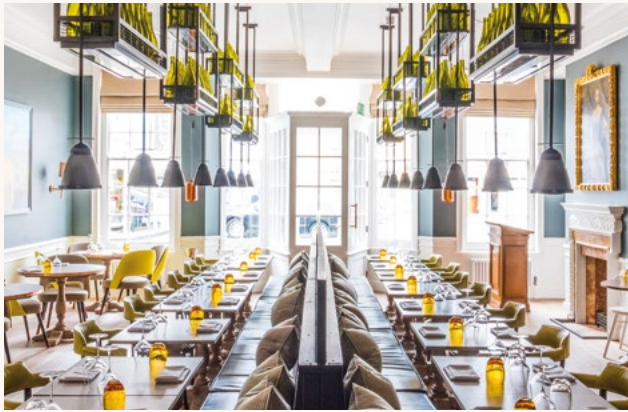


ADNAMs. SOUTHWOLD

Annual Report
and Accounts 2021

INSIDE THIS YEAR'S REPORT



10

Despite the headwinds, our purpose and values continue to guide us now as ever in our 150th year.

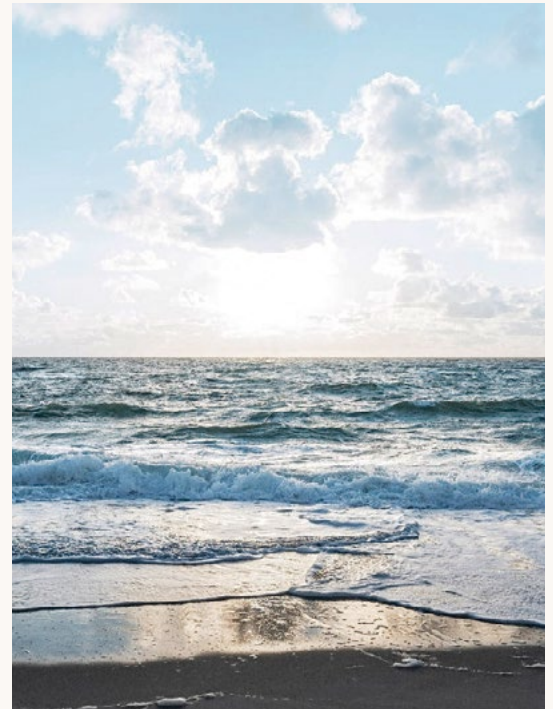


06

Our committed and passionate people create wonderful experiences and memorable products that we are proud to deliver for our customers.



13



22

STRATEGIC REPORT

- 02** Highlights
- 03** Looking to the future without boundaries
- 14** **Jonathan Adnams**
Chairman's report
- 16** **Andy Wood**
Strategic report
- 22** Environmental reporting
- 24** **Jenny Hanlon**
Finance commentary

GOVERNANCE

- 26** Our Board
- 28** Report of the directors

FINANCIAL STATEMENTS

- 30** Profit and loss account
- 30** Statement of comprehensive income
- 31** Balance sheet
- 32** Statement of changes in equity
- 33** Statement of cash flows
- 34** Notes to the financial statements
- 48** Corporate governance
- 49** Directors' responsibilities in respect of the accounts
- 50** Independent auditor's report

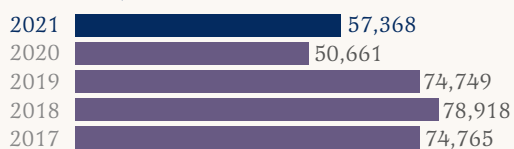
Cover

The paper is made from waste in beer production which is both attractive and sustainable.

FINANCIAL HIGHLIGHTS

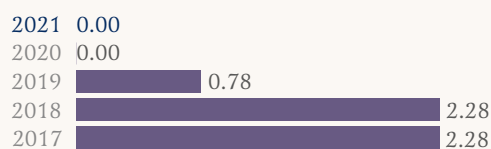
Turnover £000

£57,368 +13.2%



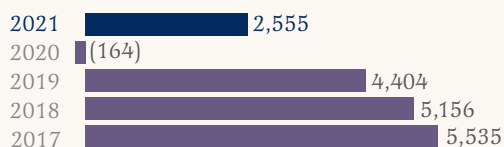
Dividend £ (per £1 share)

0.00 +0.0%



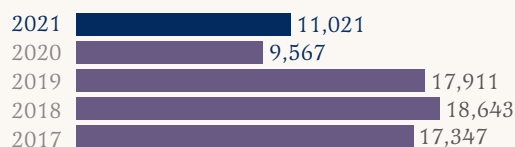
EBITDA £000**

£2,555 1,653.1%



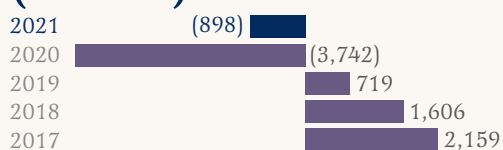
Net bank debt £000

£11,021 +15.2%



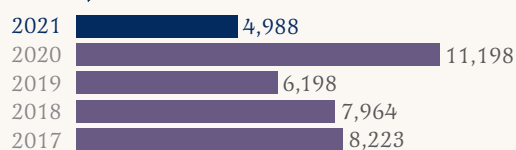
Operating (loss)/profit £000*

(£898) 76.0%



Net pension liability £000 (pre-tax)

£4,988 -55.5%



The above financial highlights comprise the Key Performance Indicators monitored by the company.

* Operating loss is reported before highlighted items.

** Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a measure of a company's overall financial performance.

LOOKING TO THE FUTURE WITHOUT BOUNDARIES

We are proud of our achievements and heritage, our purpose and values set us apart and our reputation is everything to us. Customers remain at the heart of everything we do.

Over the following pages we talk about our people, our products and our culture – a culture which has guided us through this challenging time.

**KAREN HESTER**

Chief Operating Officer

DAN GOODERHAM

Head Brewer

LYDIA HARROWVEN

Head of Wine

NICK CLAXTON-WEBB

Executive Head Chef

WE LEAD THE FIELD RATHER THAN FOLLOW THE OTHERS



Looking after our customers, our teams and being at our best has been our absolute focus.

Part of our success in overcoming the challenges we have faced has come down to communication. We adapted quickly to the challenges to ensure constant communication with our teams. Through embracing technology and company wide communication platforms, we have been able to share vital information and hold regular updates with the teams. We were able to communicate as a business that we were continuing to do the right things to protect the organisation, our customers and our staff. Technology also enabled people to keep in touch with each other, in what can only be described as a lonely time for some.

We collectively came together more than ever despite the restrictions in place. Our diversified strategy and scenario planning allowed us to pre-empt and react quickly to any changes, putting us on the front foot and bringing with it benefits to the business.

Technology has become an enabler for our business. We are now able to review real-time data, create reports and communicate with our customers in a timely manner, making life for all easier and simpler.

What I have been most proud of in recent times are our teams, who are the spirit of Adnams. They have consistently shown real grit and a great sense of humour to overcome and make the most of the uncertain times. Their commitment, dedication and unfaltering loyalty both to the business and our customers is why we have gone from strength to strength. You will see some examples of this throughout this report; be assured that their stories bring to life our purpose and values.



1

1. Refill, enjoy, repeat

In 2021 we have piloted refill stations in four of our stores: this is part of our sustainability story and has been part of who we are for decades. You can buy selected award-winning beer, wines or gin currently. This is better for the environment and is better value.

2. Putting our values into practice

Sustainable success is a key value of ours. The current energy crisis demonstrated that our investment in our eco distribution centre at Reydon over 15 years ago, not only reduced our environmental impact but also reduced our energy consumption and exposure to energy supply fluctuations.

3. Making a difference

We are proud to have supported the 'Open to everyone. Closed to racism', campaign from the beginning. It enables all businesses of any size to learn and be part of the campaign.



2



3

“We don’t just do the right things. We do the right things the right way.”

DAN GOODERHAM

Head Brewer



The new old kid on the block



In many ways, our Head Brewer leads the way and navigates our course between tradition and innovation. We are immensely proud of our history, but the focus is on our future.

Dan Gooderham is our new Head Brewer. He has been an active part of the Brewery for many years.

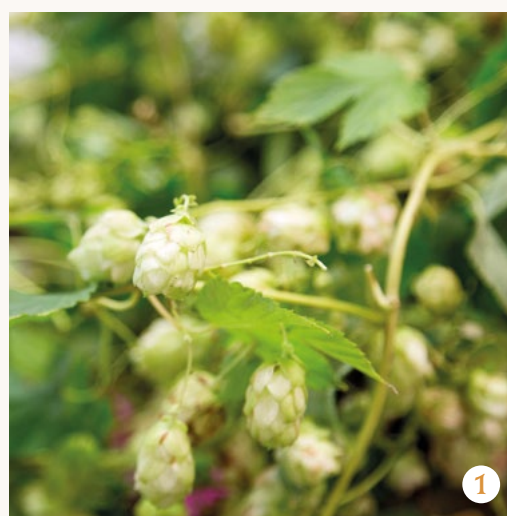
From his early years at Adnams he has – along with others in the Brewery team – adapted, created, produced and delivered beer that is of distinctive quality, reflecting all that we believe in and using the finest local ingredients possible.

The introduction of four collaboration beers in 2021 highlighted key aspects of sustainability causes that we wanted to champion together. This work with new flavour profiles has won new audiences and opened up new markets to Adnams.

“In many ways, Dan has been doing this for years”, said Fergus Fitzgerald who is now Director of Production across the whole of Adnams. Dan said, “It’s a huge privilege and honour and one which I will do to the best of my ability.”

Dan brings with him the knowledge, skills and experience gained at university studying brewing and 11 years at Adnams working alongside Fergus. Dan is active in the beer world and has been involved in many forums, get-togethers, conferences and panels sharing his knowledge. A local man who grew up in a pub, he has been brewing for many years and understands Adnams – like Fergus he will play an important part in our future.

“Our beer should be distinctive, have personality and character. It reflects all that is great about our growers who play such an important part in our products.”



1. Hop harvesting time

Our Wild Hop beer is made from donated hops, collected by people within the community - every year it is different. To say thank you we share some of the spoils with those who helped.

2. Broadside reaches another milestone

50 this year and very much still going strong and loved by many.



LYDIA HARROWVEN

Head of Wine

A TASTE OF THE FUTURE

We've continued to curate our unique, established and popular ranges of wine that reflect every customer's desire.



With her team, Lydia has grown the depth and breadth of offerings to bring new producers into the fold and work with existing growers to develop new and exciting wines.

Adnams has been importing wines and ports since the early 1890s to supply its own and others' establishments. In 2020, we were once again recognised by Harpers as one of the Top 20 Independent Wine merchants in the UK, a testament to the skill and dedication of all those involved.

With over 500 wines from more than 15 countries, we are able to ensure that we can satisfy the desires of the most discerning customers. We have made great strides in highlighting English wines and producers, known to Lydia from her early days at Plumpton. A common thread throughout the business is that of sustainable success and we

have introduced refillable wines at selected stores, which are gaining real traction not only for the reduction of impact but also for tasting great. We also continue to promote bag-in-box wines which have significantly lower environmental footprints.

In 2021, over 40% of our overall coverage in the papers, online and on television were of our wines which meant that many millions of people saw our products and often they were recommended by well-known and respected critics, which led to sales online and in stores.

Lydia, whose whole career has been dedicated to wine, is like those before her, crafting and ensuring that our range reflects our customers' desires now and in the future.



“With over 500 wines from more than 15 countries, we are able to ensure that we are able to satisfy the desires of the most discerning customers.”



1. Organic bag-in-box wines
Verdejo, Sauvignon Blanc, and Tempranillo, Shiraz. They contain the equivalent of three bottles and are an amazingly sustainable option. Their carbon footprint is around 10 times smaller than a single-use glass bottle thanks to their reduced weight.



2. Join the refill revolution
We are reducing your waste, not your choice. Our new in-store refill stations offer you the opportunity to purchase a range of Adnams products in a refillable container.

NICK CLAXTON-WEBB

Executive Head Chef



FOOD FOR THOUGHT

Nick works with our chefs in each one of our properties to make sure that we continue to source the finest local ingredients, where possible, to ensure that we serve the very best.

“Our suppliers play an incredibly important part in our success; we consider them to be part of the Adnams family as our success is intertwined with theirs – many are friends.”



Our pubs and hotels

Where our ingredients come from is incredibly important to us. Many of our suppliers are longstanding and feel like extended family members of Adnams. They know our uncompromising standards. Sharing and developing new techniques and menus are a key part of our offering, and for many years we have pioneered plant-based options that cater for those with preferences, intolerances or allergies.

Our approach is simple: we would like our food to be high quality and accessible for all. This is at the forefront of what we do. Each of our pubs and hotels is proudly different, as are our chefs and their teams. Our menus reflect their individuality.

The plates that return to the kitchen usually tell the story but we were again delighted to see that Rory and the team at The Swan were recognised with the award of two AA Rosettes, recognition of their dedication to delivering outstanding food.

1. Always learning

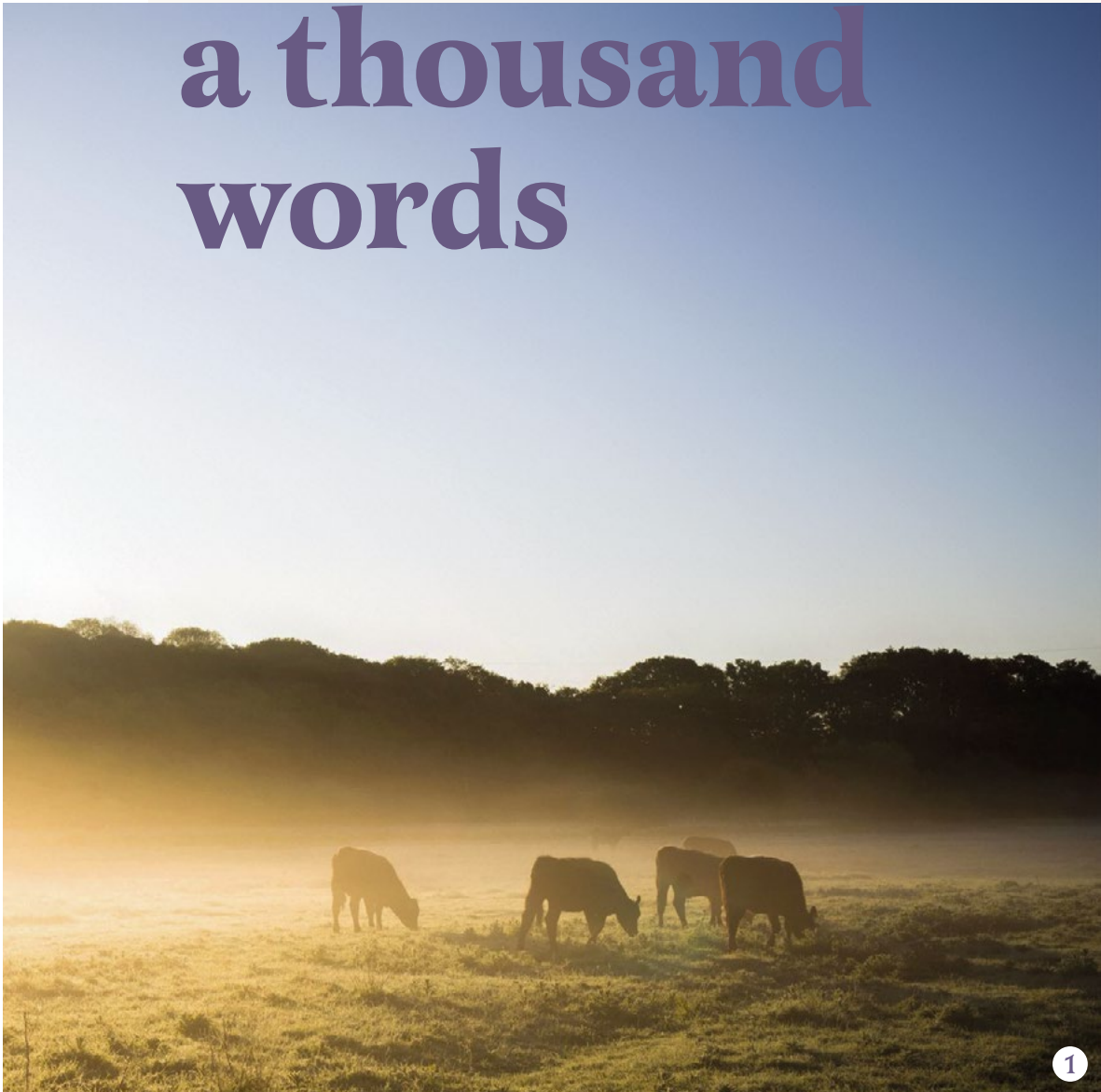
Our teams are continually researching, experimenting and sharing with one another. It is important to try new things and we constantly listen to our customers.

2. The food will do the talking

We have a depth and breadth of options throughout our pubs that cater for all tastes; our inclusive menus are living proof that rather than talk, we do.



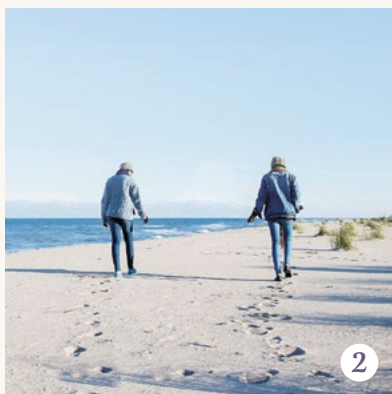
A picture is worth a thousand words



Our brand is incredibly important to us and we have made great strides across all media platforms and channels that tell our stories in a compelling way. The authenticity of our brand is sacrosanct and we set high standards for ourselves every day to ensure that we do what is right. We have continued to develop, broaden and engage with our existing and new customers to show and share who we are and what we do.

1. 0% to landfill

We choose to do what's right and to do things differently. Did you know we send our used grain to farmers to feed local cows?



2

2. Leaving footprints in the sand, not on the planet

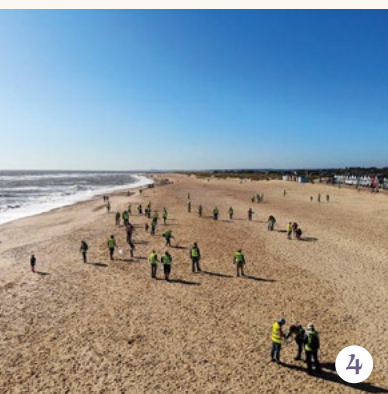
We have been doing more than talking about sustainability for decades – it really matters to us and we continue to do what we can, to further awareness and set more targets that we will report transparently on.

3. Quality has always been at the heart of what we do

With their scientific know-how and well-trained senses, Dawn and the Quality Control team continue to test and taste, to guard against off-flavours and look after our house yeast.



3



4

4. Beach cleans

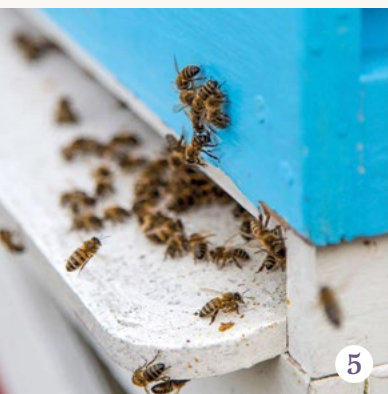
Now in our 16th year, we get out whatever the weather with our incredible volunteers to not only clear up but to contribute to studies to understand how things are changing. After the clean up we have a well-deserved pint at The Harbour Inn too.

5. Promoting our conservation programmes

The Adnams bee corridor now has over 40 hives and is home to more than 2 million honey bees. Steve, our beekeeper is a dedicated individual and the bees help support local biodiversity which is so important.

6. Open again!

It was wonderful to welcome our customers back to our pubs and hotels when restrictions allowed.



5



6



7

7. Small but mighty

A revelation in the low and no alcohol market, you only need a Smidgin. In this gin, we have 10 times the botanicals so you only need a 2.5ml serve to get the flavour of a normal gin – you can have eight Smidgins for the alcohol content of one normal G&T plus only 67 calories per serving. A great success and attracting many new customers to Adnams.

CHAIRMAN'S REPORT

JONATHAN ADNAMS OBE

Chairman

A renewed sense of hope



When I sat down to write this statement it gave me the opportunity to reflect on what a tumultuous two years the company and the wider hospitality industry has faced. As we begin to move from the pandemic to coronavirus being endemic and hopefully subsiding within the population, we can look forward to things returning to some normality. From Adnams' perspective that normality includes being able to welcome our shareholders to our AGM at Snape on the 12th May 2022, an event we look forward to.

The year began with the country in lockdown and the hospitality industry closed. This meant that the company had to continue to operate on a footing very similar to that which it operated for much of 2020, namely: focusing on its online and off-trade business and seeking to retain cash in the business. Whilst this situation is very uncomfortable and incurs losses, the business has become highly competent at managing itself in this situation and adapting rapidly to changing rules, regulations and restrictions. As the darker winter months gave way to an optimism associated with the spring, on the 22nd February the Prime Minister announced his roadmap to reopening the economy.

Key dates for our industry were; 12th April, when pubs were allowed to open for outdoor service only, 17th May, when customers were allowed inside following the rule of 6 or two households mixing; and finally from 21st June all restrictions being removed. The announcement was followed by the Budget speech on 3rd of March where the Chancellor extended flexi-furlough until September and announced a tapering of business rate relief together with VAT remaining at 5% for a period before stepping up to 12.5%. As with 2020, support from HM Treasury was essential for hospitality businesses the length and breadth of the country, with Adnams being no exception. In 2020 we were closed or operating under restriction for 280 days, in 2021 that number reduced to 220 days.

In 2021, the business generated turnover of £58m, an EBITDA of £2.6m and an operating loss of £0.9m. Net debt at £11m increased in line with expectations over the previous year as we paid down prior year HMRC commitments, restocked following closure, undertook maintenance in our pubs and reduced government support as we reopened. Given large parts of the business were closed or operating under restrictions for 31 weeks of the year this is considered a creditable performance.

Our development of technology has enabled us to control costs well in the year and the premium nature of the Adnams brand has enabled us to improve profit margins.



The company traded well and was cash generative once restrictions really began to be removed from 17th May. The business undoubtedly benefited from foreign travel restrictions and was well positioned to take advantage of more people choosing to holiday in the UK. Beer and spirit volumes in the on-trade took longer to re-establish themselves as free trade customers and pubcos were understandably cautious about overstocking whilst there was still uncertainty related to the pandemic and the potential for further restrictions to be imposed. Beer and spirits volumes remained largely flat with 2020 and relate to similar trading patterns in both years.

Our development of technology has enabled us to control costs well in the year and the premium nature of the Adnams brand has enabled us to improve profit margins. Given the strong trading position throughout the summer and our confidence in the Adnams brand, the Board decided in January 2022 to pay an interim dividend to reward shareholders who have loyally supported the company through the pandemic. As the company continues to recover from the crisis and rebuild its balance sheet, this payment should be viewed as a one-off. Whilst the company wants to return quickly to a more normal cycle of paying a final and interim dividend, it cannot yet be precise around when this might happen although the Board will keep the situation under continual review.

Concurrent with paying the interim dividend, the company is repaying staff who took reductions in pay during the pandemic. I am proud to say that the company is also a living wage employer, as the cost of living crises disproportionately affects those on lower pay. Our belief is that, in addition to being entirely the right thing to do, paying the living wage creates a virtuous circle with our colleagues demonstrating greater loyalty and commitment to Adnams over the long term.

Once again, I was delighted to see how our customers adapted to multiple changes to government restrictions as the year progressed and people enjoyed our pubs and hotels with good cheer and a generosity of spirit towards our frontline colleagues. The loyalty and support of our customers throughout the pandemic has been vital and I would like to take this opportunity to record my heartfelt thanks to them. It was 1872 when my

great grandfather Ernest and his brother George made their way across southern England, arriving in Southwold to found the modern-day Adnams. 2022 therefore represents our 150th anniversary. Added to this, Broadside is 50 years old and we celebrate 30 years of our relationship with Bitburger.

All this in the Platinum Jubilee year for Her Majesty The Queen, meaning there is much to look forward to. We plan a number of events throughout the year and, as you would expect, some celebratory products. All of this will be communicated more fully on our website as the year progresses, so watch this space.

As we moved into 2022 we were looking forward to the future with optimism. However, as I write this statement, a dramatic event is unfolding in Ukraine which besides being a catalyst for a humanitarian crisis has the potential to disrupt commodity markets around the world. Our thoughts are with the Ukrainian people at this time and Adnams will do what it can to support agencies who will be mobilising to provide relief to those affected.

Returning to the company, it has invested significantly in upgrading its back office systems in the recent past and is implementing a greater level of technology to serve our customers better. Early this year we implemented a new checkout system in our stores that enables colleagues to check out customers from anywhere in the store via a mobile device; the system also integrates with our website and enables us to have one view of the customer across the business. We have also implemented a new website that enables us to improve the user experience, share our stories and grow online sales still further.

Throughout this whole uncertain period, Adnams values will guide our response towards our customers, staff, shareholders and the communities we operate within. Adnams aspires to be a model company that can be relied upon to do the right thing and I hope we have demonstrated that in 2021. On behalf of the Board I would like to thank shareholders for the continued support.

Jonathan Adnams OBE
Chairman

THE LOYALTY AND SUPPORT OF OUR CUSTOMERS THROUGHOUT THE PANDEMIC HAVE BEEN VITAL AND I WOULD LIKE TO TAKE THIS OPPORTUNITY TO RECORD MY HEARTFELT THANKS TO THEM.

STRATEGIC REPORT

ANDY WOOD OBE DL

Chief Executive

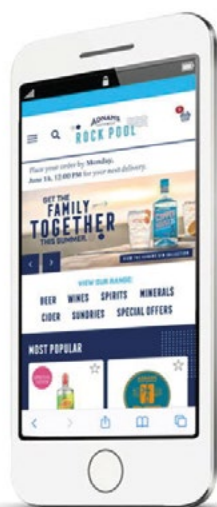


The Adnams brand continues to stand for high-quality products and services, innovation, and caring for the natural, built and social environment.

2021 was literally a year of two halves. The first being marked by lockdown and restriction; the second comprising the reopening and a resurgence of hospitality helped by continued difficulties with foreign travel and pent-up demand in the economy. This saw the company having to adopt fundamentally different operating models as the year progressed. For the first half of the year the focus of everybody was on minimising potential losses and maximising sales via the off-trade, our own website and latterly our own shops. The Adnams team has become adept at this based upon experience gained in 2020 and this laid a foundation for the business to maximise the opportunities presented in the second half of the year.

Throughout the year we have continued to secure significant benefits from the new core IT system that we installed in 2018/19. As part of our digital transformation we have continued to develop and refine our Rockpool app which enables pub customers to order on our systems from any mobile device without manual intervention on the part of Adnams. This provides better service 24 hours a day for the customer and results in lower costs for the company to service them. Importantly, the average order value from this group of customers is larger, linked to convenience, push notifications and reminders from the system. We have also replaced our entire e-commerce, business-to-consumer systems with a product called Shopify. This enables us to improve customer service and handle data more robustly, more securely and integrate better with our core systems.

Technology has also changed the way in which we work internally and we have embraced hybrid working across all of our clerical functions. In doing this we have been sensitive and careful to ensure we enfranchise the whole team and do not create a cultural divide between those whose jobs can be done remotely and those – such as the Brewery team, Distribution team and hospitality front of house teams – for whom the very nature of their work means they cannot work remotely.



Making it easier
Rockpool is an app for our trade customers to order via their smartphones – it is a much quicker, simpler and easier way to order and access information. It's been great to see more of our customers using it every day.

The Chairman in his report refers to our being a living wage employer. This is the right thing to do and it means we can attract and retain the brightest and best talent and improve the financial well-being of our frontline colleagues.

Adnams has always aspired to good corporate governance and had developed a longstanding reputation for social and environmental stewardship well before the letters ESG (Environmental, Social and Governance) entered the corporate lexicon. We are pleased there is new emphasis on this from government and business, and we will be looking to publish our own science-based targets and path to making Adnams at least a net zero company in the coming years. We have always taken the view that environmental matters are integral to our business so our carbon report, environmental emissions and energy expenditure, together with a commentary on risk adaptation, have been present within Adnams' annual report filings for more than a decade. We consider these elements central to our operations.

Production and supply chain

Beer and spirit volumes in 2021 were largely flat with 2020. As in 2020 large parts of the year had little or no pub trade and this affected the volumes of beer brewed as well as the packaging formats, meaning more beer in bottles than in barrels. Unlike in 2020 our third-party suppliers who bottle and can for us encountered fewer issues with capacity, but supply of some materials continued to be problematic. This was particularly true in aluminium cans where worldwide demand outstripped supply; consequently, it took time for supply chains to adjust. A combination of Covid-related impacts and Brexit implementation measures led to



Introducing our Distiller's Choice

Hand-selected by Head Distiller John McCarthy, each new release will showcase some unique and exciting expressions distilled in Southwold. Our first limited edition release is a fabulous first fill sherry cask whisky that stood out to John for its exceptional character. The entire run sold out in less than two days.

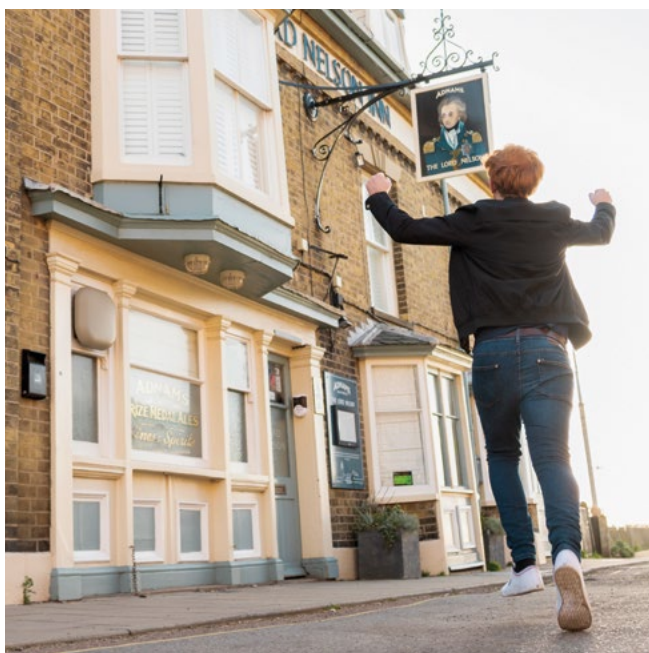
a shortage of lorry drivers, late deliveries, lost production time and an increase in haulage costs across a wide range of goods. Energy price increases in the year put a temporary stop to the majority of the UK production of fertiliser and, as CO₂ is a by-product of this process, this led to a shortage of supply. CO₂ is a vital component in our production processes and is used in pubs to raise beer from the cellar. As production resumed the price tripled. This is an indication of the pricing headwinds we faced in 2021 and which are likely to continue into 2022. Our Brewery and Supply Chain teams did a good job reacting quickly and with great flexibility to ensure that we were able to minimise the impacts upon us and meet the variable demand placed on our system as the on-trade reopened. In more positive news Adnams was awarded a Camra Golden Award to mark their 50th anniversary.

The distillery bottled the first of our distiller's choice whisky, a single cask of whisky selected by our Head Distiller John McCarthy as being of exceptional quality. This was a single malt aged in a sherry cask and enabled us to recruit a new group of customers dedicated to specialist whisky. A blackcurrant gin joined the Copperhouse range in the year and, along with a redesigned pink gin and our best-selling Copperhouse, we continued to innovate and make progress in the market.

Our wine supply chain also experienced similar difficulties in terms of cost and delays with the added complexity of poor harvests in Marlborough, New Zealand and latterly in Burgundy. We are working further on the quality and sustainability credentials of our wines with a particular emphasis on UK production.

STRATEGIC REPORT

Continued



Lord Nelson (Nellie)

During the year we transferred The Lord Nelson, Southwold from tenancy to managed and the pub continues to be known as one of the most iconic pubs in the UK.

PUBS & HOTELS

When able to operate, 2021 was a year of trading vigorously for both our managed pubs and leased and tenanted estate. Increased visitor numbers to the region, working safely within Covid restrictions and supporting our local customers and communities, was the story of the second half of the year as we did all we could to recover from the prolonged closure.

We are fortunate that our pubs are mainly located in attractive tourist areas and were able to exploit their outside spaces to create areas for relaxed outdoor enjoyment as restrictions were slowly removed. The widely reported staff shortages, due to high infection rates and the so-called 'pingdemic', became a reality in the middle of the year and created challenging conditions, with many pubs having to make difficult decisions about limiting service times or closing for a few days to enable them to deal with a lack of staff.

Once again we matched our support for our leased and tenanted estate with government guidelines and when they were unable to trade we cancelled their rents. As hospitality reopened we then implemented a staged return to full rents throughout the year. Our pubs are often at the heart of the communities in which they operate and providing the level of support we have done through all phases of the pandemic has been essential and brings to life the long-term attitude and values inherent within our business.

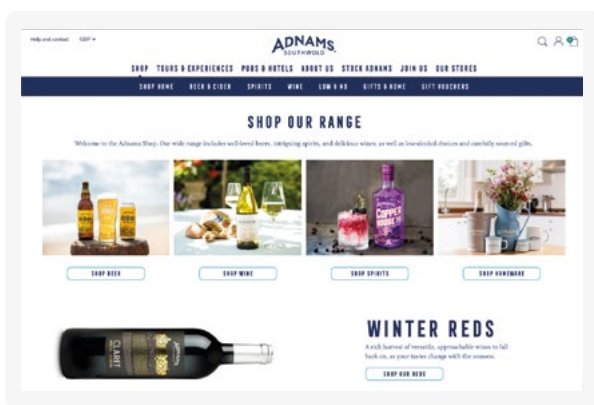
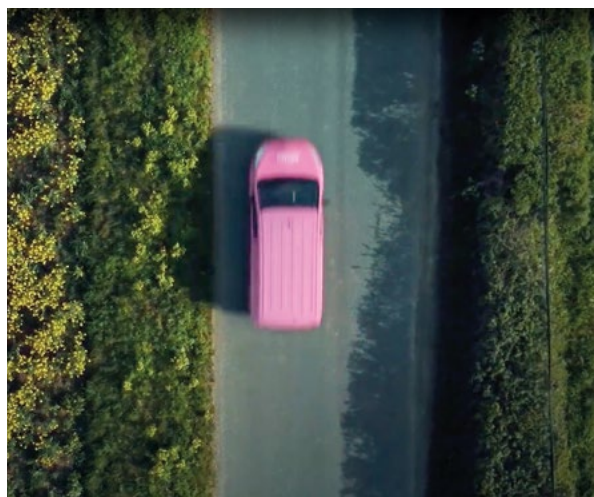
We ended the pandemic with the waiting list for an Adnams pub larger than when we entered the crisis. The rise of the Omicron variant at the end of the year curtailed trading significantly, with many of our pubs reporting cancelled bookings in the run-up to Christmas. The upshot of this was that Adnams lost the full benefits of the busy trading periods of Easter and Christmas for a second year in succession. During the year we transferred The Lord Nelson, Southwold from tenancy to managed and the pub continues to be known as one of the most iconic pubs in the UK.

RETAIL & ONLINE SALES

The pandemic impacted our retail business with the first quarter seeing our stores closed. Once again we were reliant upon online sales and as with lockdown #1 the website experienced a significant and sustained increase in the number of orders. Our in-house teams, our systems and our third-party contractors coped admirably with the volatility and managed to fulfil orders complete and on-time throughout the lockdown. Once opened our stores worked hard to provide a Covid-secure environment for our customers whilst still providing the customary Adnams welcome.

As the year progressed we continued to innovate and introduced refill stations across a number of sites. Customers buy a refillable bottle with their first order and then can return multiple times to top this up with beer, wines or spirits. This is part of our drive to reduce packaging waste and has been well received by our customers. It is planned to be rolled out across all suitable stores in 2022. Further, we started a local delivery service to online customers living within a 15-mile radius of one of our shops. Our system receives the order, checks stock availability and then directs the order to the store nearest to the customer. The order is then delivered by a member of the Adnams team in returnable crates without the need for any outer packaging.

We have a fleet of electric vans on order for delivery in 2022 which will further reduce the impacts of this service. Our new website was launched in early 2022 which will enable us to further scale our online business and deliver an improved online shopping experience. This system is now used in store to enable our team members to 'check out' customers anywhere in the shop, reducing queuing times and enabling the team to provide a more personalised level of service.



Refills – rewarded for being good

Our refills are not only better for the planet but also give better value.

Electric power

Our first electric van, which is now eight years young, has been powered by 100% renewable electricity. Our fleet of electric vehicles continues to grow.

Adnams.co.uk

Our updated website has been designed with our customers at its heart, making it easier, simpler and quicker to get around and order. It also shares stories and insights into Adnams.

BEER SALES

The beer market has been in complete turmoil for the last two years so we have focused our efforts and been single-minded about making great products and delivering great service to our customers when we were able to. Much of our beer marketing was around Ghost Ship 4.5% and Ghost Ship 0.5% in the year and these two flagship beers continue to build sales and distribution across the UK and we anticipate further growth this year. In particular we have been pleased with the continued growth of Ghost Ship 0.5% and see the low and no alcohol category as a segment of the market that will continue to grow for the foreseeable future, aided by recent changes to the duty regime announced by HM Treasury for implementation in 2023.

Free Trade Sales

Our free trade sales business is where we deliver our products on our own vehicles to pubs throughout East Anglia and London. Once restrictions were lifted we enjoyed a positive summer and autumn in this distribution channel. We promoted Adnams Kobold lager extensively and were successful in gaining a number of significant new pub customers for the product. High levels of service are critical to gaining and retaining customers and our Rockpool app, together with the

efforts of our highly experienced delivery teams, meant we were able to grow volumes with existing customers and add new customers to the list of wonderful pubs we serve throughout the region. We are fortunate that many of our direct free trade customers are located in coastal areas or in areas attractive to tourists, many of which saw increased footfall due to the inability of holidaymakers to travel abroad. This led to a bounce back of trade in some cases to beyond pre-pandemic levels.

National on-trade

Our performance in national pubcos and through wholesalers, as with 2020, was subdued by the pandemic. Many of the customers in this distribution channel own or serve pubs in urban areas. Therefore, in contrast to the experience in our free trade business, pubs in urban locations took longer to recover and when they did pub operators were understandably more cautious around their stocking policy due to uncertain customer demand. In such a situation cask beer becomes a particular challenge due to its fresh nature and shorter shelf life. We look forward to working with our key customers to rebuild this channel as the pandemic subsides and a degree of normality returns.





Ghost Ship 4.5% continues to be our best selling beer.



Our premium English lager

Our take on a refreshing English lager continues to surprise and attract new customers; it helps raise awareness for a key partner of ours, BLUE, who are championing action to protect our oceans.

National off-trade

Again, consistent with 2020 our sales to supermarkets helped sustain Adnams through the first half of the year. We are pleased to have launched Kobold lager nationally with Waitrose and more locally with the East of England Coop, and we have maintained listings with all of our key supermarket customers.

Export

The second half of 2021 finished strongly as a number of our key markets reopened. Adnams beer continues to sell well with our established distribution partners in France, Italy and Australia and we opened new markets in Brazil, Portugal and Germany and reopened supply to Slovenia. Adnams spirits continue to build sales internationally and we are pleased to have agreed new distribution arrangements in China and France. We consider ourselves to have good relationships with all of our partners and expect to have a successful 2022.



BRAND MARKETING

The Adnams brand continues to stand for high-quality products and services, innovation, and caring for the natural, built and social environment. These brand values served the business well through the pandemic and has led to the business exiting the crisis with a significantly larger, and potentially more loyal customer base. The implementation of technology has enabled us to get to know and understand our customers better than ever and to develop products and services that enable them to have a great experience with us, whether indulging in one of our drinks or staying with us in one of our iconic hotels or pubs. Our team works hard to deliver a premium experience wherever the customer touches Adnams.

We continue to evolve the brand and we have moved from a more graphic representation to a photography-based look and feel encompassing the diversity of our customers and showcasing the environment where our products are made and sold in a more emotive way. The Adnams brand also stands for conviviality, conversation and a positive outlook. In doing so Adnams remains as relevant to its customers as it did to those that George and Ernest attracted 150 years ago.

BUSINESS NEEDN'T COST THE EARTH

Environmental, Social and Governance

Responding to climate change is an organising principle at Adnams, driving our strategy and workstreams – we are committed to achieving climate as well as social justice. For us, it is all about actions not just words. For over 15 years we have cleaned beaches and expanded the scope to other areas: we pioneered glass bottle light weighting, we have chosen 100% renewable electricity since 2018 and we have invested in reducing our water usage. Our numerous awards, including being awarded The Queen’s Award for Sustainable Development three times, and The Carbon Trust Innovation Award for energy efficiency – demonstrates our commitment to making a bigger difference; however, we will not rest on our laurels.

We have been excited to see that sustainability has risen up the corporate agenda and COP 26 has driven a much needed campaign to help governments, business and consumers understand and make commitments to making changes. We have been early signatories on the Terra Carta, we are part of the Carbon Net Zero programme and active in many other campaigns and initiatives that focus on action and can be applied to the United Nations’ Sustainable Development Goal

(UN SDG) framework. We have a particular focus on Goals 4, 5, 8, 10, 11 and 12–17 in respect of our response to climate change.

We believe that sustainability should not be treated separately to core business and it is embedded throughout every decision the business makes. We have an established formal agenda which drives forward our sustainability agenda and ensures that material climate-related risks as well as opportunities are properly considered and managed.

It is our values and embedded culture of sustainable success that drive the business to continually improve.



“Our commitment to sustainable success is unfaltering. We have invested in doing the right thing over many decades and we believe that business should be a force for good. We are incredibly proud to be signatories of the Terra Carta, which will further and champion sustainability issues over the coming years. We will do all we can to see that its commitments are adopted.”

Andy Wood, CEO



Carbon data

Year	Total emissions	Normalised emissions	Scope 1 emissions	Scope 2 emissions	Production	Distribution	Retail	Managed properties
	Tonnes of carbon dioxide equivalent (CO ₂ e)		(tonnes): “Fuels used for combustion and owned transport”	(tonnes): “Purchased electricity”				
2021	3,301 (+7.1%)	64.519 (+7.1%)	3,301 (+32.2%)	618 (+5.4%)	21.7 (+8.5%)	4.5 (-4.4%)	3.8 (+6.1%)	76.4 (-24.3%)
2020 restated	3,082	60.239	2,497	586	20.0	4.7	3.6	100.9
			2020	2021	Variance	Note: Using location-based emission factors, total emissions were 3,301 (7.1%) tonnes of carbon dioxide equivalent (CO ₂ e), normalised emissions were 64.5 (7.1%) kgCO ₂ e per £k revenue, fuels used for combustion and owned transport were 3,301 (32.2%) tonnes. The company’s total energy use for 2021 was 16,601,890 kWh (2020: 14,973,207 kWh).		
Water usage	m ³ per production volumes		5.1	5.2	0.8%			
Glass usage	kg per hl of volume sold		24.6	25.8	4.9%			

2021 saw a renewed energy and commitment to our ESG work and we will soon publish our own science-based targets and beyond net zero commitments. Our Employee Forum is now involved in helping to deliver on these goals and they have already started work on supporting our equality, diversity and inclusion projects. Embracing flexible working meant we could refresh and repurpose the office spaces at our Reydon Eco Hub and celebrate the environmental credentials of the building.

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations which are incoming frameworks are similar to those we have been publishing for more than a decade to understand and address our impact. We have had our Scope 1 and 2 independently assessed and we are working with our 900 suppliers to ensure that we are able to understand our Scope 3 impacts. With this information we will be in a stronger position to make strategic investments that will reduce our overall impact.

We continue to scope our impacts through four elements: water, waste, biodiversity and carbon – all of which can be applied through every level of our business and our suppliers.



Taking the notion of Scope 1, 2 and 3 for measuring carbon emissions and sustainability with the supply chain, Adnams also addresses Scope 1, 2 and 3 for society. This is embedded in our ESG approach. We are committed to responsible financial management, responsibly investing in our people, products and operations, and working with our suppliers and communities to address inequalities in society.

Our commitment remains to understand, learn, do and review. We are unrelenting in our ambition to be at least net zero in the future aided by understanding the full impact of our supply chain. We believe that the focus should be on effecting real change, demonstrated by the introduction of two ESG KPI's within our banking arrangements highlighted in the Carbon data table opposite.

Being a good business is what Adnams believes. We take decisions for long-term sustainable success, both financial, environmental and social. Our customers support this perspective and it has been a pleasure to serve them and experience their loyalty through such a difficult time. We look forward to 2022 with great optimism.

Andy Wood OBE DL
Chief Executive Officer



BLUE MARINE FOUNDATION

We have partnered with Blue Marine Foundation with our premium English lager Kobold, raising funds and awareness to the importance of the oceans. Our aim together is to restore the oceans and have over 30% of the world's ocean under effective protection by 2030.



STRATEGIC REPORT

Continued

FINANCE COMMENTARY

2021 saw an increase in trading days without restrictions of 21% from 2020, which the business grabbed with all its might to deliver a Profit Before Tax (PBT) result that was 67% better than 2020. After the early months of the year where restrictions were at their most stringent, trading months operated ahead of expectations, delivering £7m higher revenues than 2020.

Digitalisation

Throughout 2021 the business continued to invest in technology, to deliver better outcomes for our customers and internally for our team, always with the aim to provide greater value. This does not necessarily result in a cheaper solution, more one that is balanced at the right



JENNY HANLON
Chief Financial Officer

level for the premium service we deliver. Many of our ideas and decisions on areas of capital spend have come about from the collaborative nature of how the team works together across our sales channels and internal functions.

For our staff we introduced a new payroll system, giving the team a much improved way of rostering, logging hours, booking holiday and all the related administration. This system included a medium for how we communicate around the business. With everything in one place and available on an app we have grown our employee engagement.

Investment in our sales app for our on-trade and tied business maintained momentum as we enhanced the functionality, which has been met with ever-growing numbers of users, increased sales levels, a lower cost base and perhaps more importantly, high levels of positive feedback and support from our customers.

Much of the year has seen a cross-functional team working on the delivery of a more user-friendly website – www.adnams.co.uk – which will increase sales and customer engagement, as well as enabling greater integration across all our internal systems and providing richer insights to help us understand our customers better.

Another key project we delivered was a state-of-the-art point-of-sale system in our stores which is easier, quicker, more efficient and reliable, meaning our customers can be served more swiftly and reducing paper waste.

Highlighted items

There were no highlighted items in 2021. In 2020 there was a £90,000 charge in relation to the equalisation of Guaranteed Minimum Pension (GMP) benefits for those transferring from the scheme following a ruling in case law.

Borrowings

Our focus on cash preservation continued in 2021, minimising capital expenditure and operational expenses wherever possible. Our net bank debt increased from £9.6m to £11m, which was driven from the unwinding of deferred payment arrangements made in 2020 with HMRC of £3m. We enter 2022 with only £0.6m of this remaining. Our arrangements with creditors has now rebalanced from 2020, with usual payment terms resuming.

Our cash position supported the growing stock levels of £1.1m, which was necessary to avoid disappointing customers with potential stock shortages as concerns grew on lead times of wine from Europe arising from both Brexit impacts and logistical delays from container shortages. Stock levels were further inflated due to slightly subdued sales in December following the restrictions introduced due to the Omicron variant.

The debt facility remained unaltered during 2021, with a £5m term loan, a revolving credit facility of £7m and an overdraft of £8m. Throughout 2021 we drew down on £5m of the revolving credit facility, leaving £2m untouched.

At the time of writing the refinancing with our long-term banking partner, Barclays, has just been completed. This maintains our previous level of debt at £20m and is now a fully committed facility which incorporates two ESG key performance indicators. This facility comprises a £10m term loan and a revolving credit facility of £10m. The suite of banking covenants alters to a more traditional approach of EBITDA multiples and interest cover ratios. A new addition to the facility is a £3m accordion, which allows us at short notice to draw down extra funds should a suitable investment opportunity arise.

Financial highlights

	2017	2018	2019	2020	2021	Variance ¹
EBITDA (£000)	5,535	5,156	4,404	(164)	2,555	1,653.1%
Operating (loss)/profit (£000) ²	2,159	1,606	719	(3,742)	(898)	76.0%
ROCE (percentage) ³	4.7%	3.5%	1.6%	(12.6%)	(2.6%)	79.4%
Gearing (book value)	60.6%	67.6%	64.5%	47.3%	46.0%	(2.9%)
Net debt (£000)	17,347	18,643	17,911	9,567	11,021	15.2%
Interest cover ⁴	7.0	3.2	1.4	(10.5)	(2.6)	75.7%
Ordinary dividend (per £1 share)	2.28	2.28	0.78	0.00	0.00	0.0%

¹ % variance between 2020 and 2021.

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.

Tax

In 2021, we had a loss of £1.4m and a tax charge of £0.3m. Despite there being a tax loss related to trading losses for the year, this was more than offset by a £0.5m deferred tax rate adjustment due to the tax rate increasing from 19% to 25% in 2023.

Pensions

The volatile nature of our pension liabilities continued into 2021, improving from a reported £11.2m deficit at the end of 2020 to £5.0m at the end of 2021. The deficit is 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 2021, the £6.2m improvement in the scheme valuation was twofold, driven from improving asset valuations of £3m and reducing liabilities of £3.3m. Any movement in the discount rate from one year to the next will be the driver of the liability valuation. With the discount rate rising from 1.2% in 2020 to 1.8% in 2021, the value of these future liabilities falls. The liability to the approximately 280 members of the scheme has been assessed as £47.5m. The scheme closed to new members in 2002 and to all future accruals in 2005.

Treasury Policies

We keep our Treasury policies under review in the light of economic circumstances. We currently accept the year-by-year impact of currency and interest rate fluctuations on the basis that over the long term we will gain in some years and lose in others. Whilst changes in foreign exchange and interest rates impact our results, the quantum is not significant enough to require altering our approach.

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 2021, as was the case for 2020. No interim dividend was paid in 2021 or in 2020.

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 Strategic report, together with the Chairman's report on pages 14 to 15, 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 multi-faceted business. Discussions 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.

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 rising inflation, post-pandemic consumer confidence 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 are focusing on the impact of the changes to the duty regime, announced in the last Budget.

- 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. Marsh, our insurance brokers, have played a crucial role in 2021 in how we have enhanced and embedded this activity into the day-to-day workings of our business.
- 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

There is no doubt the business delivered a strong result despite the numerous trading restrictions. Having grasped the opportunities that were available to us over the last two trading years, we have proven our ability to react to the ever-changing environment.

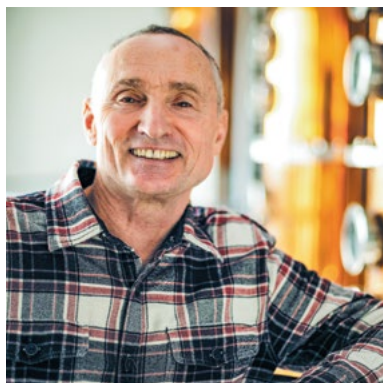
There is no doubt we like all other businesses are facing uncertainties outside of our control, such as market volatility owing to the conflict in Ukraine, growing global economic pressures and cost of living increases.

However, the business looks forward to the year ahead of uninterrupted trading and is well positioned to continue developing its capabilities and to invest in opportunities, growing the business and broadening our reach. With our diversified sales channels, vertically integrated business model and ability to react to the changing consumer and societal demands, we can enhance returns, maintain our values and deliver to our wider stakeholder group.



Jenny Hanlon
Chief Financial Officer

OUR BOARD



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.

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.



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 & 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.



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.



Bridget McIntyre MBE

Non-executive Director
& chair of the Audit
Committee

Favourite drink

A mini bottle of Adnams
Prosecco

Bridget started her business career training to be an accountant. After qualification in 1987, she worked in a variety of industries from Collins the publishers to Volvo cars. She moved to work at Aviva and held senior positions across the business. Most recently she was UK chief executive of RSA Insurance.

Bridget is currently a non-executive director and chair of Notcutts, the Suffolk family-owned group of destination garden centres, non-executive director of Chancery Lane and founder of her own social enterprise business, Dream On, a Suffolk-based company focussed on improving the lives of men and women.

Bridget joined the Adnams Board in May 2013.



Steven Sharp

Senior Non-executive
Director & chair of the
Nominations 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.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Chairman's report and the Strategic report on pages 14 to 25 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	2021 £000
Final 2021	-
Interim 2021	-

Financial risks

The financial risk management objectives, policies and exposures of the company are set out in the Strategic report and in note 27 to the accounts.

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 49.

JPA Adnams, JEI Hanlon and BF McIntyre retire by rotation and being eligible offer themselves for re-election.

Directors' interest	'A' Ordinary 25p		'B' Ordinary £1	
	2021	2020	2021	2020
Ordinary shares				
JPA Adnams	195,641	195,641	10,138	10,138
NJ Dulieu*	161	161	-	-
JEI Hanlon	100	100	-	-
MGH Heald*	175,576	173,433	52,014	49,014
	14,467**	14,467**	-	-
KHester	1,793	2,315	-	-
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.

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.

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 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 £12,500 (2020: £12,500).

Supplier payment

It is the company's policy to make every effort to agree terms of payment with suppliers in advance, to ensure that suppliers are made aware of the terms and to abide by them.

At 31 December 2021, the company had an average of 43 days (2020: 48 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

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with s. 489 of the Companies Act 2006.

By order of the Board

BA French
Secretary

31 March 2022

Notice of meeting

Notice is hereby given that the One hundred and thirty third Annual General Meeting will be held at Snape Maltings on 12th May 2022 at 11 o'clock for the following purposes:

Ordinary Resolutions

- 1 To consider the accounts and directors' report
- 2 To re-appoint JPA Adnams, who retires by rotation
- 3 To re-appoint JEI Hanlon, who retires by rotation
- 4 To re-appoint BF McIntyre, who retires by rotation
- 5 To re-appoint Grant Thornton UK LLP as Auditor
- 6 To authorise the directors to fix the remuneration of the Auditor

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

By order of the Board

BA French
Secretary

31 March 2022

Registered Office

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Turnover	5	57,368	50,661
Other operating income	5	1,938	3,196
Operating expenses	6	(60,204)	(57,599)
Operating loss before highlighted items		(898)	(3,742)
Highlighted items - operating expenses		-	(90)
Operating loss		(898)	(3,832)
Loss on disposal of assets	7	(4)	-
Loss before interest and taxation		(902)	(3,832)
Interest payable	10	(352)	(355)
Other finance charge on pension scheme	26	(134)	(117)
Loss before taxation		(1,388)	(4,304)
Tax on loss on ordinary activities	11	(254)	521
Loss		(1,642)	(3,783)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Loss		(1,642)	(3,783)
Actuarial gain/(loss) on pension scheme	26	6,290	(4,868)
Movement on deferred tax relating to actuarial gain	19	(882)	1,076
Total comprehensive income for the financial year		3,766	(7,575)

	Notes	2021	2020
Earnings per share basic and diluted	13		
'A' Shares of 25p each		(87.1)	(206.8)p
'B' Shares of £1 each		(348.3)	(827.2)p

The notes form an integral part of the financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Tangible fixed assets	14	38,913	40,816
Current assets			
Stocks	15	9,779	8,719
Debtors	16	4,202	3,562
Cash at bank and in hand		1	435
		13,982	12,716
Creditors: amounts falling due within one year	17	(13,439)	(11,923)
Net current assets		543	793
Total assets less current liabilities		39,456	41,609
Creditors: amounts falling due after more than one year	18	(9,867)	(10,199)
Provision for liabilities	19	(623)	-
		(10,490)	(10,199)
Net assets excluding pension liability		28,966	31,410
Pension liability	26	(4,988)	(11,198)
Net assets including pension liability		23,978	20,212
Capital and reserves			
Called-up share capital	20	472	472
Share premium	21	144	144
Profit and loss account	21	23,362	19,596
Equity shareholders' funds		23,978	20,212

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of directors on 31 March 2022, 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 2021

	Notes	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2020		472	144	27,171	27,787
Loss for the year		-	-	(3,783)	(3,783)
Other comprehensive income					
Actuarial loss on pension scheme	26	-	-	(4,868)	(4,868)
Movement on deferred tax relating to pension scheme		-	-	1,076	1,076
Total comprehensive income		-	-	(7,575)	(7,575)
Dividends paid	12	-	-	-	-
At 31 December 2020		472	144	19,596	20,212
Loss for the year		-	-	(1,642)	(1,642)
Other comprehensive income					
Actuarial gain on pension scheme	26	-	-	6,290	6,290
Movement on deferred tax relating to pension scheme	19	-	-	(882)	(882)
Total comprehensive income		-	-	3,766	3,766
Dividends paid	12	-	-	-	-
At 31 December 2021		472	144	23,362	23,978

The notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

Notes	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the financial year	(1,642)	(3,783)
Adjustments for:		
Depreciation of tangible assets	3,452	3,667
Loss on sales of fixed asset disposals	4	-
Interest, and other finance charges on pension scheme	486	472
Tax on loss on ordinary activities	254	(521)
Difference between pension charge and cash contributions	(150)	(150)
GMP adjustment and pension admin fees	96	165
(Increase)/decrease in stocks	(1,061)	466
(Increase)/decrease in debtors	(1,264)	6,567
Increase in creditors	172	2,512
Cash from operations	347	9,395
Taxation received	111	60
Net cash generated from operating activities	458	9,455
Cash flows from investing activities		
Payments to acquire tangible fixed assets	(1,577)	(720)
Receipts from sales of tangible fixed assets	23	28
Payments to acquire investments/deposits	(7)	3
Net cash used in investing activities	(1,560)	(689)
Cash flows from financing activities		
Interest paid	(352)	(422)
Dividends paid	-	-
Net cash used in financing activities	(352)	(422)
Net (decrease)/increase in cash and cash equivalents	(1,454)	8,344
Cash and cash equivalents at 1 January	433	(7,911)
Cash and cash equivalents at 31 December	(1,021)	433
Cash and cash equivalents consist of:		
Cash at bank and in hand	1	435
Bank overdraft (included in bank overdraft and loans within creditors: amounts falling due within one year)	(1,022)	(2)
Cash and cash equivalents	(1,021)	433

	At 1 January 2021 £000	Cash flows £000	Other non-cash changes £000	At 31 December 2021 £000
Reconciliation of net debt				
Cash at bank and in hand	433	(1,454)	-	(1,021)
Debt due less than 1 year	-	-	(325)	(325)
Debt due after 1 year	(10,000)	-	325	(9,675)
	(9,567)	(1,454)	-	(11,021)

The notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Company information

Adnams plc is a Public Limited Company 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 and in assessing the value of properties for impairment purposes.

Going concern

Adnams plc has prepared the 2021 financial statements on the going concern basis. The Board is confident that the company has sufficient liquidity to withstand the trading uncertainty presented across the country as we emerge from the pandemic into economic and cost of living pressures. The business has considerable property assets, and a proven track record in 2020 and 2021 of managing its cash position very carefully. This, coupled with our strong relationship with Barclays, enabled the renegotiation of our facilities at the time of printing these accounts, further developing the appropriateness of our debt for our current business model.

The facility is now fully committed in its entirety, with a £10m fixed-term loan, a £10m revolving credit facility which includes a £3m overdraft carve out, and the opportunity to draw down a further £3m from an accordion.

Forecasts for 2022 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 and additional cost pressures over and above those budgeted for up to 18 months following 2021. The directors note the ongoing war in Ukraine and the widely documented impact on the supply and price of grain and thus malt. Adnams’ maltsters have confirmed they envisage no issue with supply, being local producers, but that there is likely to be an impact on prices as supply shortages across the world will drive up underlying prices. At this stage it is too early to fully quantify such impacts, but due to our contractual arrangements we are hedged until 2023.

The forecasts suggest that a reduction in EBITDA of 21% from the base case projection on a 12-month cumulative basis, would be required to cause the company to breach its EBITDA covenant as calculated at 30th September 2022. This demonstrates a diminishing risk profile for the business from 2020.

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.

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

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
Enterprise Resource Planning (ERP) system	10% 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 with 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 9.2%. 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.

Bank loans

Bank loans are measured at amortised cost.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

4 Principal accounting policies continued

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 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.

Other Income

Due to the Covid-19 pandemic and the closure of businesses under UK Government legislation, the business utilised the government support schemes: the furlough scheme whereby the Government contributed towards the wage costs of the business and local grants awarded by local authorities. The amounts received are reported under other income in the financial statements. The income is only reported in the period that the relief relates to.

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 26.

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.

5a Turnover

Represents sales invoiced (excluding VAT and net of discounts), rents, commissions and royalties. Turnover outside the United Kingdom during the year was £887,000 (2020: £799,000).

5b Other operating income

The business received Covid-19 government support in the financial year of: furlough scheme £1,552,000 and local authority grant support of £385,000. A total of £1,937,000.

6 Operating expenses

	2021 £000	2020 £000
Raw materials, consumables and duty	34,149	32,037
Change in stock of finished goods and work in progress	(578)	152
Staff costs (note 9)	12,140	11,444
Depreciation (note 14)	3,452	3,667
Loss on disposal of plant and vehicles	4	-
Auditor's remuneration – Audit of the company's annual accounts	73	68
– Audit-related assurance services	4	3
– Tax compliance services	-	6
– Tax advisory (including R&D)	-	5
Operating lease rentals	700	720
Foreign exchange gain	(307)	(160)
Other operating costs	10,567	9,657
	60,204	57,599

7 Loss on disposal of assets

The loss on disposal of assets in 2021 related to fixtures and fittings.

8 Segmental analysis

	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)
Profit on disposal of assets	-	-	-	-	(4)	(4)
Interest payable	-	-	-	-	(352)	(352)
Other finance charge on pension scheme	-	-	-	-	(134)	(134)
Profit/(loss) on ordinary activities before taxation	3,668	3,563	1,948	(4,723)	(5,846)	(1,388)
Depreciation	323	970	145	1,464	550	3,452

NOTES TO THE FINANCIAL STATEMENTS

Continued

8 Segmental analysis continued

	Brewing & Brands 2020 £000	Pubs & Hotels 2020 £000	Retail 2020 £000	Central Operations 2020 £000	Central Manage- ment 2020 £000	Total 2020 £000
Total sales	28,195	8,916	13,185	359	6	50,661
Other income	888	1,398	588	198	124	3,196
Operating profit/(loss) before highlighted items	2,608	1,153	1,330	(3,448)	(5,385)	(3,742)
Highlighted items - operating expenses	-	-	-	-	(90)	(90)
Operating profit/(loss)	2,608	1,153	1,330	(3,448)	(5,475)	(3,832)
Interest payable	-	-	-	-	(355)	(355)
Other finance charge on pension scheme	-	-	-	-	(117)	(117)
Profit/(loss) on ordinary activities before taxation	2,608	1,153	1,330	(3,448)	(5,947)	(4,304)
Depreciation	403	969	164	1,649	482	3,667

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.

The measurement policies the company uses for segment reporting under IFRS8 are the same as those used in its financial statements.

9 Directors and employees

Staff costs during the year were as follows:	2021 £000	2020 £000
Wages and salaries	10,764	10,183
Social security costs	950	845
Other pension costs	426	416
	12,140	11,444

The average monthly number of persons employed by the company, including executive directors, was as follows:	2021 Number	2020 Number
Trading	16	15
Customer services	72	95
Production	34	33
Shops	88	92
Managed properties	242	218
Corporate services	52	57
	504	510
Total number of part-time workers included above:	184	173

Directors' remuneration:	2021 £000	2020 £000
Fees	136	109
Basic salaries	791	626
Benefits	7	6
Car and pension allowances	125	117
	1,059	858

9 Directors and employees continued

	Salaries and fees £000	Benefits £000	Car and pension allowances £000	2021 £000	2020 £000
JPA Adnams	215	2	34	251	201
NJ Dulieu	33	-	-	33	26
JEI Hanlon	163	1	23	187	90
MGH Heald	33	-	2	35	28
K Hester	150	2	28	180	141
BF McIntyre	36	-	-	36	30
SC Pugh	-	-	-	-	71
SM Sharp	33	-	-	33	27
AC Wood	264	2	38	304	244
	927	7	125	1,059	858

The 2020 value for directors' remuneration is lower than would otherwise be expected by £131,000 due to the element of pay foregone due to the pandemic. In 2021, additional salary payments of £44,000 were made to directors to compensate for salaries foregone in 2020. A more relevant comparative to the £1,059,000 in 2021 would be £1,033,000.

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 car and 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:

	2021 £000	2020 £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 2021 and 2020 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 £872,204 (2020: £828,983).

Contributions were paid to the Adnams defined contribution pension scheme in respect of K Hester, £14,100 (2020: £14,000), MGH Heald, £2,500 (2020: £2,100) and JEI Hanlon £9,300 (2020: £3,600).

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 2020 and 2021.

There were no share option arrangements in place.

10 Interest payable and similar charges

	2021 £000	2020 £000
Bank loans and overdraft	338	346
Other	13	7
Preference share dividends paid: 3.85% cumulative £10 shares	1	1
Preference share dividends paid: 4.9% non-cumulative £5 shares	1	1
	352	355

NOTES TO THE FINANCIAL STATEMENTS

Continued

11 Tax on profit on ordinary activities

	2021 £000	2020 £000
The charge based on the (loss)/profit for the year comprises:		
UK corporation tax @ 31 December 2021 19.00% (2020: 19.00%)	-	-
Tax under/(over) provided in prior years	(1)	30
Total current tax	(1)	30
Deferred taxation (note 19)		
Origination and reversal of timing differences	(334)	(805)
Effect of changes in tax rate on opening liability	562	255
Pension cost relief in excess of pension cost charge including effect of rate changes	-	(1)
FRS17 pension charge P&L movement	3	-
Adjustment in respect of prior years	24	-
Total deferred tax	255	(551)
Tax on profit on ordinary activities	254	(521)

The tax assessed for the year is higher (2020: higher) than the average rate of corporation tax in the UK of 19% (2020: 19%).
The differences are reconciled below:

Profit on ordinary activities before tax	(1,388)	(4,304)
Profit on ordinary activities multiplied by average rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(264)	(841)
Disallowed expenses	36	68
Non-taxable income	-	-
FRS 17 pension charge profit and loss movement	-	(6)
Effect of changes in tax rate on opening liability	482	255
Other tax differences	(23)	(27)
Adjustment relating to prior years and rate change	23	30
Tax on profit on ordinary activities	254	(521)

The aggregate current and deferred tax credit relating to items that are recognised as items of other comprehensive income is £880,000 (2020: £1,075,000).

During 2020 the UK corporation tax rate was 19%. The Government has announced that corporation tax rates will be increased from their current 19% to 25% from 1 April 2023. Deferred tax had previously been calculated at 19%; the rate used at the balance sheet date was 25%; this generated an opening liability change of £562,000.

12 Dividends

	2021 £000	2020 £000
Equity dividends on ordinary shares		
Interim paid	-	-
Final paid	-	-
	-	-

13 Earnings per share

	2021	2020
Including property disposals:		
‘A’ Ordinary shares	-87.1p	-206.8p
‘B’ Ordinary shares	-348.3p	-827.2p

Basic and diluted earnings per share for ‘A’ Ordinary shares are calculated by dividing the earnings available for ‘A’ Ordinary shareholders of (£647,828) (2020: -£1,538,562) by the number of issued 25p ‘A’ Ordinary shares (note 20): 744,000 (2020: 744,000).

Basic and diluted earnings per share for ‘B’ Ordinary shares are calculated by dividing the earnings available for ‘B’ Ordinary shareholders of (£995,573) (2020: -£2,364,438) by the number of issued £1 ‘B’ Ordinary shares (note 20): 285,842 (2020: 285,842).

Excluding property disposals:		
‘A’ Ordinary shares	-87.1p	-206.8p
‘B’ Ordinary shares	-348.3p	-827.2p

14 Tangible fixed assets

	Freehold and leasehold land and buildings £000	Plant, equipment, fixtures & fittings and motor vehicles assets	Total £000
Cost			
At 1 January 2021	32,650	47,328	79,978
Additions	41	1,536	1,577
Disposals	-	(74)	(74)
At 31 December 2021	32,691	48,790	81,481
Depreciation and impairment			
At 1 January 2021	10,256	28,906	39,162
Provided in the year	448	3,005	3,452
Disposals	-	(46)	(46)
At 31 December 2021	10,704	31,864	42,568
Net book value at 31 December 2021	21,987	16,926	38,913
Net book value at 31 December 2020	22,394	18,422	40,816

At 31 December 2021 £555,000 (2020: £99,000) of assets were in the course of construction. These are shown within the £1,536,000 additions value above and are not depreciated.

	2021 £000	2020 £000
The cost of land and buildings comprises:		
Freehold land	1,973	1,973
Freehold buildings	29,909	29,868
Long leasehold	705	705
Short leasehold	104	104
	32,691	32,650

The company carried out an annual impairment review of the pub and shop assets, as explained in the accounting policy disclosed on page 35. 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 with 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 9.2%. Any shortfall is recognised as an impairment loss. Using this methodology, no impairment charge was due in 2021 (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

Continued

15 Stocks

	2021 £000	2020 £000
Raw materials	2,091	1,609
Work in progress	2,178	2,071
Finished goods and goods for resale	5,510	5,039
	9,779	8,719

A credit for slow-moving and obsolete stock of £146,000 (2020: £16,000 charge) 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.

16 Debtors

	2021 £000	2020 £000
Trade debtors	3,367	2,196
Prepayments	835	742
Corporation tax asset	-	111
Deferred tax asset	-	513
	4,202	3,562

Trade debtors includes amounts due after more than one year of £259,000 (2020: £193,000).

Trade debtors are stated after provision for impairment of £123,000 (2020: £353,000).

17 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank overdraft	1,022	2
Bank loans	325	-
Trade creditors	7,280	5,903
Taxation and social security	1,609	3,727
Corporation tax	-	-
Accruals	3,203	2,291
	13,439	11,923

The bank overdraft and loans are secured by a debenture to Barclays Bank plc over the assets of the company. The bank loan is repayable on 31 January 2023 and the bank overdraft is repayable on demand.

See note 27 for further details of the bank overdraft and loans.

18 Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Tenants' deposits	146	153
Bank loans (repayable in less than 5 years)	9,675	10,000
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
	9,867	10,199

The bank loans are secured by a debenture to Barclays Bank plc over the assets of the company and are repayable on 31 January 2023.

See note 20 for full details of the preference shares.

See note 27 for further details of the bank loans.

19 Deferred taxation

	2021 £000	2020 £000
Accelerated capital allowances	1,531	1,107
Other timing differences	192	183
Trading losses	(1,249)	(736)
Chargeable gains	1,396	1,062
Deferred tax excluding that relating to pension liability	1,870	1,616
Deferred tax on pension scheme deficit (note 26)	(1,247)	(2,129)
Total deferred tax liability/(asset)	623	(513)
Movement in the provision		
At 1 January 2021	1,616	
Deferred tax charge to the profit and loss account	(334)	
Adjustment arising from change in future tax rates	562	
Adjustment in respect of prior years	26	
At 31 December 2021	1,870	
Deferred tax asset relating to pension deficit		
At 1 January 2021	(2,129)	
Rate change	(672)	
Deferred tax credited in the profit and loss account	(2)	
Deferred tax charged in the statement of comprehensive income	1,556	
At 31 December 2021	(1,247)	

20 Called-up share capital

	Authorised		Allotted, called-up and fully paid	
	2021 £000	2020 £000	2021 £000	2020 £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 18.

21 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.

22 Capital commitments

	2021 £000	2020 £000
Contracted for	509	188

The amount for 2021 reflects capital commitments for spend including JD Edwards future proofing, Hoptimiser and whisky casks.

The 2020 amount related to the mill roller replacements and whisky casks.

NOTES TO THE FINANCIAL STATEMENTS

Continued

23 Operating lease commitments

	2021 £000	2020 £000
Future minimum lease payments:		
Within 1 year	665	654
In 1–5 years	2,199	2,344
In over 5 years	1,499	1,813
	4,363	4,811

24 Contingent liabilities

At the year end Barclays Bank held a bond guarantee on behalf of Adnams plc with HMRC for £30,000 (2020: £30,000).

25 Transactions with related parties

	2021 £000	2020 £000
Dividends paid to directors	-	-

The key management of Adnams plc are considered to be the executive directors, the compensation for whom was £1,033,000 for the year (2020: £852,000) including employer's national insurance and 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.

During the year the company made sales of £241,000 (2020: £142,000) and held a year end balance due to Adnams of £31,000 (2020: £4,000) from The Hotel Folk Ltd of which Mr AC Wood resigned as a director in November 2021. Mr AC Wood is also a director of Roys (Wroxham) Ltd where Adnams made sales of £61,000 (2020: £84,000) and held a year end balance of £7,000 due to Adnams (2020: £2,000), as well as purchases of £1,000 (2020: £3,000) and no outstanding balance due from Adnams at year end (2020: £nil).

Mr MGH Heald is a director of or connected with five companies that are customers of Adnams plc. The names of these companies, together with the sales/purchases made and the debtor/creditor balances outstanding at 31 December 2021 and 2020, are listed below. Transactions in each case were on arm's length terms and outstanding balances were not overdue, excluding an amount of £1,000 for a 2019 dated invoice to Fishers Gin Ltd.

1. The Hotel Folk Ltd: sales of £241,000 (2020: £142,000) and balance due to Adnams of £31,000 (2020: £4,000).
2. The Soho Theatre Bar Ltd: sales of £93,000 (2020: £49,000) and a balance due to Adnams of £6,000 (2020: £nil) and paid for purchases of £13,000 (2020: £23,000) with an outstanding balance due from Adnams of £nil (2020: £nil) at year end. Adnams has a one-year sponsorship agreement with The Soho Theatre with effect from 17 May 2021 at a rate of £25,000.
3. Sagittarius Royaume-Uni Ltd: sales of £nil (2020: £nil) and a balance due to Adnams of £nil (2020: £nil) and paid for purchases of £nil (2020: £nil).
4. Fishers Gin Ltd: sales of £nil (2020: £18,000) and a balance due to Adnams of £1,000 (2020: £26,000) and paid for purchases of £25,000 (2020: £24,000) and a balance due from Adnams of £nil (2020: £nil).

Aside from being a director, Mr Heald is also the majority shareholder in the above companies, with the exception of Fishers Gin Ltd and The Soho Theatre Bar Ltd. In July 2021 Mr Heald resigned as a director of The Soho Theatre Bar Ltd.

During 2020, the company made sales of £6,000, of which £2,000 was outstanding at the year end, to Jarrold & Sons Ltd. Ms BF McIntyre was a director until 31 December 2020.

During the year the company received a credit note totalling £1,000 (2020: purchases totalling £900), of which £nil (2020: £nil) was outstanding at year, from Royal Norfolk Agricultural Association of which NJ Dulieu is a director.

The Employee Benefit Trust (EBT) held 9,376 Adnams plc 'A' shares at 31 December 2021 (2020: 8,866 'A' shares). During 2021, the EBT received no dividends (2020: £nil).

There is no overall controlling party of Adnams plc.

26 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.

26 Pension scheme continued

Defined benefit pension scheme continued

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 2021 by a qualified actuary.

Financial assumptions	2021	2020
Pensionable salary growth	N/A	N/A
Pension escalation in payment:		
Benefits accrued prior to 6 April 1997	4.0% pa	4.0% pa
Benefits accrued after 6 April 1997 to 1 October 1999	4.1% pa	4.1% pa
Benefits accrued after 1 October 1999 to 5 April 2005	3.3% pa	2.9% pa
Benefits accrued after 5 April 2005	2.4% pa	2.3% pa
Discount rate for liabilities	1.8% pa	1.2% pa
Inflation assumption	3.5% pa	3.0% pa
Pension revaluation in deferment	2.9% pa	2.4% pa

Demographic assumptions

Assumed life expectancy in years, on retirement at 65	2021	2020
Retiring today:		
Males	21.7	21.7
Females	23.6	23.5
Retiring in 20 years:		
Males	23.0	23.0
Females	25.0	25.0

Assets as a percentage of total plan assets	2021	2020
UK equities	2.4%	12.9%
Overseas equities	30.6%	22.8%
Corporate bonds	19.6%	16.7%
Government bonds	25.1%	26.8%
Property	19.9%	8.1%
Cash	1.7%	9.0%
Qualifying insurance policies	0.7%	3.7%
Total assets	100.0%	100.0%

	Value at 31/12/2021 £000	Value at 31/12/2020 £000
The assets and liabilities in the scheme		
Total market value of assets	42,533	40,434
Present value of scheme liabilities	(47,521)	(51,632)
Deficit in the scheme	(4,988)	(11,198)
Related deferred tax asset	1,247	2,128
Net pension liability	(3,741)	(9,070)
Actual return/(loss) on plan assets	3,411	1,839

NOTES TO THE FINANCIAL STATEMENTS

Continued

26 Pension scheme continued

Demographic assumptions continued

	2021 £000	2020 £000
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	51,632	46,467
Interest cost	595	836
Actuarial losses – change of basis	(3,403)	5,935
Actuarial gains – experience	63	53
Benefits paid	(1,125)	(1,368)
Past service cost	–	90
Changes in liabilities covered by qualifying insurance policies	(241)	(381)
Closing defined benefit obligation	47,521	51,632

	2021 £000	2020 £000
Changes in the fair value of plan assets are as follows		
Opening fair value of plan assets	40,434	40,269
Interest income	461	719
Return on assets (excluding interest income)	2,950	1,120
Administrative expenses	(96)	(75)
Contributions by employer	150	150
Benefits paid	(1,125)	(1,368)
Changes in qualifying insurance policies	(241)	(381)
Closing fair value of plan assets	42,533	40,434

The company expects to contribute £120,000 to the Adnams Pension Fund in the next accounting year.

	2021 £000	2020 £000
Analysis of charges recognised in the profit and loss		
Interest income	461	719
Interest cost	(595)	(836)
Net interest cost	(134)	(117)
Past service cost	–	(90)
Administrative expenses	(96)	(75)
Total charges	(230)	(282)

	2021 £000	2020 £000
Analysis of the amount recognised in other comprehensive income		
Return/(loss) on plan assets (excluding amounts included in net interest cost)	2,950	1,120
Experience gains/(losses) arising on the scheme liabilities	(63)	(53)
Changes in assumptions underlying the present value of the scheme liabilities	3,403	(5,935)
Actuarial gain recognised in other comprehensive income	6,290	(4,868)

26 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 £425,000 (2020: £416,000) to the schemes (note 9).

There was £75,000 of outstanding contributions payable at the year end (2020: £61,000).

27 Financial instruments

The company's principal financial instruments comprise a bank loan, cash and bank overdraft. 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.

	2021 £000	2020 £000
Financial assets measured at amortised cost	3,367	2,195
Financial liabilities measured at amortised cost	21,697	18,394

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 2021 the borrowing facilities comprised of a fixed rate 2 year loan of £5 million, which is due to end 31 December 2023, a revolving credit facility of £7 million and an overdraft of £8 million. At 31 December 2021 the fixed-rate five-year loan was fully drawn, £5m of the revolving credit facility was drawn, there was a draw down against the overdraft of £1.36m. Finance is also provided through preference shares, details of which are included in note 20.

Interest rate profile

At 31 December 2021 a bank loan of £5,000,000 (2020: £5,000,000) bears interest at 2.15% (2020: 2.25%) and a further revolving credit facility of £7,000,000 bears interest at 2.150% (2020: 2.25%).

At 31 December 2021 bank overdrafts of £1,360,000 (2020: £1,859) bear interest at 1.60% (2020: 1.60%) above Barclays Bank base rate which was 0.25% (2020: 0.1%).

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 €2.9 million.

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.

28 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. 9,376 shares, all of which were Adnams plc 'A' shares, were held by the Employee Benefit Trust at 31 December 2021 (2020: 8,866 shares).

29 Subsequent Events

The business has agreed a refinancing with Barclays Bank, starting on 21 March 2022. This maintains our previous level of debt at £20m and is a fully committed facility which incorporates two ESG key performance indicators. This facility comprises a £10m term loan and a revolving credit facility of £10m. A new addition to the facility is a £3m accordion. The new refinancing agreement will see a change to the banking covenants effective from the quarter ended December 2022, which will be focused on leverage and interest cover measurements, rather than the rolling 12 months' EBITDA measurement which will cease to be measured after quarter ending September 2022.

CORPORATE GOVERNANCE

Standards

Adnams is committed to high standards of corporate governance incorporating best practice. The Board have regard to the requirements of the Quoted Company Alliance (QCA) Code insofar as it is thought appropriate in relation to the nature and size of the company.

The company has a long history of applying good corporate governance and is committed to continuously improving its corporate governance to support its strategies and ethics. The Board believes that it applies the ten principles of the QCA Code, further details of which are set out below and on the company's website at www.adnams.co.uk/pages/regulatory-disclosures.

The workings of the Board and its committees

The Board comprises four executive directors and four non-executive directors. The Board is responsible to shareholders for the proper management of the company. It meets monthly, setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, examining acquisition possibilities, formulating policy on key issues and reporting to shareholders.

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

The Audit Committee, chaired by BF McIntyre, meets not less than twice annually. The Committee provides a forum 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 in force in the company to ensure the integrity of the financial information reported to shareholders.

The Remuneration Committee is chaired by NJ Dulieu and meets twice annually. The Director of People and Culture attends at the invitation of the Committee.

Membership of the Audit and Remuneration committees comprises the three independent non-executive directors: NJ Dulieu, BF McIntyre and SM Sharp (Senior Independent Director).

Membership of the Nominations Committee is agreed according to the circumstances of the nomination.

Internal control

The Board acknowledges its responsibility for maintaining a system of internal control including providing a reasonable, albeit not absolute, assurance against mis-statement 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 UK 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

BA French
Secretary

31 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ADNAMS PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Adnams PLC (the 'company') for the year ended 31 December 2021, which 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 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the key audit matters section of our report.

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.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality: £1,056,000 which approximates to 2% of the turnover.

The key audit matter identified was going concern, in line with the previous year.

Our audit report for the year ended 31 December 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to the impairment of property, plant and equipment and has been identified as an area of lesser significance in the audit given that the impact of COVID-19, which gave rise to a heightened risk in the prior year, has reduced in the current year.

Our audit approach was a risk-based substantive audit incorporating testing of the operating effectiveness of controls relating to cost of sales.

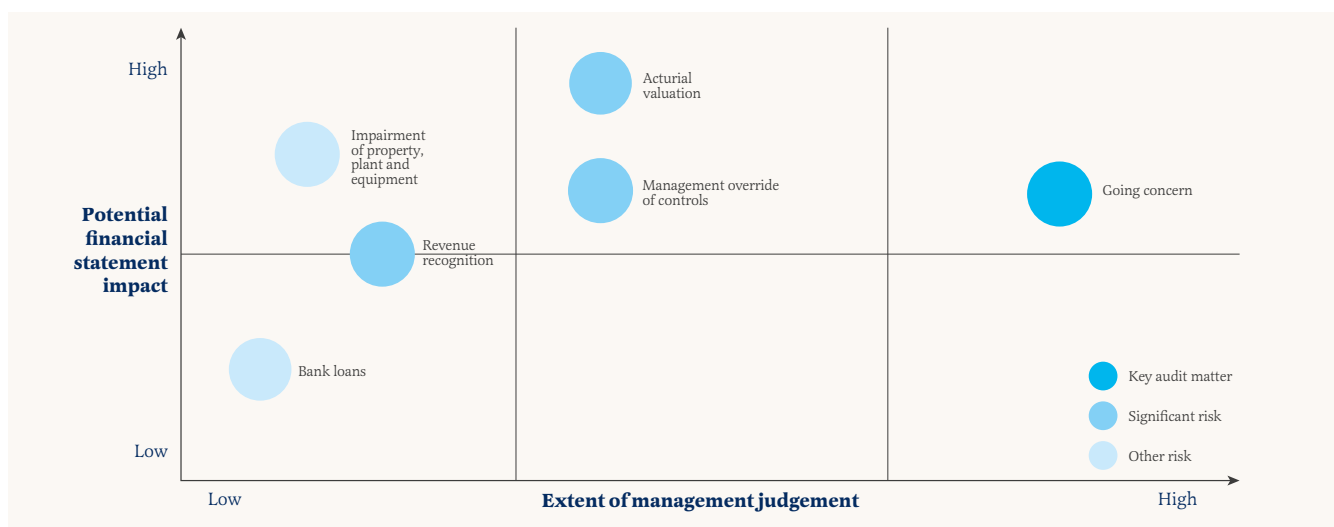
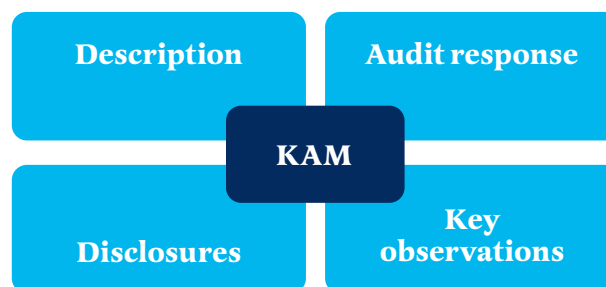
The scope of the audit remained largely the same as in the prior year.



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 that 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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



INDEPENDENT AUDITOR'S REPORT

Continued

Key Audit Matter

Going concern

We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error. This reflects the continued focus on the company's ability to meet the debt covenants within its borrowing facilities, which are measured on financial performance. The company operates in the hospitality industry where performance from March 2020 to May 2021 was significantly impacted by the lockdown restrictions imposed by the government in response to COVID-19. Whilst the restrictions have been lifted, there is still uncertainty in terms of the speed of recovery of the sector to pre-COVID levels. Macro-economic factors are creating inflationary pressure on costs, and reducing consumers' disposable incomes. Consequently, there is a heightened level of judgement applied in developing cash flow forecasts and in determining compliance with loan covenants.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- we obtained management's base case forecasts covering the period to 30 June 2023, which included details of management's key assumptions, and assessed how these forecasts were compiled;
- we evaluated the accuracy of management's historic forecasting by considering the reliability of past forecasts in conjunction with recent historical financial information;
- we tested the arithmetic accuracy of management's calculations in the forecast model and the underlying data used to prepare the forecast scenarios and determined whether there was adequate support for the assumptions underpinning the forecast;
- we evaluated management's key assumptions which included returning to pre COVID trading levels, whilst maintaining current debtor and creditor payment periods. Specifically, we considered whether the assumptions are consistent with our understanding of the business obtained during the course of the audit, the economic environment and the events occurring in the post year end period;
- we stress tested management's model to understand the level of sensitivity within the forecasts to reductions in EBITDA and liquidity as these were the key factors for the financial covenants in the borrowings;
- we assessed the feasibility and reasonableness of mitigating actions available to management and the impact of these mitigating actions to restrict forecast cash outflows in their worst case scenario;
- we inspected the terms of the company's bank loan facility to ensure that they support the going concern assumption;
- we challenged management on their assessment of covenant compliance during the going concern assessment period by reperforming the covenant calculations; and
- we evaluated the adequacy of the company's going concern disclosures for compliance with the requirements of United Kingdom Generally Accepted Accounting Practice.

Our results

Based on our audit work, we have concluded that the use of the going concern assumption by management remains appropriate. We consider the disclosures in note 2 of the financial statements to be appropriate. We found no errors in the calculations.

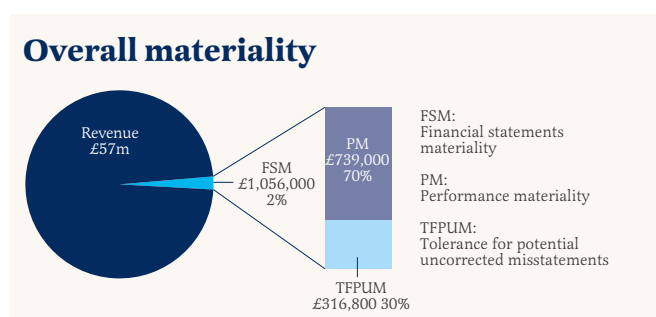
Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1,056,000 which approximates to 2% of turnover.
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> - The selection of an appropriate benchmark; and - The selection of an appropriate percentage to apply to that benchmark. <p>We selected revenue as the relevant benchmark because it is a key performance measure for the company and therefore of interest to stakeholders. This benchmark is considered the most appropriate due to the significant level of user focus on this amount in assessing the company's future prospects and in assessing the company's performance during the year.</p> <p>We elected to increase the percentage of revenue applied last year to 2%, based on our assessment of the underlying risk inherent within the company's business, and wider firm guidance. Materiality for the current year has also increased this year due to the increased level of sales achieved in 2021 as compared to 2020.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole 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 threshold	£739,000 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we consider a threshold of 70% to be appropriate owing to the magnitude of misstatements identified in prior years' audits being minimal.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£52,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the company's business. We obtained an understanding of the company and its environment, including the controls, risk profile, any changes in the business and assessed the risks of material misstatement to determine the level of work to be performed. We performed a full scope audit based on the materiality assessed above. The audit work focused on the risk areas identified. Our approach in the current year changed from the prior year in that we extended the use of data analytic technique to cost of sales completeness testing in addition to revenue testing as per the prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT

Continued

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 report of the directors.

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 from 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 for the financial statements

As explained more fully in the directors' responsibilities in respect of the accounts set out on page 51, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud include the following:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company. We concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements that comprise those relating to the Companies Act 2006 and taxation;
- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee;
- We enquired of management and the audit committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We made specific inquiries of key personnel outside the finance department to determine whether there were fraud risk factors arising from the company's day to day operations;

- 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 the evaluation of the risk of management override of controls and through manipulation of accounting estimates. Audit procedures performed included:
 - identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - challenging assumptions and judgements made by management in its significant accounting estimates.
- 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;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal requirements specific to the entity including the provisions of the applicable legislation and the applicable statutory provisions.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. No matters relating to non-compliance with laws and regulations were determined as key audit matters.

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.

Timothy Taylor FCA Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

31 March 2022

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 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

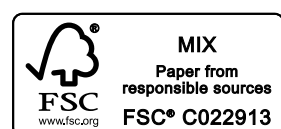
43A Cornhill
Bury St Edmunds
Suffolk
IP33 1DX
T: 01284 705746

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 Edixion Challenger Offset which is 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 plc
Sole Bay Brewery, Southwold,
Suffolk IP18 6JW
adnams.co.uk



@adnams



adnams



adnams