

# ADNAMs. SOUTHWOLD

Interim Report 2023

# The UK economy remains a challenge for Brewing and Hospitality.

**Dr Jonathan Adnams OBE**  
Chairman

One year on from the removal of Covid restrictions, the UK economic situation remained challenging in the first 6 months of the year with inflationary pressures continuing to persist and interest rates remaining stubbornly high. This has led to sales across the sector remaining almost 15% below pre-pandemic levels (source UK Hospitality). Lower levels of consumer confidence endure with around 35% of people saying they were going to spend less on going out (source: UK Hospitality) and KPMG citing in April this figure may be as high as 65% (source: KPMG, April 2023). Consequently, we continue to see the number of UK pubs continue to fall with the current 46,000 down some 15% from a decade ago (source: British Beer and Pub Association) and the cask beer market around 25% smaller than 2019. In June the accountancy firm Mazars reported some 45 breweries ceasing to trade in the 12 months to March 2023.

It is against this backdrop I report turnover for the first half of the year remaining at £30m consistent with the first half of last year. Operating losses increased to £2.4m on the back of continued pressure on input prices and reduced demand particularly in quarter one of the year. Cash generation remains a focus for the Company alongside managing levels of borrowing in the current higher interest rate environment. We therefore cannot commit to paying an interim dividend at this stage, but as is always the case the board keeps the matter under regular review and intends to return to paying dividends as soon as practicable.

The detail of the first half of the year from the company's perspective needs to be divided into the two quarters. Quarter one saw trading particularly subdued and we saw a consequent fall in turnover by close to 5%. This was anticipated as continued inflationary pressures and

subdued consumer demand worked their way through the system together with our cost mitigation activities being only in their early stages.

The second quarter showed a marked improvement and generated a compensatory level of growth as business levels improved as the light evenings and warmer weather gave consumers a lift. Further, our cost mitigation activities began to deliver savings through headcount reductions, changes to brewery operations and a detailed evaluation of each expenditure line. In the direct free trade, we have seen customer numbers increase by close to 26% and this indicates we are growing market share in our East Anglian heartland and London. Average order size however remains challenging as rural pubs still operate reduced opening hours. Our national on-trade channel has been successful in winning new business in an extended heartland area stretching into Northamptonshire and Bedfordshire and we are in advanced conversations with several operators about Adnams Lighthouse, a 3.4% beer that secures the duty advantage for low strength beers that will be introduced by Government in August. Our Boat Trip a Collaboration brew with Deya and Lazy SIPA also both did well in the national on-trade. In the off trade the premium bottled ale category remains challenging with the market down by as much as 15% in March (source: BBPA March 2023). However, we have gained additional distribution with Ghost Ship multipacks in 440ml can. The Ghost Ship pairing of 4.5% and the market leading 0.5% remain the key focus across all distribution channels. Copper House Gin has gained additional distribution with our supermarket customers growing volumes by 2.5% over the first half of the year. The export channel performed well and delivered volume growth on last year.



0.5% Ghost Ship continues to be an iconic brand with sales volumes growing by 7% in the first half of the year.



The White Hart, Blythburgh was refurbished in January following its transfer to our Managed Estate last year.

Consistent with the rest of the business the half year for pubs and hotels should be viewed as two distinct quarters. In quarter one Managed Inns and Hotels were level with last year however, in quarter two sales growth of 10% was delivered and this pattern of trading was replicated by the leased and tenanted channel delivering 9% sales growth in the second quarter. Whilst encouraging, allowance needs to be made for systematic price inflation contributing some of the sales uplift. Therefore, pubs and hotels continue to be in the eye of the storm with food inflation, the return of foreign holidays and for Adnams, a dependence on good weather due to the coastal location of many of our properties. In February, The White Hart, Blythburgh reopened after a short refurbishment and kitchen upgrade. The pub is now managed and focusing on a great welcome for locals, walkers and visitors to the bar and gardens. In March we added a new experience for Adnams guests and visitors by adopting the Southwold Lighthouse. Working with Trinity House we are putting on daily tours up the 113 steps to the top led by our tour guides. Great views, some Southwold and Adnams history followed by a drink in The Sole Bay Inn has proved a successful and enjoyable formula. In June we received the Craft Guild of Chefs Sustainability Excellence Award, recognising the excellent work our teams have done to reduce food waste, work with local suppliers and making the most efficient use of cooking techniques and energy use.

Trading conditions for our shops also remain demanding, in 2022 the visitor economy was still buoyed by staycations and there was increased confidence in socialising following the end of Covid restrictions. Notably, the comparable weather has also been less good in 2023, impacting sales at key shops. Increased prices have had to balance increased costs of production for our own beers and spirits and increased supplier costs for our wines. We remain highly conscious as to how much can be passed through to the end customer before demand is significantly impacted therefore, we keep competitor pricing under regular review. In April we opened our 14th shop at Frinton-on-Sea. The town has warmly welcomed Adnams and the reputation of the shop, Adnams products and our friendly service continues to grow. The Shop is beautifully presented and the team there have embraced all things Adnams and Southwold. A further positive is when customers do decide to enjoy and celebrate occasions, they then choose Adnams. There have been excellent trading periods around Easter, the Coronation and bank holidays, and there is a direct correlation between improved sales with the all-too-infrequent moments of good weather so far this year. Continually improving retail standards and team training has played a key role in achieving these results and we remain a shop of choice when people do decide to celebrate and enjoy a drink. The web business is undergoing some changes with a greater reliance on organic growth



The Princess Royal makes her way down the steps of the lighthouse during her visit to Adnams in March.

in numbers of customers coupled with stronger customer retention levels. There is a growing focus on local deliveries from our network of shops using a fleet of mainly electric vehicles. For wider UK distribution, operations are being moved back to the Reydon Distribution Centre to reduce costs, improve service, and provide local jobs.

In March we also welcomed HRH The Princess Royal, completing a year of 150th Celebrations, who visited The Swan Hotel, Distillery, Lighthouse, and Sole Bay Inn. Princess Anne met lots of our teams who brought our stories to life.

Although trading conditions continue to be uncertain. We are encouraged by the growth in new on-trade customer numbers, new listings in the off-trade and the performance of Ghost Ship 0.5%. Finally, our recent customer research gave an indication of a younger cohort of consumers discovering Adnams.

**Dr Jonathan Adnams OBE**  
Chairman



In June Jonathan became one of the latest recipients of The Suffolk Medal, for his outstanding contributions to the county. He is now one of only a handful of people to be given this prestigious award. It is the highest honour the county of Suffolk can bestow upon one of its own.

# Profit and loss account

For the six months ended 30 June 2023

	Unaudited 6 months to June 2023 £000	Unaudited 6 months to June 2022 £000	Audited 12 months to December 2022 £000
<b>Turnover</b>	29,990	30,075	64,215
Other income	-	-	62
Operating expenses	(32,508)	(30,789)	(65,504)
<b>Operating loss</b>	(2,518)	(714)	(1,227)
Gain/(loss) on disposal of assets	-	-	2
<b>Loss before interest and taxation</b>	(2,518)	(714)	(1,225)
Gain on financial instruments at fair value	119	-	(212)
Interest payable	(734)	(275)	(759)
Other finance charge on pension scheme	-	(30)	(89)
<b>Loss before taxation</b>	(3,133)	(1,019)	(2,285)
Tax on loss on ordinary activities	686	208	757
<b>Loss</b>	(2,447)	(811)	(1,528)
<b>Loss per share</b>			
'A' Shares of 25p each, Inc. asset disposals (pence)	(129.7)p	(43.0)p	(81.0)p
'B' Shares of £1 each, Inc. asset disposals (pence)	(518.6)p	(172.0)p	(323.8)p
'A' Shares of 25p each, Exc. asset disposals (pence)	(129.7)p	(43.0)p	(81.0)p
'B' Shares of £1 each, Exc. asset disposals (pence)	(518.6)p	(172.0)p	(323.8)p

## Balance sheet

As at 30 June 2023

	Unaudited June 2023 £000	Unaudited June 2022 £000	Audited December 2022 £000
Intangible assets	1,861	-	1,939
Tangible fixed assets	34,354	37,792	34,900
	36,215	37,792	36,839
<b>Current assets</b>			
Derivative financial instruments	119	-	16
Stocks	9,702	10,463	10,615
Debtors	5,971	5,447	5,171
Cash at bank and in hand	(757)	44	693
	15,035	15,954	16,495
<b>Creditors: amounts falling due within one year</b>	(17,429)	(15,705)	(16,288)
<b>Net current assets/liabilities</b>	(2,394)	249	207
<b>Total assets less current liabilities</b>	33,821	38,041	37,046
<b>Creditors: amounts falling due after more than one year</b>	(10,186)	(10,192)	(10,180)
Derivative financial instruments	-	-	(228)
<b>Provision for liabilities</b>	421	(414)	(1,106)
	(9,765)	(10,606)	(11,514)
<b>Net assets excluding pension liability</b>	24,056	27,435	25,532
Pension asset/(liability)	-	(5,005)	-
<b>Net assets including pension liability</b>	24,056	22,430	25,532
<b>Capital and reserves</b>			
Called up share capital	472	472	472
Share premium	144	144	144
Profit and loss account	23,440	21,814	24,916
<b>Equity shareholders' funds</b>	24,056	22,430	25,532

### 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 using the accounting policies consistent with those disclosed in the 2022 annual report. These are the policies expected to be applied in the preparation of the audited financial statements for the year ended 31 December 2023.

The financial information for the year ended 31 December 2022 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 December 2022 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for the year ended 31 December 2022 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Despite the major uncertainties at this time across the economy as a whole, and the challenges of this industry, Adnams continues to operation within its banking covenants on its debt facility. The business manages cash carefully and has concluded, based on its cash management ability and current projections, that it is appropriate for Adnams to adopt the going concern basis for these accounts.

#### 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.