

# ADNAMs. SOUTHWOLD

Adnams plc  
Interim Accounts 2021



## Chairman's Statement

# THE ADAPTABILITY AND RESILIENCE WITHIN OUR CULTURE HAS SERVED US WELL IN CHALLENGING TIMES →



### Results

The year began as 2020 ended, with the UK and much of the rest of the world in lockdown. It is worth noting that the hospitality industry has spent marginally more days in lockdown in 2021 to date, than it did in 2020, resulting in slightly lower sales at £20.5m vs £20.6m in 2020. The effective closedown continued until April 12th, when pubs were able to reopen on a restricted basis to outdoor service only. On May 17th we saw a further easing of restrictions and pubs and hotels were able to once again welcome guests inside, although with continuing Government restrictions relating to social distancing and table service. As I commented last year, our business is weighted towards the on-trade through our own pubs and free trade business. However, our business through supermarkets and our own website has continued to sustain us and ensure our customers can enjoy our range of beers, spirits and wines at home.

In the first half of the year, we have made use of the Government support schemes that have continued into this year.

We have made use of the Job Retention Scheme and HMRC Time to Pay initiatives and have also benefitted from business rate relief and the VAT reduction to 5%. We have also continued to implement the crisis management framework that we established in March 2020 at the start of the pandemic, namely: Safety first, for our customers and staff; stabilise the business, save jobs and save our pubs from the ravages of being unable to trade. This framework has meant that we have been strict throughout the business in our implementation of Covid-secure rules, managed cash very carefully, maximised the use of Government support schemes and continued with the cancellation of rents for our tenants.

Adhering to our crisis management plan has meant that we have ended the first half of the year with an improved position over the same period last year. Our half year Earnings before Interest, Tax, Depreciation and Amortisation, EBITDA, commonly used as a proxy for cash generation before capital expenditure, was a loss of £1.3m compared to £1.6m in 2020. Our operating loss this year was £3.1m against £3.5m in 2020.

Given ongoing uncertainties related to the pandemic, it is difficult to be precise about when we will be able to return to paying dividends. The company continues to benefit from a loyal and supportive shareholder base and the directors will keep the dividend policy under continuous review and will return to paying dividends as soon as it is appropriate.

### The drinks business

Government's restrictions and the cold spring effectively curtailed beer and spirit sales to pubs until May 17th, when customers were finally allowed to drink inside. In effect we were unable to supply the on-trade in any significant volume for 136 days in the first half of this year, or 27% more days compared to the same period last year. This resulted in year-on-year on-trade beer and spirits volumes being down by 26% and spirits only 11%. Latest comparative market data for on-trade beer, provided by the British Beer and Pub Association, suggests -52% on a Moving Annual Total basis. In contrast our sales for home consumption of beer were maintained at 2020 levels, whilst our spirits saw a marginal decline. Our export business was also down 6%, reflecting turmoil in markets around the world. In terms of products, Ghost Ship in all its variants, including 0.5%, remains our most popular beer; with Kobold, our premium lager launched last July, making good progress. Copper House Dry Gin remains our customers' favourite amongst our gin range, although our recently released Jardin Mexicano is generating good reviews. Our products often appear in television programmes such as Saturday Kitchen and are regularly featured in broadsheet newspapers and quality magazines. When these features occur, we can now directly see the sales benefit, particularly in our online sales channel.





### Our own pubs and hotels

Our hotels remained closed until May 17th and many of our pubs opened spasmodically at step 1 of the release from lockdown on April 12th. The colder spring this year meant drinking in pub gardens needed warm clothing and a stoicism that eluded many once the initial novelty of a pub visit wore off. In effect, our pubs and hotels reopened in earnest on May 17th. Restrictions aside, demand has been strong as many customers left towns and cities for a day trip or break on the East Anglian coast. Accommodation has also been strong since reopening and the teams in our hotels and pubs with rooms, have been delighted to welcome customers back. The business model of many of our pubs is food led, so social distancing requirements have reduced capacities significantly. However, everybody is thrilled to be open to customers once again. Our support for pubs has been well recognised and we enter the second half of 2021 with all our pubs let and with a waiting list of prospective tenants.

### Our retail business

Our website continued to work well for us throughout lockdown and we are grateful to our logistics partners for helping us to maintain service levels throughout a relentlessly busy period. The website continues to maintain good sales levels even though we reopened our shops in April. We have been pleased to see customers return to our shops and the signs are that our retail business has avoided the problems of many on the High Street due to our geographical location in interesting places and because of the level of service and expertise we are able to provide. There is no doubt that when added to our business with Supermarkets, our shops and online business has been a mainstay of Adnams throughout the pandemic. This is a benefit that our diversified portfolio of business gives us.

### Our people

The Adnams team has performed admirably throughout a series of lockdowns and when called upon to reopen the business. The adaptability and resilience within our culture has meant that we have been able to deal with this uncertain and fast changing situation in the best way possible, taking our customers with us and positioning us for future success.

### Finance

Our bank debt on 30th June 2021 was £13.4m, compared to 30th June 2020, when it stood at £14m. We have continued to focus on working capital management. We have repayment plans in place with HMRC and indeed have paid down some of the outstanding monies to them in the first half of the year. We refinanced with Barclays for a further three years, at the end of 2020 with a total facility of £20m, comprising of a £5m term loan, a £7m revolving credit facility and an £8m overdraft. Our borrowings have increased from the £9.6m at year end as we unwind monies owed to HMRC and restocked the business for reopening in April/May. Since reopening, the business has been cash-generative and can sustain this level of debt as we seek to catch up on preventative property maintenance that we have been unable to complete through the various lockdowns. We have been well supported throughout the pandemic by Barclays and we will not face, a covenant test until December 2021.

The pension scheme valuation has been updated for movements in the six months since the year end valuation. No revaluation is undertaken at the half year. The half year deficit is £11.2m which compares to £6.2m at 30th June 2020 and £11.2m at 31st December 2020.

### The future

The future in this context has two components: the immediate short term and the longer term beyond coronavirus.

As I write, we are seeing infection levels and cases of Covid rise across the country, particularly amongst younger unvaccinated members of the population and disruption being caused by the NHS COVID-19 contract tracing app notifying our staff to self-isolate in large numbers. July 19th sees all current Covid restrictions removed and the economy completely reopening. We are pleased at the prospect of unrestricted trading and that the vaccine roll-out and vaccine efficacy has enabled the country to reach this stage. However, we have also always been clear that any release must be sustainable and unreversible. Given current data and the 'mood music' coming from Government and the medical community we will continue to take a cautious stance to ensure the business, our staff, our pubs, and our customers are protected for the future as we deal with those ongoing uncertainties. Furthermore, we are experiencing increases to input costs, some difficulties in wine supply from Europe and around the world, together with some upward pressure on wages. We are conscious that these issues are not hospitality specific and that there are wider inflationary pressures in the economy related to aftershocks from the pandemic and Brexit. We have invested and hedged against these through our investment in technology, wider digital transformation and internal efficiencies. These initiatives, coupled with the strength of our brand and the commitment of the Adnams team, means that I am confident that the company has a strong independent future over the long term as we approach our 150th birthday celebrations in 2022.

Jonathan Adnams OBE  
Chairman

## Profit and loss account

For the six months ended 30 June 2021

	Notes	Unaudited 6 months to 30 June 2021 £000	Unaudited 6 months to 30 June 2020 (Restated) £000	12 months to 31 December 2020 £000
<b>Turnover</b>		<b>20,518</b>	20,661	50,661
Other operating income	2	<b>1,933</b>	1,959	3,196
Operating expenses		<b>(25,537)</b>	(26,131)	(57,599)
<b>Operating (loss)/profit before highlighted items</b>		<b>(3,086)</b>	(3,511)	(3,742)
Highlighted items - operating expenses		<b>0</b>	0	(90)
<b>Operating (loss)/profit</b>		<b>(3,086)</b>	(3,511)	(3,832)
Profit/(loss) on disposal of assets		<b>0</b>	0	0
<b>(Loss)/profit before interest and taxation</b>		<b>(3,086)</b>	(3,511)	(3,832)
Interest		<b>(187)</b>	(303)	(355)
Other finance charge on pension scheme		<b>(67)</b>	(59)	(117)
<b>(Loss)/profit before taxation</b>		<b>(3,340)</b>	(3,873)	(4,304)
Tax on loss on ordinary activities	3	<b>185</b>	667	521
<b>(Loss)/profit</b>		<b>(3,155)</b>	(3,206)	(3,783)
<b>(Loss)/earnings per share</b>	4			
'A' Shares of 25p each, Inc. asset disposals (pence)		<b>(167.2)p</b>	(169.8)p	(206.8)p
'B' Shares of £1 each, Inc. asset disposals (pence)		<b>(668.6)p</b>	(679.4)p	(827.2)p
'A' Shares of 25p each, Exc. asset disposals (pence)		<b>(167.2)p</b>	(169.8)p	(206.8)p
'B' Shares of £1 each, Exc. asset disposals (pence)		<b>(668.6)p</b>	(679.4)p	(827.2)p

## Balance sheet

As at 30 June 2021

	Notes	Unaudited 30 June 2021 £000	Unaudited 30 June 2020 £000	31 December 2020 £000
<b>Fixed assets</b>				
Tangible assets		<b>39,540</b>	42,014	40,816
<b>Current assets</b>				
Stocks		<b>8,889</b>	8,688	8,719
Debtors		<b>6,448</b>	6,063	3,562
Cash at bank and in hand		<b>1</b>	2	435
		<b>15,338</b>	14,753	12,716
<b>Creditors: amounts falling due within one year</b>	5	<b>(15,716)</b>	(14,793)	(11,923)
<b>Net current (liabilities)/assets</b>		<b>(378)</b>	(40)	793
<b>Total assets less current liabilities</b>		<b>39,162</b>	41,974	41,609
<b>Creditors: amounts falling due after more than one year</b>		<b>(10,188)</b>	(10,198)	(10,199)
<b>Provision for liabilities</b>		<b>0</b>	(996)	0
		<b>(10,188)</b>	(11,194)	(10,199)
<b>Net assets excluding pension liability</b>		<b>28,974</b>	30,780	31,410
Pension liability		<b>(11,243)</b>	(6,157)	(11,198)
<b>Net assets including pension liability</b>		<b>17,731</b>	24,623	20,212
<b>Capital and reserves</b>				
Called up share capital		<b>472</b>	472	472
Share premium		<b>144</b>	144	144
Profit and loss account		<b>17,115</b>	24,007	19,596
<b>Equity shareholders' funds</b>		<b>17,731</b>	24,623	20,212

### Notes

#### 1 Basis of preparation

The interim accounts, which have not been audited, have been prepared under the recognition and measurement principles of FRS 102. The 2020 full year accounts were audited. The accounting policies are unchanged from 2020.

Given the major uncertainties at this time, few businesses can have absolute confidence in their long-term position. We continue to manage cash carefully in the business and have concluded, based on our cash management over the past few months and our current projections, that Adnams continues to be soundly based thus the adoption of the going concern basis in these accounts is justified.

#### 2 Other operating income

The inclusion of the other operating income line within the profit and loss account is to reflect correct accounting treatment of furlough claims and grant income in both periods. There was limited guidance available at the time of issuing the half year accounts to 30 June 2020. As such, we have restated the 6 months to 30 June 2020 to show this consideration.

#### 3 Taxation

The taxation charge is based on the estimated tax rate for the year.

#### 4 Earnings per share

Earnings per share is calculated by dividing the earnings available to ordinary shareholders by the issued ordinary share capital of £471,842. The earnings per share calculation is the same for basic and diluted earnings.

#### 5 Bank balance at period end

Due to a mistake by the Company's bankers, monies were swept in error by the bank on 30th June 2021 and subsequently reimbursed. The accounts have been prepared on the basis that such an error did not take place, as to reflect it would be fundamentally misleading of the financial position of the Company.

#### 6 Impairment

At the reporting date our pubs were open in line with government guidelines. We considered the carrying value of our estate and due to subsequent trading being ahead of internal forecasts, no impairment was deemed necessary.