

ADNAMs. SOUTHWOLD

Adnams plc
Interim Accounts 2022

CHAIRMAN'S REPORT

JONATHAN ADNAMS OBE

Chairman



“Our investments in sustainability will serve us well into the future.”

In so many respects the nation limped into 2022 as the pandemic subsided and the economy took its first tentative steps towards recovery. So it was for pubs and bars as they looked forward to a year where they were able to trade normally and without restriction. For the company this has led to the first half of 2022 being a period of stabilisation and consolidation of our position following two years of disrupted trading. I am pleased to report sales of £30m in the first half of the year, up by £9m from 2021. This gives rise to a £2.4m improvement in our operating loss at (£0.7m) vs (£3.1m) last year. Cashflow remains strong and we have repaid all outstanding monies owed to HMRC and are no longer in receipt of any Government support schemes. We refinanced in January and maintained our facility with Barclays to £20m. This comprises a £10m term loan, £7m revolving credit facility and a £3m overdraft. The business also retains the ability to call down a further £3m facility.

During the first six months of the year, we saw the on-trade recover some of its lost ground at the expense of the off-trade, although we believe it will be some time yet before it returns to pre-pandemic levels. In this period, we have seen the behaviour of customers in rural and coastal pubs also change. They are visiting and eating much earlier in the evening and consequently going home much earlier. Later in the evening pubs are much quieter than pre-pandemic and we are seeing pub visits even more weighted towards the end of the week and weekends. This leads to some pubs still operating restricted opening hours, time alone will tell if this becomes normal practice. Our managed estate, comprising mainly of hotels and larger pubs with rooms, have continued to fare well and benefit from the staycation phenomenon. The media reporting of disruption at airports and ports has led many of our customers to retain a UK break in their repertoires and this has benefitted us. Our leased and tenanted pubs, many of which are in tourist locations, have also benefitted from this development. Covid lockdowns were ongoing in the

first half of 2021 and as a result we still had many leased and tenanted pubs on a support package of cancelled, reduced, or minimal rents. These have all been fully restored in the first six months of 2022 and it is very gratifying that all our pubs made it through the most difficult set of circumstances.

Our retail business continues to make good progress and its performance in the first half of the year is ahead of last year. Our shops are developing into hubs that not only distribute our online orders within a 15-mile radius but serve bars and restaurants with a fast delivery service for Adnams beers, spirits, and wines and we see this as a model for future development. Our shops are largely located in interesting buildings and locations and have not suffered the dramatic falls in footfall experienced in larger towns and cities.





In the wider beer market, we have seen a recovery in the on-trade and rising sales volumes through from early in the year to May, albeit that the cask beer market remains somewhat subdued. June promised much with the Jubilee, but it turned out not to be the wonderful on-trade event everybody was hoping for. We have worked hard during the period to manage our cost base tightly and preserve margins. Much of this work has been successful and we have seen an improved result across our beer and spirits distribution channels. Our primary focus remains on our core products Ghost Ship 4.5%, Ghost Ship 0.5% and our Copper House Gin range. Our investment in the low/no alcohol reverse osmosis plant in 2018 has proven to be prescient as that segment of the market remains in strong growth and I am pleased to say that Ghost Ship 0.5% is now our second largest beer product behind its full alcohol sibling.

Our outlook for the full year remains cautious. Our long-term investments in sustainability and sustainable production have served us well. However, we are not completely immune from what is going on in the wider world. We are a relatively large consumer of energy, water, and raw materials in our manufacturing business and like others across our industry we are currently seeing only upward pressure on global energy and cereal prices, packaging and fuel costs and interest rates. As I write this report, the Governor of the Bank of England is talking very candidly about the likelihood of a long recession and the global geopolitical situation remains very concerning. We also face pressure on wages as the costs of living for staff and their travel to work costs substantially increase. Much of this is also true for our leased and tenanted pub estate, and we will be working closely with them in the

coming months to ensure the wider Adnams organisation successfully navigates its way through these troubling economic times. This situation is really the last thing our industry needed after the previous two years, and we are highly conscious as to how much cost can realistically be passed directly through to the customer before a visit to the pub becomes too expensive. As ever we shall approach the issues with cool heads and our values front of mind as we navigate our way through this latest set of challenges underpinned by a strong brand, loyal customers and committed teams.

In my annual report last year, I stated 'whilst the company wants to return quickly to 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'. I am pleased therefore that we were able to pay an interim dividend in February this year of 156p per 'B' share and 39p per 'A' share in recognition of our strong trading in the Spring and Summer of the previous year and that fact that the Company did not pay a final dividend in relation to 2019, or any dividend in 2020 and 2021.

Despite somewhat gloomy economic news, 2022 is also a year for celebration. September sees the company's 150th anniversary and our Broadside beer become 50 years old. Both events that are worthy of raising a toast. Thank you for your continued loyal support.

Jonathan Adnams OBE
Chairman



At the time of preparation of this Chairman's report, we were deeply saddened to hear of the passing of Her Majesty Queen Elizabeth II. The Queen has reigned for longer than any other Monarch in British history and was loved and respected across the globe. Adnams has been deeply connected with her through our 3 successes with the Queens Award for Enterprise, Sustainable Development. We are immensely thankful for her lifetime of dedicated service and her extraordinary legacy. She has been a symbol of all that is great about Britain.

PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Unaudited 6 months to 30 June 2022 £000	Unaudited 6 months to 30 June 2021 (Restated) £000	12 months to 31 December 2021 £000
Turnover		30,075	20,518	57,368
Other operating income	2	-	1,933	1,938
Operating expenses		(30,789)	(25,537)	(60,204)
Operating loss		(714)	(3,086)	(898)
Loss on disposal of assets		-	-	(4)
Loss before interest and taxation		(714)	(3,086)	(902)
Interest		(275)	(187)	(352)
Other finance charge on pension scheme		(30)	(67)	(134)
Loss before taxation		(1,019)	(3,340)	(1,388)
Tax on loss	3	208	185	(254)
Loss		(811)	(3,155)	(1,642)
Loss per share	4			
'A' Shares of 25p each, Inc. asset disposals (pence)		(43.0)p	(167.2)p	(87.1)p
'B' Shares of £1 each, Inc. asset disposals (pence)		(172.0)p	(668.6)p	(348.3)p
'A' Shares of 25p each, Exc. asset disposals (pence)		(43.0)p	(167.2)p	(86.9)p
'B' Shares of £1 each, Exc. asset disposals (pence)		(172.0)p	(668.6)p	(347.6)p

BALANCE SHEET

AS AT 30 JUNE 2022

	Unaudited 30 June 2022 £000	Unaudited 30 June 2021 £000	31 December 2021 £000
Tangible fixed assets	37,792	39,540	38,913
Current assets			
Stocks	10,463	8,889	9,779
Debtors	5,447	6,448	4,202
Cash at bank and in hand	44	1	1
	15,954	15,338	13,982
Creditors: amounts falling due within one year	(15,705)	(15,716)	(13,439)
Net current assets/(liabilities)	249	(378)	543
Total assets less current liabilities	38,041	39,162	39,456
Creditors: amounts falling due after more than one year	(10,192)	(10,188)	(9,867)
Provision for liabilities	(414)	-	(623)
	(10,606)	(10,188)	(10,490)
Net assets excluding pension liability	27,435	28,974	28,966
Pension liability	(5,005)	(11,243)	(4,988)
Net assets including pension liability	22,430	17,731	23,978
Capital and reserves			
Called up share capital	472	472	472
Share premium	144	144	144
Profit and loss account	21,814	17,115	23,362
Equity shareholders' funds	22,430	17,731	23,978

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 2021 full year accounts were audited. The accounting policies are unchanged from 2021.

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 all periods.

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 Dividend

The directors of Adnams Plc (the "Company") resolved to pay an interim dividend in recognition of:

- the continued support of the members of the Company during the pandemic;
- the fact that the Company did not pay a final dividend in relation to its financial year ended 31 December 2019 or any dividend in relation to the financial year ended 31 December 2020 or 2021;
- our strong trading during the Spring, Summer and Autumn of 2021; and
- the confidence we have in our business as we emerge from the pandemic.