regularly considered and discussed at Board meetings. The staff handbook and policies promote this culture and include such matters as whistleblowing, social media use, anti-bribery and corruption, anti-facilitation of tax evasion, modern slavery, communication, equality and diversity and general conduct of employees. The Board takes responsibility for the promotion of ethical values and behaviours throughout the company, and for ensuring that such values and behaviours guide the objectives and strategy of the company.

Governance structure

Principle 9 of the QCA Code requires the company to maintain governance structures and processes that are fit for purpose and support good decision-making by the Board. The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the Executive team. The non-executive directors are responsible for bringing independent and objective judgement to Board decisions. The executive directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board is supported by the Audit Committee, Remuneration Committee and Nomination Committee. There are certain material matters which are reserved for consideration by the full Board. Each of the Committees has access to information and external advice, as necessary, to enable the Committee to fulfil its duties.

As part of the company's commitment to continuous improvement, the Board intends to review the company's governance framework on an annual basis to ensure that it remains effective and appropriate for the business.

Communication with shareholders and other stakeholders

Principle 10 of the QCA Code requires the company to communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. The company's annual report and its half year report are key communication channels through which updates can be given to shareholders. Additionally, the Board uses the company's Annual General Meeting as a means to engage directly with shareholders, to give information and receive feedback about the company and its progress. The company also holds shareholder open days to allow shareholders to engage informally with the company.

The company's website is updated on a regular basis with information regarding Adnams' activities and performance, including financial information.

Attendance at Board and Committee meetings

The Board meets regularly throughout the year and receives accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge its duties effectively. During 2022 there were ten regular scheduled Board meetings and one strategy session. There were two meetings of each of the Audit Committee, Remuneration Committee and Nominations Committee held during the year. The attendance of the directors was as follows:

	Board	Audit	Rem. Co.	Nom. Co.
J Adnams	10/10	n/a	n/a	n/a
NJ Dulieu	9/10	2/2	2/2	2/2
JEI Hanlon	10/10	2/2	n/a	n/a
MGH Heald	10/10	n/a	n/a	n/a
K Hester	8/10	n/a	n/a	n/a
BF McIntyre	10/10	2/2	2/2	2/2
SM Sharp	10/10	2/2	2/2	2/2
AC Wood	10/10	n/a	n/a	n/a

Where a director is unable to attend a particular meeting, the materials for the meeting are provided to them, their views are sought in advance and subsequent briefings are provided as appropriate.

Internal control

The Board acknowledges its responsibility for maintaining a system of internal control, including providing a reasonable, albeit not absolute, assurance against misstatement or loss.

To meet this responsibility, the Board relies upon:

- an organisation structure with clearly defined lines of authority and responsibility, limits for authorisation of transactions and segregation of duties;
- the production and review of regular monthly management information to agreed timescales;
- the identification of key performance indicators with explanations of variances;
- a formalised process for reviewing all company activities during the year;
- detailed annual operating budgets for all businesses; and
- formal authorisation procedures for all investment and capital expenditure.

The Audit Committee considers the system of internal financial control operated effectively during the year.

Directors' responsibilities in respect of the accounts

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company for that period. 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 applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

BA French
Secretary

24 May 2023

Profit and loss account

For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	5	64,215	57,368
Other income	5	62	1,938
Operating expenses	6	(65,504)	(60,204)
Operating loss		(1,227)	(898)
Gain/(loss) on disposal of assets		2	(4)
Loss before interest and taxation		(1,225)	(902)
Loss on financial instruments at fair value	7	(212)	-
Interest payable	10	(759)	(352)
Other finance charge on pension scheme	28	(89)	(134)
Loss before taxation		(2,285)	(1,388)
Tax on loss	11	757	(254)
Loss for the year		(1,528)	(1,642)

Statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Loss for the year		(1,528)	(1,642)
Fair value of pension asset		(1,023)	-
Actuarial gain on pension scheme	28	6,088	6,290
Movement on deferred tax relating to actuarial gain	21	(1,247)	(882)
Total comprehensive income for the financial year		2,290	3,766

	Notes	2022	2021
Loss per share basis and diluted	13		
'A' Shares of 25p each		(81.0)	(87.1)p
'B' Shares of £1 each		(323.8)	(348.3)p

The notes form an integral part of the financial statements.

Balance sheet

As at 31 December 2022

	Notes	2022 £000	2021 £000
Intangible assets	14	1,939	2,054
Tangible fixed assets	15	34,900	36,859
		36,839	38,913
Current assets			
Derivative financial instruments	16	16	-
Stocks	17	10,615	9,779
Debtors	18	5,171	4,202
Cash at bank and in hand		693	1
		16,495	13,982
Creditors: amounts falling due within one year	19	(16,288)	(13,439)
Net current assets		207	543
Total assets less current liabilities		37,046	39,456
Creditors: amounts falling due after more than one year	20	(10,180)	(9,867)
Derivative financial instruments falling due after more than one year	16	(228)	-
Provision for liabilities	21	(1,106)	(623)
		(11,514)	(10,490)
Net assets excluding pension liability		25,532	28,966
Pension liability	28	-	(4,988)
Net assets including pension liability		25,532	23,978
Capital and reserves			
Called-up share capital	22	472	472
Share premium account	23	144	144
Profit and loss account	23	24,916	23,362
Equity shareholders' funds		25,532	23,978

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of directors on 31 March 2023, authorised for issue and signed on its behalf by:

JEI Hanlon
Director

Company registration number 31114

Statement of changes in equity

For the year ended 31 December 2022

	Notes	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2021		472	144	19,596	20,212
Loss for the year		-	-	(1,642)	(1,642)
Other comprehensive income					
Actuarial loss on pension scheme	28	-	-	6,290	6,290
Movement on deferred tax relating to pension scheme		-	-	(882)	(882)
Total comprehensive income		-	-	3,766	3,766
Dividends paid	12	-	-	-	-
At 31 December 2021		472	144	23,362	23,978
Loss for the year		-	-	(1,528)	(1,528)
Other comprehensive income					
Fair value of pension asset		-	-	(1,023)	(1,023)
Actuarial gain on pension scheme	28	-	-	6,088	6,088
Movement on deferred tax relating to pension scheme	21	-	-	(1,247)	(1,247)
Total comprehensive income		-	-	2,290	2,290
Dividends paid	12	-	-	(736)	(736)
At 31 December 2022		472	144	24,916	25,532

The notes form an integral part of the financial statements.

Statement of cash flows

For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
(Loss) for the financial year		(1,528)	(1,642)
Adjustments for:			
Amortisation of intangible assets		298	286
Depreciation of tangible assets		2,909	3,166
(Gain)/loss on sale of fixed asset disposals		(2)	4
Changes in fair values of financial instruments through profit and loss		212	-
Interest, and other finance charges on pension scheme		848	486
Tax on loss on ordinary activities		(757)	254
Difference between pension charge and cash contributions	28	(120)	(150)
GMP adjustment and pension admin fees		108	96
Increase in stocks		(836)	(1,061)
Increase in debtors		(969)	(1,264)
(Decrease)/increase in creditors		(416)	172
Cash from operations		(253)	347
Taxation received		-	111
Net cash (used in)/generated from operating activities		(253)	458
Cash flows from investing activities			
Payments to acquire intangible fixed assets	14	(183)	(190)
Payments to acquire tangible fixed assets	15	(1,102)	(1,386)
Receipts from sales of tangible fixed assets		147	23
Payments to acquire investments/deposits		-	(7)
Net cash used in investing activities		(1,138)	(1,560)
Cash flows from financing activities			
Interest paid		(759)	(352)
Dividends paid	12	(736)	-
Net cash used in financing activities		(1,495)	(352)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January		(1,021)	433
Cash and cash equivalents at 31 December		(3,907)	(1,021)
Cash and cash equivalents consist of:			
Cash at bank and in hand		693	1
Bank overdraft (included in bank overdraft and loans within creditors: amounts falling due within one year)		(4,600)	(1,022)
Cash and cash equivalents		(3,907)	(1,021)

	At 1 January 2022 £000	Cash flows £000	Other non-cash changes £000	At 31 December 2022 £000
Reconciliation of net debt				
Cash at bank and in hand	(1,021)	(2,886)	-	(3,907)
Debt due less than one year	(325)	-	325	-
Debt due after one year	(9,675)	-	(325)	(10,000)
	(11,021)	(2,886)	-	(13,907)

The notes form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1 Company information

Adnams plc is a Public Limited Company limited by shares and incorporated in England. The registered office is Sole Bay Brewery, Southwold, Suffolk, IP18 6JW.

The principal activities of the company are brewing and distilling; wholesaling and retailing beer, wines, spirits and minerals; pub and hotel ownership and management.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis. There are no fair value adjustments other than in recognition of the net defined benefit pension deficit, in assessing the value of properties for impairment purposes and in movements in derivative financial instruments.

Going concern

Adnams plc has prepared the 2022 financial statements on the going concern basis. The Board is confident that the company has sufficient liquidity to withstand some of the trading uncertainty presented across the country as we face into inflationary and cost-of-living pressures. The business has considerable property assets, and a proven track record of managing its cash position very carefully. This, coupled with our strong relationship with Barclays, results in an appropriate debt facility for our current business model.

The fully committed facility consists of a £10m fixed term loan, a £7m revolving credit facility and a £3m overdraft carve-out. Forecasts for 2023 and beyond, together with scenario modelling and stress testing, were performed in order to inform management's conclusion that the company is a going concern, and these continue to be monitored and updated regularly, to give insight into how the business can perform in times ahead. These included modelling a range of scenarios from varying degrees of revenue reductions, additional cost pressures over and above those budgeted and potential mitigating actions for up to 18 months following 2022. The review of this modelling focussed on the impact on our two banking covenants, being leverage and interest cover, following the significant increase in interest rates and the lower than expected performance of 2022. Stress testing suggests that the business would run out of funds to operate in November 2023, if revenues fell 15% without taking any mitigating actions.

Having considered the results of the forecasts and scenario modelling, the directors have concluded that the company has sufficient liquidity to meet its covenants and, that the going concern basis remains appropriate.

3 Significant judgements and estimates

The directors have made the following judgement in determining whether there are indicators of impairment to the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the assets and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Management make provisions against trade debtor balances as and when there are indicators of recovery problems.

Management make provisions against slow-moving stocks and stocks that are close to expiration date when there are indicators of obsolescence or impairment.

The cost of our closed defined benefit pension plan is determined using actuarial valuations. These valuations involve making assumptions, notably about discount rates and mortality rates. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the plan, such estimates are subject to significant uncertainty.

The pension scheme surplus is recognised on the Balance Sheet to the extent to which it can be recovered through reduced contributions in the future or through refunds from the plan.

Our overall view is that, whilst judgements and estimates need to be made in assessing provisions and asset values, had we made other assumptions within the range of likely outcomes, this would not have produced a materially different result.

4 Principal accounting policies

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided to the profit or loss on a straight-line basis over the useful life of the asset as follows:

Enterprise Resource Planning (ERP) system	10% pa
---	--------

Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Freehold buildings	2% pa
Leasehold property	
– long lease	2% pa
– short lease	period of lease
Plant and equipment	3% to 10% pa
Fixtures and fittings	15% pa
Motor vehicles	15% pa
Computer equipment	25% pa

Fixed assets in the course of construction are not depreciated until they are brought into use.

Impairment reviews

Asset values are reviewed for impairment should it appear that their value might not be recoverable. In assessing the potential impairment of assets or income-generating units (those assets affected by the same economic factors), the book value of properties is compared to the higher of the realisable value and the value in use less any costs to complete and sell. The value in use is determined by discounting the cash flows from the assets at a pre-tax rate of 9.9%. Any shortfall is recognised as an impairment loss. In recent years our policy has been to view each of our properties as being sufficiently distinctive to represent a separate income-generating unit.

Stocks

Stocks are held at cost, or net realisable value if lower. Cost of beer and spirits stocks includes relevant production costs and associated overheads. Net realisable value is based on estimated selling price less any further costs expected.

Debtors

Short-term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short-term creditors are measured at transaction price.

Leases

Total rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised as a reduction to the expense over the lease term on a straight-line basis.

Financial instruments

Adnams have chosen to apply FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, sections 11 and 12, to the derivative financial instruments held and as such hedge accounting has not been applied.

Derivative financial instruments are initially measured at fair value, which is the transaction price. At the reporting period, any movement in fair value is recognised in the profit and loss. Fair value is determined by mark-to-market valuations as at 31 December 2022, which are based on active markets for the trading of derivatives.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities.

Notes to the financial statements

Continued

4 Principal accounting policies continued

Financial instruments continued

Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability, then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity when paid.

Taxation

Current tax is charged on the basis of the amount of tax payable or recoverable in respect of the taxable profit or loss for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and are recognised within debtors.

The deferred tax assets and liabilities all relate to the same legal entity and being due to or from the same tax authority are offset on the balance sheet.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on capital gains which have been rolled over into the acquisition of new fixed assets.

Turnover

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch or delivery of the goods; or on provision of services. In the Brewing and Brands business, turnover is recognised on confirmation of delivery of beer or other physical goods. In the Retail businesses, stores and web and mail order turnover is recognised on despatch of goods, or physical shop transaction. In the Property business, managed properties recognise income following provision of accommodation services or provision of food or drinks. Rental income received from the tied estate properties is recognised in the period to which it relates. Turnover is measured at the fair value of the consideration receivable.

Employee benefits

Pension costs – defined benefit scheme

For the Adnams defined benefit scheme, assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company through reduced contributions or through refunds from the plan. As the scheme is closed to all accrual there are no current service costs. Costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Additional information is included in note 28.

Pension costs – defined contribution schemes

In respect of the defined contribution pension schemes, the amounts charged to the profit and loss account are the contributions payable in the year.

Holiday pay

Holiday pay is accrued in line with our contractual obligations to employees.

Foreign currency translation

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange ruling at the date of transaction.

Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Dividends

Dividends payable on ordinary shares are shown as a movement in reserves when paid. Dividends payable on preference shares are shown as an interest cost in accordance with the payment date attaching to those shares. Dividends are recognised when Board approved.

5a Turnover

Turnover represents sales invoiced (excluding VAT and net of discounts), rents, commissions and royalties. Turnover outside the UK during the year was £853,000 (2021: £887,000). During the year £58,730k of goods (2021: £53,608k) and £5,485k of services (2021: £3,760k) were sold to customers and included within the turnover balance.

5b Other operating income

The business received £62,000 of grant income (2021: £1,937,000) during the year. During 2021, £1,552,000 related to the Covid-19 furlough scheme.

6 Operating expenses

	2022 £000	2021 £000
Raw materials, consumables and duty	38,643	34,149
Change in stock of finished goods and work in progress	(969)	(578)
Staff costs (note 9)	14,200	12,140
Amortisation (note 14)	298	286
Depreciation (note 15)	2,909	3,166
Loss on disposal of plant and vehicles	(2)	4
Auditor's remuneration – Audit of the company's annual accounts	70	73
– Audit-related assurance services	–	4
Operating lease rentals	745	700
Foreign exchange loss/(gain)	35	(307)
Other operating costs	9,575	10,567
	65,504	60,204

7 Loss on derivative financial instruments at fair value through profit and loss

	2022 £000	2021 £000
Derivatives not in designated fair value hedge relationships	(212)	–

8 Segmental analysis

	Brewing & Brands 2022 £000	Pubs & Hotels 2022 £000	Retail 2022 £000	Central Operations 2022 £000	Central Management 2022 £000	Total 2022 £000
Total sales	32,677	18,985	12,241	254	58	64,215
Other income	–	62	–	–	–	62
Operating profit/(loss) before highlighted items	4,828	3,759	1,079	(4,759)	(6,134)	(1,227)
Highlighted items – operating expenses	–	–	–	–	–	–
Operating profit/(loss)	4,828	3,759	1,079	(4,759)	(6,134)	(1,227)
Profit on disposal of assets	–	–	–	–	2	2
Loss on financial instruments at fair value	–	–	–	–	(212)	(212)
Interest payable	–	–	–	–	(759)	(759)
Other finance charge on pension scheme	–	–	–	–	(89)	(89)
Profit/(loss) on ordinary activities before taxation	4,828	3,759	1,079	(4,759)	(7,192)	(2,285)
Depreciation and amortisation	340	936	94	1,298	539	3,207

Notes to the financial statements

Continued

8 Segmental analysis continued

	Brewing & Brands 2021 £000	Pubs & Hotels 2021 £000	Retail 2021 £000	Central Operations 2021 £000	Central Manage- ment 2021 £000	Total 2021 £000
Total sales	29,983	13,926	13,410	49	-	57,368
Other Income	100	1,169	243	366	59	1,938
Operating profit/(loss) before highlighted items	3,668	3,563	1,948	(4,723)	(5,355)	(898)
Highlighted items – operating expenses	-	-	-	-	-	-
Operating profit/(loss)	3,668	3,563	1,948	(4,723)	(5,355)	(898)
Interest payable	-	-	-	-	(4)	(4)
Other finance charge on pension scheme	-	-	-	-	(352)	(352)
Profit/(loss) on ordinary activities before taxation	-	-	-	-	(134)	(134)
	3,668	3,563	1,948	(4,723)	(5,846)	(1,388)
Depreciation and amortisation	323	970	145	1,464	550	3,452

The company's business segments are Adnams Brewing & Brands (Drinks), which comprises brewing and distribution of beer, spirits and other products, Adnams Pubs & Hotel Properties, which comprises tenanted pubs and managed inns, and Adnams Retail, which comprises shops together with the mail order and web businesses. Each of these operating segments is monitored and managed separately in accordance with the products and services provided and strategic decisions are made on the basis of segment operating results.

Transfer prices between operating segments are on an arm's length basis.

9 Directors and employees

Staff costs during the year were as follows:	2022 £000	2021 £000
Wages and salaries	12,630	10,764
Social security costs	1,072	950
Other pension costs	498	426
	14,200	12,140

The average monthly number of persons employed by the company, including executive directors, was as follows:	2022 Number	2021 Number
Trading	20	16
Customer services	76	72
Production	35	34
Shops	100	88
Managed properties	278	242
Corporate services	51	52
	560	504
Total number of part-time workers included above:	202	184

Directors' remuneration:	2022 £000	2021 £000
Fees	167	136
Basic salaries	877	791
Benefits	8	7
Car and pension allowances	101	125
	1,153	1,059

9 Directors and employees continued

	Salaries and fees £000	Benefits £000	Pension allowances £000	Car allowances £000	2022 £000	2021 £000
JPA Adnams	227	2	20	14	263	251
NJ Dulieu	41	-	-	-	41	33
JEI Hanlon	171	1	-	14	186	187
MGH Heald	41	-	-	-	41	35
K Hester	183	2	-	14	199	180
BF McIntyre	45	-	-	-	45	36
SM Sharp	41	-	-	-	41	33
AC Wood	295	3	26	14	338	304
	1,044	8	46	56	1,154	1,059

In 2022, additional salary payments of £131,000 (2021: £44,000) were made to directors to compensate for salaries foregone in 2020 due to the pandemic.

As a result of regulations governing pension contributions, the company's contributions for JPA Adnams stopped in 2012 and those for AC Wood in 2014 and an equivalent amount has been paid as a pension allowance which has been included within pension allowances above.

JPA Adnams, AC Wood and K Hester are members of the company's defined benefit pension scheme which closed to future accrual on 30 June 2005. The following disclosures are made in respect of that scheme:

	2022 £000	2021 £000
Accumulated total accrued pension:		
JPA Adnams	101	101
AC Wood	30	30
K Hester	12	12

Accumulated total accrued pension normally represents scheme service to retirement, but for 31 December 2022 and 2021 this figure reflects the scheme closure in June 2005.

The transfer value of the highest paid director's accrued benefits in the defined benefit pension scheme amounted to £743,660 (2021: £872,204).

Contributions were paid to the Adnams defined contribution pension scheme in respect of K Hester, £16,700 (2021: £14,100), MGH Heald, £3,000 (2021: £2,500), and J Hanlon, £13,300 (2021: £9,300).

The company has an approved Share Incentive Plan in which the executive directors participate; the scheme was reinstated in 2019 and no share allocation has been made in respect of 2021 and 2022.

There were no share option arrangements in place.

10 Interest payable and similar charges

	2022 £000	2021 £000
Bank loans and overdraft	734	338
Other	23	13
Preference share dividends paid: 3.85% cumulative £10 shares	1	1
Preference share dividends paid: 4.9% non-cumulative £5 shares	1	1
	759	352

Notes to the financial statements

Continued

11 Tax on profit on ordinary activities

	2022 £000	2021 £000
The charge based on the profit for the year comprises:		
UK corporation tax @ 31 December 2022 19% (2021: 19%)	-	-
Tax over provided in prior years	-	(1)
Total current tax	-	(1)
Deferred taxation (note 21)		
Origination and reversal of timing differences	(479)	(334)
Effect of changes in tax rate	(151)	562
Pension cost relief in excess of pension cost charge including effect of rate changes	-	-
FRS 102 Pension charge P&L movement	7	3
Adjustment in respect of prior years	(134)	24
Total deferred tax	(757)	255
Tax on profit on ordinary activities	(757)	254

The tax assessed for the year is lower (2021: higher) than the average rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	(2,285)	(1,388)
Profit on ordinary activities multiplied by average rate of corporation tax in the UK of 19% (2021: 19.00%)	(435)	(264)
Disallowed expenses and incentives	(16)	36
Non-taxable income	-	-
Effect of changes in tax rate	(151)	482
Other tax differences	(21)	(23)
Adjustment relating to prior years and rate change	(134)	23
Tax on profit on ordinary activities	(757)	254

The aggregate current and deferred tax charge relating to items that are recognised as items of other comprehensive income is £1,247,000 (2021: £880,000).

12 Dividends

	2022 £000	2021 £000
Equity dividends on ordinary shares		
Interim paid February 2022	736	-
Final paid	-	-
	736	-

13 Earnings per share

	2022	2021
Including property disposals:		
'A' Ordinary shares	-80.96	-87.1p
'B' Ordinary shares	-323.84	-348.3p

Basic and diluted earnings per share for 'A' Ordinary shares are calculated by dividing the earnings available for 'A' Ordinary shareholders of (£901,948), (2021: (£647,828)) by the number of issued 25p 'A' Ordinary shares (note 22): 744,000 (2021: 744,000).

Basic and diluted earnings per share for 'B' Ordinary shares are calculated by dividing the earnings available for 'B' Ordinary shareholders of (£1,386,100), (2021: (£995,573)) by the number of issued £1 'B' Ordinary shares (note 22): 285,842 (2021: 285,842).

Excluding property disposals:		
'A' Ordinary shares	-80.96	-87.1p
'B' Ordinary shares	-323.84	-348.3p

14 Intangible assets

	2022 £000	2021 £000
Cost		
At the beginning of the year	2,848	2,658
Additions	183	190
Disposals	-	-
At the end of the year	3,031	2,848
Amortisation		
At the beginning of the year	794	508
Provided in the year	298	286
Disposals	-	-
At the end of the year	1,092	794
Net book value	1,939	2,054

In the current and prior year, Intangible assets have been split out from tangible fixed assets to better reflect the nature of the assets held. This reclassification has no impact on the overall assets held in the prior year, the total balance sheet or the result for the year.

15 Tangible fixed assets

	Leasehold property £000	Fixtures & fittings and computer equipment £000	Total £000
Cost			
At 1 January 2022	32,691	45,942	78,633
Additions	-	1,102	1,102
Disposals	-	(169)	(169)
At 31 December 2022	32,691	46,875	79,566
Depreciation and impairment			
At 1 January 2022	10,704	31,070	41,774
Provided in the year	207	2,702	2,909
Disposals	-	(17)	(17)
At 31 December 2022	10,911	33,755	44,666
Net book value at 31 December 2022	21,780	13,120	34,900
Net book value at 31 December 2021	21,987	14,872	36,859

At 31 December 2022, £144,000 (2021: £555,000) of assets were in the course of construction. These are shown within the £1,102,000 additions value above and are not depreciated.

	2022 £000	2021 £000
The cost of land and buildings comprises:		
Freehold land	1,973	1,973
Freehold buildings	29,909	29,909
Long leasehold	705	705
Short leasehold	104	104
	32,691	32,691

The company carried out an annual impairment review of the pub and shop assets, as explained in the accounting policy disclosed on page 37. Adnams pubs and shops assets are assessed every year to establish that their value is not overstated in our books of account. Each sales channel is assessed, and each pub and shop asset are looked at individually. The book value of pub and shop assets are compared to the higher of the realisable value and the value in use. The value in use is determined by discounting the cash flows from the assets at a pre-tax rate of 9.9% (2021: 9.2%). Any shortfall is recognised as an impairment loss. Using this methodology, no impairment charge was due in 2022 (2021: nil).

Notes to the financial statements

Continued

16 Derivative financial instruments

During the year ended 31 December 2022, Adnams plc entered into three derivative financial instruments. The purpose of these was to minimise the exposure to changes in exchange rates and Bank of England Base Rates resulting from economic volatility.

Foreign exchange forward contracts

Due to the nature of the business, trade creditors are often denominated in foreign currency. To minimise volatility of prices, two forward exchange contracts were entered into during the year.

Option 1:

An option for €1.5m was traded on 3 May 2022. There were no transaction costs, and the option had a one-year term ending on 3 May 2023. Currency up to this amount could be purchased during the contract term at the strike rate of €1.15:£1. In addition, the company is obligated to purchase €375,000, each quarter. If the obligation is unfulfilled at the settlement date, the company is obligated to purchase the remaining undrawn euros at strike price unless the exchange rate at the settlement date fell between the Barrier level at €1.20:£1 and the strike price, whereby the company could opt out of the purchase. As at 31 December 2022, the remaining undrawn euros amounted to €750,000.

Option 2:

An option for €1m was traded on 21 September 2022. There were no transaction costs, and the option had a six-month term ending on 21 March 2023. Currency up to this amount could be purchased during the contract term at the strike rate of €1.11:£1. At the settlement date, the company will be obligated to purchase the remaining undrawn euros at strike price unless the exchange rate at the settlement date falls between the Barrier level at €1.1635:£1 and the strike price. Should the exchange rate fall in this range, the company will no longer be obligated to purchase the remaining undrawn euros. As at 31 December 2022, the remaining undrawn euros amounted to €943,447.

Interest rate swap

An interest rate swap was effective from 14 October 2022 terminating on 26 September 2025. The notional amount of the swap is £10m. The fixed rate of 5.2% per annum is paid monthly by the company to the provider, the company will then receive a floating average Bank of England Base Rate in return.

	2022 £000	2021 £000
Derivatives not designated as fair value hedges – Assets	16	-
Derivatives not designated as fair value hedges – Liabilities	(228)	-

The fair value asset above relates to the foreign exchange options held at year end. The liability relates to the interest rate swap held.

17 Stocks

	2022 £000	2021 £000
Raw materials	1,958	2,091
Work in progress	2,341	2,178
Finished goods and goods for resale	6,316	5,510
	10,615	9,779

A credit for slow-moving and obsolete stock of £15,000 (2021: £146,000) was recognised in profit and loss during the year.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

18 Debtors

	2022 £000	2021 £000
Trade debtors	4,020	3,367
Prepayments	1,151	835
Corporation tax asset	-	-
Deferred tax asset	-	-
	5,171	4,202

18 Debtors continued

Trade debtors includes amounts due after more than one year of £nil (2021: £259,000).

Trade debtors are stated after provision for impairment of £91,000 (2021: £123,000).

19 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank overdraft	4,600	1,022
Bank loans	-	325
Trade creditors	8,743	7,280
Taxation and social security	1,539	1,609
Accruals	1,406	3,203
	16,288	13,439

Both the bank loan and overdraft are secured by a debenture to Barclays Bank plc over the assets of the company. The bank overdraft is repayable on demand.

See note 29 for further details of the bank overdraft and loans.

20 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Tenants' deposits	134	146
Bank loans (repayable in less than five years)	10,000	9,675
3.85% cumulative preference shares of £10 each (3,100 shares)	31	31
4.9% non-cumulative preference shares of £5 each (3,100 shares)	15	15
	10,180	9,867

See note 22 for full details of the preference shares.

21 Deferred taxation

	2022 £000	2021 £000
Accelerated capital allowances	1,501	1,531
Other timing differences	171	192
Trading losses	(1,962)	(1,249)
Chargeable gains	1,396	1,396
Deferred tax excluding that relating to pension liability	1,106	1,870
Deferred tax on pension scheme deficit (note 28)	-	(1,247)
Total deferred tax liability/(asset)	1,106	623
Movement in the provision		
At 1 January 2022	1,870	
Deferred tax charge to the profit and loss account	(630)	
Adjustment arising from change in future tax rates	-	
Adjustment in respect of prior years	(134)	
At 31 December 2022	1,106	
Deferred tax asset relating to pension deficit		
At 1 January 2022	(1,247)	
Rate change	-	
Deferred tax credited in the profit and loss account	-	
Deferred tax charged in the statement of comprehensive income	1,247	
At 31 December 2022	-	

Notes to the financial statements

Continued

22 Called-up share capital

	Authorised		Allotted, called-up and fully paid	
	2022 £000	2021 £000	2022 £000	2021 £000
Ordinary shares				
'A' of 25p each (744,000 shares)	186	186	186	186
'B' of £1 each (285,842 shares)	286	286	286	286
	472	472	472	472

Profits distributed by the company are applied first to the 3.85% cumulative preference shares, then to the 4.9% non-cumulative preference shares before distribution on the ordinary shares. The preference shares carry no votes at meetings, the ordinary shares have a single vote for each 'A' or 'B' share. On a winding up of the company, the surplus assets will be applied first to repay capital on the 3.85% cumulative preference shares, then capital plus any dividend arrears on the 4.9% non-cumulative preference shares; the remaining surplus is applied to the 'A' and 'B' ordinary shares in proportion to the amounts paid up. Preference shares are classed as financial liabilities and held within creditors falling due after more than one year, see note 20.

23 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital.

Profit and loss account – includes all current and prior period retained profits and losses.

24 Capital commitments

	2022 £000	2021 £000
Contracted for	249	509

The amount for 2022 reflects capital commitments for spend including on a Hoptimiser for use in the Brewery and new Accounts Payable software.

The 2021 amount related to JD Edwards future proofing, Hoptimiser and whisky casks.

25 Operating lease commitments

	2022 £000	2021 £000
Future minimum lease payments:		
Within 1 year	724	665
In 1–5 years	1,872	2,199
In over 5 years	1,209	1,499
	3,805	4,363
Future minimum lease receivables:		
Within 1 year	1,051	1,126
In 1–5 years	1,622	1,679
In over 5 years	1,072	1,228
	3,745	4,033

26 Contingent liabilities

At the year end Barclays Bank held a bond guarantee on behalf of Adnams plc with HMRC for £28,000 (2021: £30,000).

27 Transactions with related parties

	2022 £000	2021 £000
Dividends paid to directors	-	-

The key management of Adnams plc are considered to be the executive directors, the compensation for whom was £1,154,000 for the year (2021: £1,033,000) including pension contributions.

The directors are granted a discount of 25% on purchases from the company, in line with the discount given to all other employees.

Mr AC Wood is a director of Roys (Wroxham) Ltd where Adnams made sales of £45,000 (2021: £61,000) and held a year end balance of £6,000 due to Adnams (2021: £7,000), as well as purchases of £nil (2021: £1,000) and no outstanding balance due from Adnams at year end (2021: £nil). Mr AC Wood was also a director of The Hotel Folk Ltd, resigning in November 2021.

Mr MGH Heald is too a director of The Hotel Folk Ltd where Adnams made sales of £309,000 (2021: £241,000) and balance due to Adnams of £39,000 (2021: £31,000).

Mr MGH Heald is also a director of Fishers Gin Ltd where Adnams made sales of £nil (2021: £nil) and a balance due to Adnams of £nil (2021: £1,000) and made purchases of £17,000 (2021: £25,000) and a balance due from Adnams of £6,000 (2021: £nil).

Mr MGH Heald resigned from his role as a director for Soho Theatre, Bar & Restaurant in July 2021. Although not a related party in the current year, for comparison, sales to the company in 2022 amounted to £195,000 (2021: £93,000) with an outstanding balance due to Adnams of £7,000 (2021: £6,000). Purchases were £41,000 (2021: £13,000) with an outstanding balance of £nil (2021: £nil) at year end.

Ms NJ Dulieu is a director of The Royal Norfolk Agricultural Association where Adnams made purchases of £21,000 (2021: £nil) and no outstanding balance is due from Adnams at the year end (2021: £nil).

The Employee Benefit Trust (EBT) held 10,136 Adnams plc 'A' shares and 385 Adnams plc 'B' shares as 31 December 2022 (2021: 9,376 'A' shares, nil 'B' shares). During 2022, the EBT received £5,000 in dividends (2021: £nil).

There is no overall controlling party of Adnams plc.

28 Pension scheme

Defined benefit pension scheme

The assets of the defined benefit pension scheme are held separately from those of the company, being invested with a fund manager. The contributions are determined by a qualified actuary on the basis of triennial valuations using the defined accrued benefit method. The most recent triennial valuation was at 1 April 2019. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments.

It was assumed in 2019 that the investment returns both pre- and post-retirement would be 3.5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £36,509,000 and that the actuarial value of these assets was sufficient to cover 100% of the benefits that had accrued to members.

The contributions of the company and employees have been at least equal to the rates recommended by the actuary.

Valuation of the scheme has been updated to 31 December 2022 by a qualified actuary.

As at 31 December 2022, the present value of the defined benefit obligation is £31,860k compared to a fair value of £32,883k which gives rise to a surplus of £1,023k.

The company is not able to determine that future contributions will be reduced, and it is not possible for Adnams to receive a refund, as the specific conditions for this have not been met. Therefore, the pension surplus is recognised as a nil asset at the year end.

Notes to the financial statements

Continued

28 Pension scheme continued

Defined benefit pension scheme continued

Financial assumptions	2022	2021
Pension escalation in payment:		N/A
Benefits accrued prior to 6 April 1997		
Benefits accrued after 6 April 1997 to 1 October 1999	4.0% pa	4.0% pa
Benefits accrued after 1 October 1999 to 5 April 2005	4.1% pa	4.1% pa
Benefits accrued after 5 April 2005	3.1% pa	3.3% pa
Discount rate for liabilities	2.3% pa	2.4% pa
Inflation assumption	4.75% pa	1.8% pa
Pension revaluation in deferment	3.2% pa	3.5% pa
Pension revaluation in deferment	2.75% pa	2.9% pa

Demographic assumptions

Assumed life expectancy in years, on retirement at 65	2022	2021
Retiring today:		
Males	21.8	21.7
Females	23.6	23.6
Retiring in 20 years:		
Males	23.1	23.0
Females	25.1	25.0

Assets as a percentage of total plan assets	2022	2021
UK equities	2.5%	2.4%
Overseas equities	33.2%	30.6%
Corporate bonds	22.2%	19.6%
Government bonds	37.0%	25.1%
Property	3.6%	19.9%
Cash	1.5%	1.7%
Qualifying insurance policies	0.0%	0.7%
Total assets	100.0%	100.0%

	Value at 31/12/2022 £000	Value at 31/12/2021 £000
The assets and liabilities in the scheme		
Total market value of assets	32,883	42,533
Present value of scheme liabilities	(31,860)	(47,521)
Surplus not recognised	(1,023)	-
Deficit in the scheme	-	(4,988)
Related deferred tax asset	-	1,247
Net pension liability	-	(3,741)
Actual (loss)/return on plan assets	(8,424)	3,411

28 Pension scheme continued

Demographic assumptions continued

	2022 £000	2021 £000
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	47,521	51,632
Interest cost	823	595
Actuarial losses – change of basis	(15,997)	(3,403)
Actuarial gains – experience	751	63
Benefits paid	(1,055)	(1,125)
Past service cost	–	–
Changes in liabilities covered by qualifying insurance policies	(183)	(241)
Closing defined benefit obligation	31,860	47,521

	2022 £000	2021 £000
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	42,533	40,434
Interest income	734	461
Return on assets (excluding interest income)	(9,158)	2,950
Administrative expenses	(108)	(96)
Contributions by employer	120	150
Benefits paid	(1,055)	(1,125)
Changes in qualifying insurance policies	(183)	(241)
Closing fair value of plan assets	32,883	42,533

The company expects to contribute £225,000 to the Adnams Pension Fund in the next accounting year.

	2022 £000	2021 £000
Analysis of charges recognised in the profit and loss		
Interest income	734	461
Interest cost	(823)	(595)
Net interest cost	(89)	(134)
Past service cost	–	–
Administrative expenses	(108)	(96)
Total charges	(197)	(230)

	2022 £000	2021 £000
Analysis of the amount recognised in other comprehensive income		
(Loss)/return on plan assets (excluding amounts included in net interest cost)	(9,158)	2,950
Experience gains/(losses) arising on the scheme liabilities	(751)	(63)
Changes in assumptions underlying the present value of the scheme liabilities	15,997	3,403
Actuarial gain recognised in other comprehensive income	6,088	6,290

Notes to the financial statements

Continued

28 Pension scheme continued

Defined contribution pension schemes

The company also operates defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds. During the year the company contributed £498,000 (2021: £425,000) to the schemes (note 9).

There was £82,000 of outstanding contributions payable at the year end (2021: £75,000).

29 Other financial instruments

The company's principal financial instruments comprise a bank loan, cash and bank overdraft. Derivative financial instruments are disclosed in note 16. The purpose of the financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations, which are valued at transaction price less any related provision.

	2022 £000	2021 £000
Financial assets measured at amortised cost	4,020	3,367
Financial liabilities measured at amortised cost	24,929	21,697

Financial assets includes trade debtors.

Included in financial liabilities are bank loan and overdraft, trade creditors, accruals, tenants, deposits and preference shares.

Borrowing facilities

At 31 December the borrowing facilities comprised a fixed rate three-year loan of £10m, which is due in March 2025, a revolving credit facility of £4.6m and an overdraft of £3m, which was undrawn as at the year end. Finance is also provided through preference shares, details of which are included in note 22.

Interest rate profile

At 31 December 2022, a bank loan of £10,000,000 (2021: £5,000,000) bears marginal interest at 2.15% (2021: 2.15%) above base rate and a further revolving credit facility of £4,600,000 bears interest at 2.15% (2021: 2.15%).

At 31 December 2022, bank overdrafts of £nil (2021: £1,360,000) bear interest at 2.15% (2021: 1.60%) above Barclays Bank base rate which was 3.5% (2021: 0.25%).

Credit risk

The company may offer credit terms to trade customers. Whilst it has chosen not to insure its debts, it seeks to manage credit risk by setting appropriate customer limits based on payment history and credit references. It reviews limits regularly and actively chases outstanding debts.

Currency risk

The main currency risks of the company relate to the import of wines, the largest value of which is denominated in euros. Annual purchases of euros amount to about €2.7m (2021: €2.9m).

Fair values of financial assets and liabilities

There is no difference between book value and fair value in respect of the cash, bank loan and bank overdraft.

30 Share Incentive Plan and Employee Benefit Trust

The company uses a tax-approved Share Incentive Plan (SIP) to allocate shares to employees, contingent upon company performance. The company did not issue shares for such schemes so arranges the purchase of shares through an Employee Benefit Trust. The Employee Benefit Trust buys shares as required during the year and passes them annually to the Share Incentive Plan, at a valuation approved by the tax authorities. The shares held by the Share Incentive Plan are not consolidated in the company's accounts as they are already allocated to employees. Shares held by the Employee Benefit Trust are not yet allocated.

The unallocated shares are small in number and accordingly the company does not consolidate the Employee Benefit Trust on grounds of materiality. 10,136 'A' shares and 400 'B' shares were held by the Employee Benefit Trust at 31 December 2022 (2021: 9,376 'A' shares, nil 'B' shares).

31 Subsequent events

On 22 May 2023, the business renegotiated the banking covenants on its debt facility, necessitated by the 2022 trading performance and the significant rising interest rates. The facility remains consistent in structure with the original 3 year agreement that was signed on 21 March 2022, maintaining the amortisation schedule, which saw the facility reduce by £0.5m on 31 March 2023. These new banking covenants are effective from 22 May 2023.

Independent auditor's report

To the members of Adnams plc

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Adnams plc. For the purposes of the table on pages 53 to 54 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The "Company" is defined as Adnams plc. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Adnams plc for the year ended 31 December 2022. The financial statements that we have audited comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows, and
- Notes 1 to 31 of the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Company's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Company's operations and specifically its business model.
- The evaluation of how those risks might impact on the Company's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of the Company's cash flow projections.
- The evaluation of the base case scenario and stress scenario and the respective sensitivities and rationale.
- Viability assessment including consideration of reserve levels and business plans.

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 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 of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company'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.
First-year audit transition	<p>We developed a detailed audit transition plan, designed to deliver an effective transition from the Company's predecessor auditor.</p> <p>Our transition activities included (but were not limited to) meeting relevant partners and senior staff from the predecessor auditor, reviewing the Audit Committee meeting minutes and reviewing the previous auditor's 2021 audit working papers.</p> <p>Our transition focused on obtaining an understanding of the Company's system of internal control, evaluating the Company's accounting policies and areas of accounting judgement, and meeting with management.</p>

Materiality

	2022	2021
Company	£1,268k	£1,056k 2% (2021: 2%) of turnover

Key audit matter

- Revenue recognition
- Going concern

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. These matters included those matters 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.

Revenue recognition

Key audit matter description	The Company has a number of income streams that can be broken down into their different components for financial reporting purposes. Revenue and the costs associated with generating that revenue must be matched in the same period and recognised in line with fulfilling the performance obligations under FRS 102.
How the scope of our audit responded to the key audit matter	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> - Completion of a walkthrough of each of the key income streams from start to finish, documenting details of the current internal processes, systems and controls to better understand them, as well as gaining an understanding of the contract terms and income recognition criteria for each stream. - Reviewed the accounting policy of the Company to ensure it was inline with the requirements of FRS 102. - We completed cut-off testing by selecting a sample of sales transactions across the various streams either side of the year end to ensure the revenue has been accounted for in the correct period. - Data analytics were utilised for the income cycle to identify any transactions which do not fall into the typical cycle that we would expect, these were discussed with management and agreed to supporting documentation where deemed necessary to confirm the validity of the transactions. - Substantive testing was carried out across the different income streams by picking samples from the initial point of sale and tracing to the appropriate supporting documentation.
Key observations	We have identified no material misstatements within the income recorded and are satisfied that the recognition criteria applied by management is consistent with the requirements of FRS 102.

Independent auditor's report

Continued

Going concern

Key audit matter description	<p>Where the United Kingdom's economy is currently in a state of uncertainty due to multiple factors, this has led to sharply rising inflation and a 'Cost of Living' crisis.</p> <p>With this comes a risk to all businesses, especially those who operate in the hospitality sector such as the Company, whereby costs increase whilst customers are also spending less. These combine to put pressure on profit margins and operating results which banking covenants are based upon. The impact of these adverse trading and economic conditions could lead to the Company's status as a Going Concern to come under threat.</p>
How the scope of our audit responded to the key audit matter	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none">- We have obtained and reviewed the forecasts prepared by management.- The assumptions used by management in preparing these forecasts were reviewed and challenged to ascertain their reasonableness.- Previous forecasts were reviewed against actual results to confirm managements historic ability to accurately forecast.- The 2023 forecasts were reviewed against the results to-date during the audit work, again to confirm the accuracy of the original forecasts prepared.- We obtained the most recent detail of the banking covenants and confirm that these were met in the financial year and considered whether any breaches were expected to occur within 12 months of the reporting date.- We also reviewed the forecasts against these covenants to determine how sensitive they are to fluctuations and therefore potential breaches.- Reviewed mitigating actions and cost savings proposed by the Directors for their ability to be implemented and the implementation to be done on a timely basis; and- Considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.
Key observations	<p>Based on our audit work, we have concluded that the use of the going concern assumption by management remains appropriate.</p>

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. 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. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Company was set at £1,268,000 (2021: £1,056,000) which was determined on the basis of 2% (2021: 2%) of the Company's turnover. This was deemed to be the appropriate benchmark for the calculation of materiality as this is a key performance measure for the Company and therefore of significant interest to the stakeholders when assessing the Company's performance during the year.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at £887,600 (2021: £739,000) which represents 70% (2021: 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £63,400 (2021: £52,800) to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the company which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness but did not place and placed reliance on certain controls over wholesale revenue, rental income and payroll.

Climate-related risks

In planning our audit and gaining an understanding of the company, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks.

We engaged internal specialists to assess and challenge, amongst other factors, the related risks and benchmarks identified by management, the nature of the Group's business activities, its processes and the geographic distribution of its activities.

We critically reviewed management's assessment and challenged the assumptions underlying their assessment. We made enquiries to understand the extent of the potential impact of climate change risks on the Company's financial statements. This has included a review of the Company's climate change strategy, critical accounting estimates and judgements, and the effect on our audit approach. We also considered the ongoing viability of the business in respect both to direct climate risks and changes in legislation as nations grapple with their commitments to reduce emissions.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 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, or returns adequate for our audit have not been received by branches not visited by us; or
- the 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

Continued

Auditor responsibilities for the audit of the financial statements

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

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

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

Extent to which the audit was considered 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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company.

- We enquired of the directors and management concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Company's board, meetings.
- audit procedures performed by the engagement team in connection with the risks identified included:
 - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
 - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
 - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
 - enquiry of management around actual and potential litigation and claims;
 - challenging the assumptions and judgements made by management in its significant accounting estimates; and
 - obtaining confirmations from third parties to confirm the existence of certain balances.
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Moyser FCA FCCA

Senior Statutory Auditor

for and on behalf of MHA, Statutory Auditor
London, United Kingdom
24 May 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Contact Information

Adnams plc

Sole Bay Brewery

Southwold
Suffolk
IP18 6JW
T: 01502 727200
W: adnams.co.uk

Hotels and Managed Inns

The Swan

Market Place
Southwold
Suffolk
IP18 6EG
T: 01502 722186

The Crown

High Street
Southwold
Suffolk
IP18 6DP
T: 01502 722275

The White Horse

4 High Street
Blakeney
Norfolk
NR25 7AL
T: 01263 740574

The White Hart Inn

London Road
Blythburgh
Halesworth
Suffolk
IP19 9LQ
T: 01502 478217

The Harbour Inn

Black Shore
Southwold
Suffolk
IP18 6TA
T: 01502 722381

The Bell Inn

Ferry Road
Walberswick
Suffolk
IP18 6TN
T: 01502 723109

The Plough

London Road
Wangford
Suffolk
NR34 8AZ
T: 01502 578239

The Five Bells Inn

Southwold Road
South Cove
Wrentham
Suffolk
NR34 7JF
T: 01502 675249

The Cross Keys

Crabbe Street
Aldeburgh
Suffolk
IP15 5BN
T: 01728 452637

The Sole Bay Inn

7 East Green
Southwold
Suffolk
IP18 6JT
T: 01502 723736

The Lord Nelson

East Street
Southwold
Suffolk
IP18 6EJ
T: 01502 722079

Adnams Stores

Southwold

4 Drayman Square
Southwold
Suffolk
IP18 6GB
T: 01502 725612

Woodbridge

Quay Point
Station Road
Woodbridge
Suffolk
IP12 4AU
T: 01394 386594

Aldeburgh

179b High Street
Aldeburgh
Suffolk
IP15 5AN
T: 01728 454520

Hadleigh

73/75 High Street
Hadleigh
Suffolk
IP7 5DY
T: 01473 827796

Norwich

109 Unthank Road
Norwich
Norfolk
NR2 2PE
T: 01603 613243

Norwich

11-13 Westlegate
Norwich
Norfolk
NR1 3LT
T: 01603 666759

Holt

8 White Lion Street
Holt
Norfolk
NR25 6BA
T: 01263 715558

Holkham

The Old School House
Park Road
Holkham
Wells-next-the-Sea
Norfolk
NR23 1RG
T: 01328 711714

Harleston

23 The Thoroughfare
Harleston
Norfolk
IP20 9AS
T: 01379 854788

Stamford

Bath Row Warehouse
St Mary's Passage
Stamford
Lincolnshire
PE9 2HG
T: 01780 753127

Saffron Walden

Old Auction Rooms
1 Market Street
Saffron Walden
Essex
CB10 1HZ
T: 01799 527281

Bury St Edmunds

43A Cornhill
Bury St Edmunds
Suffolk
IP33 1DX
T: 01284 705746

Bishop's Stortford

10 High Street
Bishop's Stortford
Hertfordshire
CM23 2LT
T: 01279 213045

Frinton-on-Sea

97 Connaught Avenue
Frinton-on-Sea
Essex
CO13 9PS
T: 01255 440830

Company Registrars

Link Group
10th Floor, Central Square
29 Wellington Street
Leeds LS1 4DL
T: 0371 664 0300

Designed and produced by **Friend.**
www.friendstudio.com
Print: Pureprint Group



This report has been printed on Gmund Bier Ale and Edixion Challenger Offset which are both FSC® certified and made from 100% Elemental Chlorine Free (ECF) pulp. The mill and the printer are both certified to ISO 14001 environmental management system. The report was printed using vegetable-based inks by a CarbonNeutral® printer.

adnams.co.uk

 [@adnams](https://twitter.com/adnams)  [adnams](https://www.facebook.com/adnams)  [adnams](https://www.instagram.com/adnams)

