RNS Number : 4613G
Shepherd Neame Limited
30 March 2022

Shepherd Neame

Interim results for the 26 weeks to 25 December 2021

Shepherd Neame, Britain's Oldest Brewer and owner and operator of 302 high quality pubs in Kent and the South East, today announces results for the 26 weeks ended 25 December 2021.

A strong rebound in sales, a return to profits and the payment of an interim dividend

- Revenue has recovered to the same level as the first half of financial year 2020[1] with £78.7m of sales up 54.5% (H1 2021 restated[2]: £50.9m)
- Underlying EBITDA[3] rose substantially to £11.3m (H1 2021 restated[2]: £3.4m)
- Statutory profit before tax was £5.4m (H1 2021 restated[2]: loss of (£7.2m))
- Underlying basic earnings per share[4] was 15.9p (H1 2021 restated[2]: loss per share of (28.6p))
- Interim dividend of 3.50p declared, - the first dividend since October 2019
- Net assets per share[5] increased from £11.40 at 26 June 2021 to £11.76 (H1 2021 restated[2]: £12.12). This position excludes the revaluation of our licensed premises, carried out as at 26 June 2021, which indicated a surplus over book value of £35.9m, or +13%

Objectives achieved

- Successfully remobilised the business after the disruption of the pandemic and recovered demand
- Generated significant cash to normalise our debt and leverage. Net debt excluding lease liabilities[6] as at 25 December 2021 was £82.4m (£92.5m at 26 December 2020). We paid all the remaining VAT liabilities to HMRC by the end of January 2022 and all deferred rent payments
- Net debt excluding lease liabilities[6] as at 26 March 2022 was £78.5m. CLBILS[7] loan of £25m taken out at the start of the Coronavirus outbreak has now been retired and the Company is performing within pre-pandemic financial covenants
- Appointment of Managing Director, Pubs. Jonathon Swaine joins us in the summer

Operational performance

	Performance H1 2022 vs H1 2021[2]	**Performance H1 2022 vs H1 2020[1]**
Retail like-for-like	+80.7%	-11.2%

sales[8]		
Like-for-like tenanted income[9]	+70.5%	-5.6%
Total beer volume[10]	+23.6%	+5.7%
Own beer volume[11]	+10.5%	-4.0%

- Retail Pubs and Hotels (64 pubs): Like-for-like retail sales[8] were 89% of 2020[1] in the 26 weeks, but over 100% in restriction free periods. Most central London pubs near normal as back to work footfall increases
- Tenanted Pubs (232 pubs): Like-for-like tenanted income[9] was 94% of 2020[1] in the 26 weeks, but again traded at or above 2020[1] levels when restriction free. High levels of support during the pandemic has led to low levels of licensee turnover
- Brewing and Brands: Good sales momentum with total beer volumes[10] +5.7% vs 2020[1]. Own beer volumes[11] were -4.0% vs 2020[1]. In January 2022 we concluded a new agreement to transfer all Singha production to Faversham in phases over the next few months
- Operational challenges around skills shortages, driver shortages, supply chain disruption, substantial inflation and impact of Omicron during the peak festive season

Current trading

- For the 13 weeks to 26 March 2022, retail like-for-like sales[8] were 110% of equivalent periods in 2020[1]
- For the 9 weeks to 26 February 2022, like-for-like tenanted income[9] was 97% of equivalent periods in 2020[1]
- For the 13 weeks to 26 March 2022, total beer volumes[10] were -0.6% vs equivalent period in 2020[1]. Own beer volumes[11] were -1.3% vs equivalent period in 2020[1]

Outlook

- Demand is encouraging and current performance is in line with expectation
- Fundamentals of the business remain strong and business in good shape, notwithstanding ongoing operational and inflationary challenges
- Strong portfolio of pubs across the South East (85% freehold) with increasing economic activity anticipated in our heartland in the coming years

Jonathan Neame, CEO of Shepherd Neame, said:

"I am pleased to report a strong rebound in the first half of the year despite ongoing restrictions and operational challenges during the period. We are now back to pre-pandemic trading levels, have strong cash flow and have returned to profitability.

Our business is in good shape and has traded well following the lifting of all restrictions. However, the current economic uncertainties are putting inflationary pressure on the sector which will impact margins.

We have a robust and resilient business and a strong platform from which to build. We move forward with confidence and are pleased that we can now resume investment across our

business at pre-pandemic levels. To support this we have strengthened our management team with a highly experienced and proven operator to help take the pub business forward.

We are looking to the future with cautious optimism and are excited about delivering an uninterrupted Easter and summer for the first time in 3 years."

30 March
2022

ENQUIRIES

Shepherd Neame Tel: 01795 532206
Jonathan Neame, Chief Executive
Mark Rider, Chief Financial Officer

Instinctif Partners Tel: 020 7457 2020
Matthew Smallwood

NOTES FOR EDITORS

Shepherd Neame is Britain's oldest brewer. Established in 1698 and based in Faversham, Kent it employs around 1,500 people.

At the reporting date, the Company operated 302 pubs, of which 232 were tenanted or leased, 64 managed and 6 were held as investment properties under commercial free of tie leases. The pub estate ranges from inns and hotels to destination dining, great traditional and local community pubs.

The Company brews, markets and distributes its own beers to national and export customers under a range of highly successful brand names including traditional classics such as Spitfire and Bishops Finger as well as newer brands, such as Whitstable Bay, Bear Island and Orchard View Cider.

The Company also has partnerships with Boon Rawd Brewery Company for Singha beer, Thailand's original premium beer and with Boston Beer Company for Samuel Adams Boston Lager and Angry Orchard Hard Cider.

Shepherd Neame's shares are traded on the AQUIS Exchange Growth Market. See http://www.aquisexchange.com/ for further information and the current share price.

For further information on the Company, see www.shepherdneame.co.uk.

Interim statement

OVERVIEW

I am pleased to report a strong rebound in the 26 weeks to 25 December 2021. This is in spite of ongoing restrictions for part of this trading period and many other challenges since re-opening.

Our revenue has now recovered to the same level as in the first half of the 2020 financial year, pre-pandemic. We have returned to profitability, are able to declare a dividend and our net debt (excluding lease liabilities) is the lowest it has been at any reporting date since June 2018. Importantly, we expect to return to within the pre-pandemic covenant tests at the end of March 2022. At this juncture, the CLBILS (Coronavirus Large Business Interruption Loan Scheme) loan will fall away and the business will return to its prior state, able to resume investment and so start to move forward once again.

This company has been fully tested in the last two years, but this recovery demonstrates the financial and operational resilience of the business, as well as the flexibility and skill of a dedicated and loyal team.

This performance is achieved in spite of real, and unexpected, difficulties. Specifically, we have faced:

- Skills shortages in many pubs and a dearth of applicants for critical roles such as kitchen staff
- Supply chain challenges, both importing and exporting goods to and from the UK, with delays in the ports and materially higher costs of freight
- Driver shortages in road haulage which have impacted our beer deliveries
- Substantial inflation in CO_2 and energy and energy-related products
- The impact of the Omicron variant at our peak trading period

The cumulative effect of these factors is that we have incurred higher costs year to date than we expected. Our margins have therefore not yet recovered to their previous levels. We expect this inflationary environment to persist for at least the next 12 months and until supply chains have normalised and energy prices eased.

FINANCIAL RESULTS

Revenue was £78.7m (H1 2021[1]: £50.9m), an increase of +54.5% on the prior year.

Underlying operating profit was £5.9m (H1 2021[1]: loss of (£2.2m)), statutory profit before tax was £5.4m (H1 2021[1]: loss of (£7.2m)).

Underlying basic earnings per share was 15.9p (H1 2021[1]: loss per share of (28.6p)).

Net assets per share increased from £11.40 in June 2021 to £11.76 (H1 2021[1]: £12.12).

DIVIDEND

I am delighted that the Board feels our recovery is sufficiently well established for it to be able to declare the first dividend since October 2019 of 3.50p per share. While this is below the level of the last interim dividend paid by the Company in early 2019, it is a statement of confidence that a degree of normality has returned and that, subject of course to economic and medical vagaries, we are firmly on the way back to prospering as a company for all our stakeholders.

The dividend will be paid on 22 April 2022 to those shareholders on the register at 8 April 2022.

FINANCING, CASH FLOW AND NET DEBT

Since the summer we have traded as well as could be expected and generated £11.3m of underlying EBITDA (profit before tax pre net finance costs, depreciation, amortisation, profit or loss on sale of fixed assets excluding property and free trade loan discounts) (H1 2021[1]: £3.4m). As a result of this strong cash generation we paid all the remaining VAT liabilities to HMRC by the end of January 2022 and all deferred rent payments. All of this was on timetables agreed with the relevant parties.

We have maximised our cash flow by restricting capital expenditure to £2.7m and by realising £8.0m from the disposal of non-core assets. The result is that total indebtedness (excluding lease liabilities) has reduced from £96.5m as at December 2020 to £83.3m as at December 2021, a reduction of £13.2m.

Throughout the pandemic our net debt (excluding lease liabilities) has remained within our pre-COVID-19 facilities. At no stage have we needed the additional £25m CLBILS loan that was put in place in July 2020, to act as a safety net in the event of extended lockdowns, and this will fall away in March 2022. At this juncture, we will resume higher levels of investment in the business, and plan to build back to pre-COVID-19 levels of capital expenditure over the next two years.

MANAGING DIRECTOR, PUBS

Since the period end, the Board has appointed Jonathon Swaine to the new role of Managing Director, Pubs. Jonathon is an experienced and proven operator in the hospitality and pub sector. Prior to the last three years as Managing Director, Retail at the Rank Group Plc, he has spent the majority of his career in the pub industry, initially at Bass (1997-2005), before joining Fuller, Smith and Turner Plc for 14 years.

During his time at Fuller's he had various roles, latterly as Managing Director, Fuller's Inns from 2012 to 2019. He joins us in the summer.

TENANTED AND RETAIL PUB OPERATIONS

OVERVIEW

As at 25 December 2021, the Company owned 302 pubs (June 2021: 310) of which 232 (June 2021: 235) are tenanted or leased and 64 (June 2021: 65) are retail pubs. Six (June 2021: 10) are operated as free-of-tie investment properties. 85% of our pubs are freehold.

During the period we have transferred two tenanted pubs to retail pubs and one to investment property. We have sold five investment properties and three retail pubs that no longer fit our strategy, for total proceeds of £8.0m (H1 2021[1]: £1.2m). This includes two hotels, The Royal Wells, Tunbridge Wells and The Conningbrook, Ashford for total consideration of £5.75m. These disposals in total have realised a profit of £1.5m (H1 2021[1]: £0.1m).

Unsurprisingly, we have not invested in any major capital projects during this period but have focused instead on our external signage and decoration programme. We have maintained our pubs at a high level, and, as we approach the spring, will roll out further investments in stretched tents and outside spaces.

Since re-opening in April 2021, pubs have continued to receive support from the Government in the form of a lower rate of VAT, business rates relief and hospitality grants. As we move to a post-pandemic world, this support is being progressively removed. VAT will revert to 20% from April and business rates relief will continue for a further year for our tenanted pubs. At the same time National Minimum Wage increases and National Insurance Contributions will increase. This transition to higher taxes coincides with a significant increase in our costs, driven principally by energy prices. All these factors will put pressure on price and margin.

RETAIL PUBS AND HOTELS

For the 26 weeks to 25 December 2021, our retail pubs achieved like-for-like sales at 89% of 2020[2] levels. Within this period, in July and December, both lockdown or semi-lockdown months, we achieved only 79% and 74% respectively of 2020[2] levels. In the other months during the period, we achieved close to 100% of 2020[2] levels of trade.

We have 19 retail pubs in Central London and the key influence on our performance for these pubs has been the rate at which people have returned to their offices. Footfall outside of London has been near normal, except during periods of restrictions. Footfall within London increased steadily through the autumn, with sales peaking at 90% of 2020[2] levels, before falling away sharply as soon as the Government's Plan B restrictions were imposed in December. Many Christmas bookings were cancelled and what we had anticipated to be a strong festive period was quiet.

In recent years pre-COVID-19, trade has been increasingly focused around peak trading periods, namely Easter, the summer and Christmas. It is sobering to think that we have not enjoyed a restriction-free peak period since 2019. We are confident that these periods should be stronger this year and that the return to offices will be at a faster rate than in the late summer/early autumn 2021.

TENANTED PUBS

Trade in our tenanted pubs has followed the same pattern as in retail, with a weak July and December, when restrictions were in place, followed by good trade in the autumn. Volumes were impacted by the supply chain difficulties throughout.

Same outlet like-for-like tenanted income was 94% of 2020[2] levels for the period as a whole, but in the unrestricted periods in the autumn income levels were at or above the equivalent months. For the periods where restrictions were in place, we provided a 10% discount on rent and helped our licensees secure grants.

We have fully supported our licensees to navigate their way through lockdown and the restart. Consequently, the turnover of licensees has remained low throughout and where we have had changes we have been able to attract good quality applicants. We have again registered good scores overall in the industry benchmark survey, the Licensee Index, and continue to enjoy good relationships with our partners.

BREWING AND BRANDS

The underlying trends in this division are encouraging. Volume has been good. Total beer volumes were +5.7% vs 2020[2]. Our own beer volume was -4.0% vs 2020[2].

We have enjoyed good momentum in the on-trade with many new customers both in our heartland and in national sales. Export has been encouraging as many markets re-open, although in recent weeks we have had to cease sales to Russia, our largest export market. In the UK, sales through grocers have fallen back as customers returned to the on-trade.

However, profitability is impacted in the short term by the logistics challenges and high one-off costs in certain areas such as CO_2, energy and international freight. We expect some of these costs to ease over the coming year, though we are likely to face materially higher prices for cereal and energy-related products as our contracts renew.

In 2019, we started importing Singha Beer, the number one beer in Thailand, in partnership with the Boon Rawd Brewery. In January 2022 we concluded a new agreement to transfer all production to Faversham.

INVESTMENT PROPERTY

As at 25 December 2021, the Company owns investment property valued at £7.3m (including those assets classified as held-for-sale) (2020: £9.5m). We have sold five investment properties during this period as we reduce debt levels incurred during the pandemic. We also continue to work on promoting several sites in and around Faversham which we believe are suitable for residential development as part of the overall local plan. We do not expect any of these to come to fruition in the near future, but substantial housing development is anticipated in the area over the next few years, and we believe we have sites that fit the local need.

OUTLOOK AND CURRENT TRADING

Our objectives during this period have been to re-mobilise our business, generate cash and normalise our debt and leverage.

This has not been easy. We have faced many unexpected challenges and frustrations along the way which have resulted in missed sales opportunities or high one-off costs. And, after all the effort to re-build momentum, the arrival of the Omicron variant was particularly dispiriting at a key trading period.

But, in spite of this, we have been successful in reducing the debt and restoring the balance sheet strength to pre-pandemic levels. This is a considerable achievement and provides us with the platform for renewing investment and dividend.

Since Plan B restrictions were lifted and office workers started to return to their place of work, trade has picked up significantly as we move into 'living with Covid', as evidenced by trade in the second half.

For the 13 weeks to 26 March 2022, sales in our retail pubs were 110% of 2020[2] levels. For the 9 weeks to 26 February 22, same outlet like-for-like tenanted income was 97% of 2020[2]. For the 13 weeks to 26 March 2022, total beer volumes were -0.6% vs 2020[2]. Our own beer volume was -1.3%% vs 2020[2].

The aftermath of this crisis will continue to impact us for a while yet, as it is likely that consumers will be affected by the inflationary pressures facing the economy and that disposable income will be squeezed. Further, we now face a new crisis in Ukraine which will create greater uncertainty and higher inflation. If this inflation becomes embedded, it will become more important than ever that we drive great service and premium experiences to ensure that our offer remains competitive for the long term.

We have rebuilt a strong platform for the Company and look forward to the future with optimism. However, consumer confidence is expected to remain fragile. We must remain agile whilst focusing on taking the right decisions for the long term health of the business.

Jonathan Neame
Chief Executive

1 H1 2021 is the first half of the financial period of the 52 weeks to the 26 June 2021. This first half equated to the 26 weeks ended 26 December 2020.

2 The periods referred to are the comparative month(s) during the financial year 52 weeks to 27 June 2020.

Group income statement

For the 26 weeks ended 25 December 2021

		Unaudited 26 weeks ended 25 December 2021			Restated unaudited 26 weeks ended 26 December 2020			Audited 52 weeks ended 26 June 2021
	Note	**Underlying results £'000**	**Items excluded from underlying results £'000**	**Total statutory £'000**	Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000	Total statutory £'000
Revenue	3	**78,729**	**-**	**78,729**	50,943	-	50,943	86,884
Other income	3	**121**	**-**	**121**	465	-	465	2,839
Operating charges	2,3	**(72,903)**	**451**	**(72,452)**	(53,649)	(1,798)	(55,447)	(100,270)

Operating profit/(loss)	3	**5,947**	**451**	**6,398**	(2,241)	(1,798)	(4,039)	(10,547)
Net finance costs	2,4	**(2,915)**	**-**	**(2,915)**	(2,854)	(202)	(3,056)	(6,288)
Fair value movements on financial instruments charged to profit and loss	2,4	**-**	**95**	**95**	-	(87)	(87)	115
Total net finance costs		**(2,915)**	**95**	**(2,820)**	(2,854)	(289)	(3,143)	(6,173)
Profit on disposal of property	2	**-**	**1,487**	**1,487**	-	61	61	221
Investment property fair value movements	2	**-**	**300**	**300**	-	(64)	(64)	87
Profit/(loss) before taxation		**3,032**	**2,333**	**5,365**	(5,095)	(2,090)	(7,185)	(16,412)
Taxation	5	**(687)**	**(406)**	**(1,093)**	878	402	1,280	(1,379)
Profit/(loss) after taxation		**2,345**	**1,927**	**4,272**	(4,217)	(1,688)	(5,905)	(17,791)
Earnings/(loss) per 50p ordinary share	7							
Basic				**28.9p**			(40.0)p	(120.5)p
Diluted				**28.5p**			(40.0)p	(120.5)p

All results are derived from continuing activities.

Group statement of comprehensive income

For the 26 weeks ended 25 December 2021

	Note	**Unaudited 26 weeks ended 25 December 2021 £'000**	Restated unaudited 26 weeks ended 26 December 2020 £'000	Audited 52 weeks ended 26 June 2021 £'000
Profit/(loss) after taxation		**4,272**	(5,905)	(17,791)
Items that may be reclassified subsequently to profit or loss:				
Gains arising on cash flow hedges during the period		**1,036**	625	1,605
Income tax relating to these items	5	**(197)**	(119)	(166)
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of property	8	**-**	15	31
Other comprehensive gains		**839**	521	1,470
Total comprehensive income/(loss)		**5,111**	(5,384)	(16,321)

Group statement of financial position

As at 25 December 2021

	Note	**Unaudited 25 December 2021 £'000**	Restated unaudited 26 December 2020 £'000	Audited 26 June 2021 £'000
Non-current assets				
Goodwill and intangible assets		**319**	665	328
Property, plant and equipment	8	**277,694**	292,848	285,063
Investment properties		**6,243**	6,478	6,068
Other non-current assets		**2**	5	5

Right-of-use assets	9	**46,570**	48,738	47,311
		330,828	348,734	338,775
Current assets				
Inventories		**9,068**	6,145	7,320
Trade and other receivables		**17,795**	12,926	15,360
Cash and cash equivalents		**4,041**	18	5,560
Assets held for sale		**1,359**	4,152	2,419
		32,263	23,241	30,659
Current liabilities				
Trade and other payables		**(25,846)**	(21,710)	(26,383)
Borrowings	10	**(1,600)**	(92,483)	(1,600)
Lease liabilities	9	**(4,379)**	(5,092)	(5,100)
		(31,825)	(119,285)	(33,083)
Net current assets/(liabilities)		**438**	(96,044)	(2,424)
Total assets less current liabilities		**331,266**	252,690	336,351
Non-current liabilities				
Lease liabilities	9	**(53,021)**	(54,261)	(53,226)
Borrowings	10	**(84,818)**	-	(94,765)
Derivative financial instruments		**(4,280)**	(6,591)	(5,414)
Provisions	12	**(55)**	(498)	(498)
Deferred tax liabilities		**(14,390)**	(11,307)	(13,101)
		(156,564)	(72,657)	(167,004)
Net assets		**174,702**	180,033	169,347
Capital and reserves				
Share capital		**7,429**	7,429	7,429
Share premium account		**1,099**	1,099	1,099
Revaluation reserve		**31**	15	31
Own shares		**(745)**	(1,031)	(1,010)
Hedging reserve		**(2,685)**	(4,457)	(3,524)
Retained earnings		**169,573**	176,978	165,322
Total equity		**174,702**	180,033	169,347

Group statement of changes in equity

For the 26 weeks ended 25 December 2021

	Note	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Own shares £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 26 June 2021		**7,429**	**1,099**	**31**	**(1,010)**	**(3,524)**	**165,322**	**169,347**
Profit for the period		-	-	-	-	-	4,272	4,272

Gains arising on cash flow hedges during the period		-	-	-	-	1,036	-	1,036
Tax relating to components of other comprehensive income	5	-	-	-	-	(197)	-	(197)
Total comprehensive income		**-**	**-**	**-**	**-**	**839**	**4,272**	**5,111**
Accrued share-based payments		-	-	-	-	-	243	243
Distribution of own shares		-	-	-	16	-	(15)	1
Unconditionally vested share awards		-	-	-	249	-	(249)	-
Balance at 25 December 2021		**7,429**	**1,099**	**31**	**(745)**	**(2,685)**	**169,573**	**174,702**
Balance at 27 June 2020 as restated		**7,429**	**1,099**	**17**	**(1,328)**	**(4,963)**	**182,982**	**185,236**
Loss for the period		-	-	-	-	-	(5,905)	(5,905)
Gains arising on cash flow hedges during the period		-	-	-	-	625	-	625
Gains on revaluation of property, plant and equipment		-	-	15	-	-	-	15
Tax relating to components of other comprehensive income	5	-	-	-	-	(119)	-	(119)
Total comprehensive income/(loss)		**-**	**-**	**15**	**-**	**506**	**(5,905)**	**(5,384)**
Revaluation reserve realised on disposal of properties		-	-	(17)	-	-	17	-
Accrued share-based payments		-	-	-	-	-	176	176
Distribution of own shares		-	-	-	104	-	(99)	5
Unconditionally vested share awards		-	-	-	193	-	(193)	-
Balance at 26 December 2020 as restated		**7,429**	**1,099**	**15**	**(1,031)**	**(4,457)**	**176,978**	**180,033**

Group statement of cash flows

For the 26 weeks ended 25 December 2021

	Unaudited 26 weeks ended 25 December 2021		Restated unaudited 26 weeks ended 26 December 2020		Audited 52 weeks ended 26 June 2021	
	£'000	**£'000**	£'000	£'000	£'000	£'000
Cash flows from operating activities (note 11)						
Cash generated from/(absorbed by) operations	**7,034**		(3,200)		1,630	
Income taxes received	**-**		18		195	
Net cash flow generated/(absorbed) by operating activities		**7,034**		(3,182)		1,825
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment and investment properties	**8,031**		1,179		4,526	
Purchases of property, plant, equipment	**(2,670)**		(2,257)		(3,878)	

and lease premiums				
Customer loan redemptions	**2**	1	1	
Net cash flow generated/(absorbed) by investing activities		**5,363**	(1,077)	649
Cash flows from financing activities				
Interest paid	**(2,285)**	(2,306)	(4,796)	
Payments of principal portion of lease liabilities	**(1,632)**	(1,398)	(3,930)	
Proceeds from borrowings	**-**	-	2,000	
Repayment of borrowings	**(10,000)**	(3,000)	-	
Share option proceeds	**1**	5	5	
Net cash flow used in financing activities		**(13,916)**	(6,699)	(6,721)
Net decrease in cash and cash equivalents		**(1,519)**	(10,958)	(4,247)
Cash and cash equivalents at beginning of the period		**5,560**	9,807	9,807
Cash and cash equivalents at end of the period		**4,041**	(1,151)	5,560

Notes to the financial statements

25 December 2021

1 ACCOUNTS

General information and basis of preparation

The consolidated interim financial statements, which are unaudited, do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 26 June 2021, upon which the auditors issued an unqualified opinion and did not make any statement under section 498 of the Companies Act 2006, have been filed with the Registrar of Companies. The financial information comprises the results of Shepherd Neame Limited (the Company) and its subsidiaries (the Group).

The consolidated interim financial statements have been prepared in accordance with international accounting standards, in conformity with the requirements of the Companies Act 2006 (UK-adopted International Accounting Standards). These standards are applied from 27 June 2021, with no changes to the accounting policies set out in the statutory accounts of Shepherd Neame Limited for the period ended 26 June 2021, except for those noted below. The financial statements have not been prepared (and are not required to be prepared) in accordance with IAS 34: 'Interim Financial Reporting', with the exception of note 5, taxation, where the tax charge for the half year to 25 December 2021 has been calculated using an estimate of the full year effective tax rate, in line with the principles of IAS 34. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

The interim financial statements are presented in pounds sterling and all values are shown in thousands of pounds (£'000) rounded to the nearest thousand (£'000), unless otherwise stated.

The financial information for the 52 weeks ended 26 June 2021 is extracted from the statutory accounts of the Group for that year. The financial information for the 26 weeks ended 26 December 2020 was restated for material adjustments on adoption of IFRS during the 52 weeks ended 26 June 2021. For more information see note 16.

New accounting standards and accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the 52 weeks ended 26 June 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to accounting standards applied from 27 June 2021 were as follows:

· COVID-19 related rent concessions beyond 30 June 2021 - amendments to IFRS 16
· References to Conceptual Framework - amendments to IFRS 3

The application of these did not have a material impact on the Group's accounting treatment and has therefore not resulted in any material changes.

Going concern
The Board has adopted the going concern basis in preparing these accounts. When assessing the ability of the Group to continue as a going concern, the Board has considered the Group's financing arrangements, the continuing risks arising from the COVID-19 pandemic as well as other principal risks and uncertainties as disclosed in the Group's latest Annual Report, namely the cost pressures impacting the whole of the hospitality sector and the well documented supply issues that are impacting a wide range of industries, including our own.

At 25 December 2021, the Group had a strong balance sheet with 85% of the estate being freehold properties. The Group had cash in hand of £4.0m and has forecast cash inflows for the financial years to June 2022 and June 2023. At 25 December 2021, the Group had existing facilities of £132.5m, having headroom on facilities, excluding cash held, of £45.5m. Net debt, excluding lease liabilities, was £82.4m at the reporting date, a reduction of £8.4m in the six months from 26 June 2021.

During the prior year, the Group agreed with its lending banks and private placement lenders to amend the financial covenants to a minimum liquidity level to be tested quarterly to June 2022, reverting to the original terms from the quarter to September 2022. The Group has met its legacy financial covenants for the quarter to March 2022, six months earlier than planned.

After due consideration of the matters set out above, the Directors are satisfied that there is a reasonable expectation that the Group has adequate resources to enable the accounts to be presented on the basis of the Group being a going concern.

2 NON-GAAP REPORTING MEASURES

Certain items recognised in reported profit or loss before tax can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the underlying performance of the Group. The Directors believe that 'underlying operating profit', 'underlying profit before tax', 'underlying basic earnings per share', 'underlying earnings before interest, tax, depreciation, and amortisation' as presented provide a clear and consistent presentation of the underlying performance of the ongoing business for shareholders. Underlying profit is not defined by IFRS and therefore may not be directly comparable with the 'adjusted' profit measures of other companies. The adjusted items are:

- Profit or loss on disposal of properties;
- Investment property fair value movements;
- Operating and finance charges/credits which are either material or infrequent in nature and do not relate to the underlying performance;
- Fair value movements on financial instruments charged to profit and loss; and
- Taxation impacts of the above (see note 5).

	26 weeks ended 25 December 2021 £'000	26 weeks ended 26 December 2020 £'000	52 weeks ended 26 June 2021 £'000
Underlying EBITDA	**11,337**	3,351	7,710
Depreciation and amortisation	**(5,393)**	(5,571)	(11,110)
Free trade loan discounts	**(1)**	-	-
Profit/(loss) on sale of assets (excluding property)	**4**	(21)	(840)
Underlying operating profit/(loss)	**5,947**	(2,241)	(4,240)
Net underlying finance costs pre IFRS 16	**(2,295)**	(2,212)	(4,532)
Net underlying finance costs	**(2,915)**	(2,854)	(5,817)
Underlying profit/(loss) before taxation	**3,032**	(5,095)	(10,057)
Profit on disposal of properties	**1,487**	61	221
Investment property fair value movements	**300**	(64)	87
Separately disclosed operating charges:			
Impairment of intangible assets, properties, right-of-use assets and assets held for sale	**(148)**	(1,201)	(5,709)

Restructuring costs	**-**	(709)	(709)
Other operating credits excluded from underlying results	**599**	112	111
Separately disclosed finance costs:			
Cost related to putting in place CLBILS loan	**-**	(202)	(201)
Costs relating to the agreement of covenant waivers with our lenders	**-**	-	(270)
Fair value movements on financial instruments credited/(charged) to profit and loss	**95**	(87)	115
Profit/(loss) before taxation	**5,365**	(7,185)	(16,412)

Separately disclosed operating charges:
During the 26 weeks ended 25 December 2021, separately disclosed operating charges comprise an impairment charge of £148,000 in relation to three freehold properties, a recovery of £156,000 in relation to a previous employee fraud and the release of a provision to the value of £443,000 in respect of an enquiry opened by HMRC relating to the provision of uniforms and training to employees, which was closed in March 2022.

During the 26 weeks ended 26 December 2020, separately disclosed operating charges comprised an impairment charge of £1,201,000 in relation to seven freehold properties and three right-of-use assets, a charge of £709,000 in respect of restructuring costs and a recovery of £112,000 in relation to fraud.

During the 52 weeks ended 26 June 2021, separately disclosed operating charges comprised the amounts noted above for restructuring costs and the recovery of charges and the total impairment charge for the period of £5,709,000 in relation to 20 freehold properties and seven right-of-use assets.

Separately disclosed finance costs:
During the 26 weeks ended 25 December 2021, the Group recognised a credit of £95,000 in respect of the ineffective portion of the movement in fair value interest rate swaps.

During the 26 weeks ended 26 December 2020, the Group incurred £87,000 in respect of the ineffective portion of the movement in fair value interest rate swaps and £202,000 of fees in relation to putting in place a CLBILS loan.

During the 52 weeks ended 26 June 2021, the Group incurred £471,000 of legal and professional fees associated with agreeing revised covenants and agreeing covenant waivers with our lenders, as well as fees associated with the CLBILS loan. These charges were offset by £115,000 credited in respect of the ineffective portion of the movement in fair value interest rate swaps.

3 SEGMENTAL REPORTING

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the Chief Operating Decision Maker (CODM). The CODM is considered to be the Chief Executive Officer.

The Group has three operating segments, which are largely organised and managed separately according to the nature of the products and services provided and the profile of their customers:

· Brewing and Brands which comprises the brewing, marketing and sales of beer and other products;
· Retail Pubs; and
· Tenanted Pubs which comprises pubs operated by third parties under tenancy or tied lease agreements.

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

As segment assets and liabilities are not regularly provided to the CODM, the Group has elected, as provided under IFRS 8 Operating Segments (amended), not to disclose a measure of segment assets and liabilities.

26 weeks ended 25 December 2021	Brewing and Brands £'000	Retail Pubs £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Revenue	**30,555**	**31,261**	**16,378**	**535**	**78,729**
Other income[1]	**-**	**121**	**-**	**-**	**121**
Underlying operating profit/(loss)	39	4,572	5,676	(4,340)	5,947
Items excluded from underlying results	-	-	(124)	575	451
Divisional operating profit/(loss)	**39**	**4,572**	**5,552**	**(3,765)**	**6,398**

Net underlying finance costs	**(2,915)**
Fair value movements on ineffective element of cash flow hedges	**95**
Profit on disposal of property	**1,487**
Investment property fair value movements	**300**
Profit before taxation	**5,365**

Other segment information

Capital expenditure - tangible and intangible assets	604	774	891	264	**2,533**
Depreciation and amortisation pre IFRS 16	806	1,462	1,315	191	**3,774**
Depreciation and amortisation	856	2,472	1,805	260	**5,393**
Impairment of property, plant and equipment, goodwill and assets held for sale	-	-	124	24	**148**
Underlying divisional EBITDA pre IFRS 16	840	6,107	7,124	(4,168)	**9,903**
Underlying divisional EBITDA	906	7,028	7,480	(4,077)	**11,337**
Number of pubs	-	64	232	6	**302**

1 Other income includes Omicron Hospitality and Leisure Grants administered by local councils in response to the outbreak of the Omicron variant of COVID-19 in December 2021.

26 weeks ended 26 December 2020	Brewing and Brands £'000	Retail Pubs £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Revenue	**22,473**	**17,730**	**10,193**	**547**	**50,943**
Other income[2]	**-**	**465**	**-**	**-**	**465**
Underlying operating (loss)/profit	(940)	230	1,729	(3,260)	(2,241)
Items excluded from underlying results	-	(1,000)	(160)	(638)	(1,798)
Divisional operating (loss)/profit	**(940)**	**(770)**	**1,569**	**(3,898)**	**(4,039)**

Net underlying finance costs	**(2,854)**
Finance costs excluded from underlying results	**(202)**
Fair value movements on ineffective element of cash flow hedges	**(87)**
Profit on disposal of property	**61**
Investment property fair value movements	**(64)**
Loss before taxation	**(7,185)**

Other segment information

Capital expenditure - tangible and intangible assets	531	1,008	549	56	**2,144**
Depreciation and amortisation pre IFRS 16	827	1,648	1,363	209	**4,047**
Depreciation and amortisation	868	2,317	2,131	255	**5,571**
Impairment of property, plant and equipment,	-	321	126	41	**488**

goodwill and assets held for sale					
Impairment of right-of-use assets	-	679	34	-	**713**
Underlying divisional EBITDA pre IFRS 16	(112)	830	2,911	(3,120)	**509**
Underlying divisional EBITDA	(60)	2,555	3,862	(3,006)	**3,351**
Number of pubs	-	69	232	15	**316**

2 Other income includes local restriction support grants administered by local councils in response to the various restrictions placed on trading between November 2020 and December 2020 as a result of the COVID-19 pandemic.

52 weeks ended 26 June 2021	Brewing and Brands £'000	Retail Pubs £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Revenue	**42,018**	**27,068**	**16,748**	**1,050**	**86,884**
Other income[3]	**-**	**2,839**	**-**	**-**	**2,839**
Underlying operating (loss)/profit	(1,287)	983	2,343	(6,279)	(4,240)
Items excluded from underlying results	-	(4,816)	(562)	(929)	(6,307)
Divisional operating (loss)/profit	**(1,287)**	**(3,833)**	**1,781**	**(7,208)**	**(10,547)**
Net underlying finance costs					**(5,817)**
Finance costs excluded from underlying results					**(471)**
Fair value movements on ineffective element of cash flow hedges					**115**
Profit on disposal of property					**221**
Investment property fair value movements					**87**
Loss before taxation					**(16,412)**
Other segment information					
Capital expenditure - tangible and intangible assets	779	1,494	847	123	**3,243**
Depreciation and amortisation pre IFRS 16	1,662	3,280	2,698	386	**8,026**
Depreciation and amortisation	1,752	4,629	4,248	481	**11,110**
Impairment of property, plant and equipment, goodwill and assets held for sale	-	3,407	352	331	**4,090**
Impairment of right-of-use assets	-	1,409	210	-	**1,619**
Underlying divisional EBITDA pre IFRS 16	449	2,855	5,150	(5,732)	**2,722**
Underlying divisional EBITDA	546	6,184	6,616	(5,636)	**7,710**
Number of pubs	-	65	235	10	**310**

3 Other income includes local restriction support grants administered by local councils in response to the various restrictions placed on trading between November 2020 and March 2021 as a result of the COVID-19 pandemic.

4 NET FINANCE COSTS

26 weeks ended 25 December 2021	26 weeks ended 26 December 2020 Total statutory	52 weeks ended 26 June 2021 Total statutory

	Total statutory £'000	£'000	£'000
Finance income			
Interest income from financial assets	**-**	-	(1)
Finance costs			
Interest expense arising on:			
Financial liabilities at amortised cost - bank loans	**2,300**	2,247	4,575
Financial liabilities at amortised cost - lease liabilities	**620**	642	1,285
Other financial liabilities not at fair value through profit and loss	**-**	(22)	(22)
Unwinding of discounts on provisions	**(5)**	(13)	(20)
Finance costs expensed	**2,915**	2,854	5,818
Underlying net finance costs	**2,915**	2,854	5,817
Finance costs excluded from underlying results			
Cost related to putting in place CLBILS loan	**-**	202	201
Costs relating to the agreement of covenant waivers with our lenders	**-**	-	270
Ongoing fair value movements on financial instruments (credited)/charged to profit and loss	**(95)**	87	(115)
Total finance costs excluded from underlying results	**(95)**	289	356
Net finance costs	**2,820**	3,143	6,173

5 TAXATION

	26 weeks ended 25 December 2021			26 weeks ended 26 December 2020			52 weeks ended 26 June 2021
Tax charged to the income statement	**Underlying results £'000**	**Excluded from underlying results £'000**	**Total statutory £'000**	Underlying results £'000	Excluded from underlying results £'000	Total statutory £'000	Total statutory £'000
Current income tax credit	**-**	**-**	**-**	(860)	(151)	(1,011)	(100)
Deferred income tax charge/(credit)	**687**	**406**	**1,093**	(18)	(251)	(269)	1,479
Total tax charged/(credited) to the income statement	**687**	**406**	**1,093**	(878)	(402)	(1,280)	1,379
Tax **charged to other comprehensive income**							
Deferred tax charge			**197**			119	166
Total tax charged to other comprehensive income			**197**			119	166

Taxation on the underlying result for the 26 weeks ended 25 December 2021 has been provided at 22.7% (2020: 17.2%) based on the current best estimate of the effective tax rate for the 52 weeks to 25 June 2022. The average statutory rate of corporation tax for the 52 weeks to 25 June 2022 is expected to be 19% (52 weeks to 26 June 2021: 19%).

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced in the Budget on 3 March 2021, and substantively enacted on 24 May 2021. Therefore deferred tax assets and liabilities that are expected to reverse on or after 1 April 2023 have been calculated at the rate of 25% as at the reporting date.

6 DIVIDENDS

	26 weeks ended 25 December 2021 £'000	26 weeks ended 26 December 2020 £'000	52 weeks ended 26 June 2021 £'000
Declared and paid during the year			
Final dividend for 2021: nil (2020: nil) per ordinary share	**-**	-	-
Dividends paid	**-**	-	-

The interim dividend, in respect of the period ended 25 December 2021, at a cost of £518,000 (for the period ended 26 December 2020: nil), is to be paid on 22 April 2022 to shareholders on the register at the close of business on 8 April 2022.

7 EARNINGS PER SHARE

	26 weeks ended 25 December 2021 £'000	26 weeks ended 26 December 2020 £'000	52 weeks ended 26 June 2021 £'000
Profit/(loss) attributable to equity shareholders	**4,272**	(5,905)	(17,791)
Items excluded from underlying results	**(1,927)**	1,688	9,602
Underlying profit/(loss) attributable to equity shareholders	**2,345**	(4,217)	(8,189)

	Number	Number	Number
Weighted average number of shares in issue	**14,775**	14,751	14,760
Dilutive outstanding options	**190**	-	-
Diluted weighted average share capital	**14,965**	14,751	14,760

Earnings/(loss) per 50p ordinary share			
Basic	**28.9p**	(40.0)p	(120.5)p
Diluted	**28.5p**	(40.0)p	(120.5)p
Underlying basic	**15.9p**	(28.6)p	(55.5)p
Underlying basic pre IFRS 16	**21.5p**	(23.8)p	(51.1)p

The basic earnings/(loss) per share figure is calculated by dividing the profit/(loss) attributable to equity shareholders of the parent Company for the period by the weighted average number of ordinary shares in issue during the period.

Diluted earnings/(loss) per share have been calculated on a similar basis taking into account 190 (2020: nil) dilutive potential shares, which excludes shares held by trusts in respect of employee incentive plans and options.

Underlying basic earnings per share are presented to eliminate the effect of the underlying items and the tax attributable to those items on basic and diluted earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT

Group and Company	Freehold properties £'000	Leasehold properties under 50 years £'000	Plant, machinery, vehicles and containers £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Valuation or cost						
At 27 June 2020	257,486	2,030	36,446	94,260	1,963	392,185
Additions	90	55	415	2,430	145	3,135
Revaluation	4	16	-	-	-	20
Disposals	(1,380)	-	-	(2,170)	(672)	(4,222)

Transfers	71	2	245	885	(1,203)	-
Transfers to investment property	(1,708)	(15)	-	(86)	(3)	(1,812)
At 26 June 2021	**254,563**	**2,088**	**37,106**	**95,319**	**230**	**389,306**
Additions	33	102	271	1,844	204	2,454
Disposals	(6,050)	(39)	(16)	(4,178)	(12)	(10,295)
Transfers	-	-	20	246	(266)	-
Transfers to assets held for sale	(354)	-	-	(130)	-	(484)
Transfers to investment property	(325)	-	-	(198)	-	(523)
At 25 December 2021	**247,867**	**2,151**	**37,381**	**92,903**	**156**	**380,458**

Accumulated depreciation and impairment

At 27 June 2020	10,124	880	29,978	53,860	46	94,888
Charge for period	549	70	1,057	6,160	-	7,836
Impairment	3,162	28	-	437	1	3,628
Revaluation	(11)	-	-	-	-	(11)
Disposals	(331)	-	-	(1,502)	-	(1,833)
Transfers to investment property	(224)	-	-	(41)	-	(265)
At 26 June 2021	**13,269**	**978**	**31,035**	**58,914**	**47**	**104,243**
Charge for period	287	85	514	2,841	-	3,727
Impairment	59	-	-	15	-	74
Disposals	(1,695)	(41)	(16)	(3,231)	(1)	(4,984)
Transfers to assets held for sale	(8)	-	-	(85)	-	(93)
Transfers to investment property	(73)	-	-	(130)	-	(203)
At 25 December 2021	**11,839**	**1,022**	**31,533**	**58,324**	**46**	**102,764**

Net book values

At 25 December 2021	**236,028**	**1,129**	**5,848**	**34,579**	**110**	**277,694**
At 26 June 2021	241,294	1,110	6,071	36,405	183	285,063
At 27 June 2020	247,362	1,150	6,468	40,400	1,917	297,297

Impairment considerations
The Group has performed an assessment of whether any indicators of impairment exist. This assessment included a review of internal and external indicators and the Group has concluded that no impairment indicators existed at 25 December 2021.

The loss of trade following the COVID-19 pandemic was considered an indicator of impairment at 26 December 2020. There will be an impairment if the recoverable amount is lower than carrying value. The recoverable amount is taken as the higher of the fair value less costs to sell and its value in use. The same assumptions to calculate value in use were used for right-of-use assets as for property, plant and equipment. During the 26 weeks ended 25 December 2021, the Group recognised a charge of £148,000 (2020: £1,201,000) in respect of the write-down of three freehold properties (2020: seven freehold properties and three right-of-use assets) to their recoverable value.

9 LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	Lease liabilities £'000

	£'000	
As at 27 June 2020	**46,262**	**55,860**
Additions	401	383
Lease amendments - rent concessions	(492)	(733)
Lease amendments - other[1]	6,015	5,461
Depreciation	(3,256)	-
Impairment	(1,619)	-
Accretion of interest	-	1,285
Payments	-	(3,930)
Net carrying value as at 26 June 2021	**47,311**	**58,326**
Additions/(disposals)	265	(418)
Lease amendments - rent concessions	-	(145)
Lease amendments - other[1]	653	649
Depreciation	(1,659)	-
Accretion of interest	-	620
Payments	-	(1,632)
Net carrying value as at 25 December 2021	**46,570**	**57,400**

Right-of-use assets predominantly relate to leasehold properties, along with motor vehicles and other equipment.

1 Lease amendments include lease terminations, modifications, reassessments and extensions to existing lease arrangements.

10 BORROWINGS

	25 December 2021 **£'000**	26 December 2020 £'000	26 June 2021 £'000
Bank loans	**52,000**	58,169	62,000
Other loans	**35,000**	35,000	35,000
Less: capitalised loan arrangement fees	**(582)**	(686)	(635)
Total borrowings	**86,418**	92,483	96,365
Analysed as:			
Borrowings within current liabilities	**1,600**	92,483	1,600
Borrowings within non-current liabilities	**84,818**	-	94,765
	86,418	92,483	96,365

Borrowings at the end of the reporting period comprise a 20-year private placement of loan notes of £35.0m arranged in October 2018, a term loan of £22.5m and drawings of £29.5m on the revolving credit facility. In April 2021, the Company reached agreement with its lenders to amend the Group's financial covenants through to June 2022, and set them based on a minimum level of liquidity. In the prior year, due to a technical breach of covenants as at 26 December 2020, loans were classified as due within one year.

The £35.0m loan represents a private placement with BAE Systems Pension Funds Investment Management Ltd and is repayable on 30 October 2038. The interest rate is fixed at 3.99% and payable six-monthly. Due to a technical breach of covenants, the interest rate has been temporarily increased to 4.49% until the Company's leverage ratio returns to an accepted level for four consecutive quarters.

The £22.5m term loan was provided by Lloyds Banking Group plc and is repayable in five instalments of £1.6m payable every year commencing on 31 December 2021, with the outstanding balance being repayable on 31

December 2026. The interest rate payable is three-month LIBOR plus a margin dependent on the ratio of net debt to underlying EBITDA. The variable interest payments have been swapped for fixed interest payments payable quarterly.

The five-year revolving credit facility with Lloyds Bank plc and Santander UK plc matures on 30 October 2023. This is a committed facility which permits drawings of different amounts and for different periods. These drawings carry interest at a margin above LIBOR with a commitment payment on the undrawn portions. Interest is payable at each loan renewal date.

The Group has a £5.0m overdraft facility within the revolving credit facility with interest linked to the Bank of England base rate.

During 2020, the Group's banking lenders Lloyds Bank plc and Santander UK plc agreed to increase the Group's overall debt facilities utilising the UK Government's CLBILS. This provided the Group with a £25.0m revolving credit facility of which £15.0m was committed, with a further £10.0m available on request. This facility was cancelled after the reporting date in March 2022 (see note 15).

At the end of the reporting period, £30.5m (2020: £25.5m) of the total £60.0m (2020: £60.0m) committed revolving credit bank facility was available and undrawn, with nil (2020: £1.2m) drawn on the £5.0m overdraft facility.

The Company's loans and overdraft are secured by a first floating charge over the Company's assets.

11 NOTES TO THE CASH FLOW STATEMENT

a Reconciliation of operating profit/(loss) to cash generated by operations

	26 weeks ended 25 December 2021			26 weeks ended 26 December 2020	52 weeks ended 26 June 2021
	Underlying results £'000	**Excluded from underlying results £'000**	**Total £'000**	Total £'000	Total £'000
Operating profit/(loss)	**5,947**	**451**	**6,398**	(4,039)	(10,547)
Adjustment for:					
Depreciation and amortisation	**5,393**	**-**	**5,393**	5,571	11,110
Impairment of property, plant and equipment	**-**	**74**	**74**	488	3,628
Impairment of intangible assets	**-**	**-**	**-**	-	328
Impairment of right-of-use assets	**-**	**-**	**-**	713	1,619
Impairment of assets held for sale	**-**	**74**	**74**	-	134
Share-based payments expense	**243**	**-**	**243**	176	428
(Increase)/decrease in inventories	**(1,748)**	**-**	**(1,748)**	2,085	910
(Increase) in debtors and prepayments	**(2,485)**	**-**	**(2,485)**	(1,681)	(5,280)
(Decrease) in creditors and accruals	**(426)**	**(457)**	**(883)**	(6,534)	(1,548)
Free trade loan discounts	**1**	**-**	**1**	-	-
(Profit)/loss on sale of assets (excluding property)	**(4)**	**-**	**(4)**	21	840
Interest received	**3**	**-**	**3**	-	3
Income tax received	**-**	**-**	**-**	18	195
Fair value movements on financial assets	**(32)**	**-**	**(32)**	-	5
Net cash inflow/(outflow) from operating activities	**6,892**	**142**	**7,034**	(3,182)	1,825

b Reconciliation of movement in cash to movement in net debt

Group and Company	**26 weeks ended 25 December 2021 £'000**	26 weeks ended 26 December 2020 £'000	52 weeks ended 26 June 2021 £'000
Opening cash and overdraft	**5,560**	9,807	9,807

Closing cash and overdraft	**4,041**	(1,151)	5,560
Movement in cash in the period	**(1,519)**	(10,958)	(4,247)
Cash from increase in bank loans	**-**	-	(2,000)
Cash used to repay bank loans	**10,000**	3,000	-
Movement in loan issue costs	**(53)**	(52)	(103)
Movement in net debt resulting from cash flows	**8,428**	(8,010)	(6,350)
Net debt at beginning of the period	**(90,805)**	(84,455)	(84,455)
Net debt (excluding lease liabilities)	**(82,377)**	(92,465)	(90,805)
Current lease liability	**(4,379)**	(5,092)	(5,100)
Non-current lease liability	**(53,021)**	(54,261)	(53,226)
Statutory net debt	**(139,777)**	(151,818)	(149,131)

c Analysis of net debt

Group and Company	June 2021 £'000	Cash flow £'000	Repayment of loans £'000	Non-cash £'000	**December 2021 £'000**
Cash and cash equivalents	5,560	(1,519)	-	-	**4,041**
Debt due in less than one year	(1,600)	-	-	-	**(1,600)**
Debt due after more than one year	(94,765)	-	10,000	(53)	**(84,818)**
Net debt (excluding lease liabilities)	(90,805)	(1,519)	10,000	(53)	**(82,377)**
Lease liabilities	(58,326)	1,632	-	(706)	**(57,400)**
Statutory net debt	(149,131)	113	10,000	(759)	**(139,777)**

Non-cash movements in lease liabilities comprises lease additions and modifications of £231,000 (2020: £4,765,000), interest of £620,000 (2020: £642,000) less waivers of £145,000 (2020: £515,000).

12 PROVISIONS FOR LIABILITIES

	25 December 2021 £'000	26 December 2020 £'000	26 June 2021 £'000
Historic taxation provision	**55**	498	498

A provision of £498,000 was made in the year to 27 June 2020 in respect of potential charges relating to an enquiry opened by HMRC regarding the provision of uniforms and training to employees. The enquiry was closed by HMRC in March 2022 and the provision at
25 December 2021 has been updated to reflect the true liability to the Company.

13 CAPITAL COMMITMENTS

Contracts for capital expenditure not provided for in the accounts amounted to £102,000 (2020: £164,000).

14 RELATED PARTY TRANSACTIONS

George Barnes is an Executive Director of Shepherd Neame Limited. Mr A J A Barnes, a close member of George Barnes' family, is a partner at Barnes Solicitors LLP. During the 26 weeks ended 25 December 2021, Barnes Solicitors LLP provided legal services at a cost of £1,500, including VAT and disbursements to third parties (2020: £31,000). No balance was owed to Barnes Solicitors LLP by Shepherd Neame Limited at the end of the reporting period (2020: nil).

Nigel Bunting, an Executive Director of Shepherd Neame Limited, is also a Director of Davy and Company Limited. During the 26 weeks ended 25 December 2021, the Group did not purchase any goods (2020: nil) but made sales to the value of £49,000 (2020: £6,000) to Davy and Company Limited and its associated companies. At the end of the reporting period, no balance was owed by Shepherd Neame Limited to the Davy Group of companies (2020: nil) and £7,000 was owed to the Group by the Davy Group of companies (2020: nil).

Kevin Georgel, a Non-Executive Director of Shepherd Neame Limited, is also a Director of St Austell Brewery Company Limited. During the 26 weeks ended 25 December 2021, the Group did not purchase any goods (2020: nil) or make any sales (2020: nil) to St Austell Brewery Company Limited. At the end of the reporting period, no balance

(2020: nil) was owed by Shepherd Neame Limited to St Austell Brewery Company Limited (2020: nil) and no balance was owed to the Group by St Austell Brewery Company Limited (2020: £3,000).

Hilary Riva, a Non-Executive Director of Shepherd Neame Limited, is also a Director of the Alexander Centre CIC. During the 26 weeks ended 25 December 2021, the Group purchased goods to the value of £1,000 including VAT (2020: nil) and made sales to the value of £3,000 (2020: nil) to the Alexander Centre CIC. At the end of the reporting period, no balance was owed by Shepherd Neame Limited to the Alexander Centre CIC (2020: £1,000) and no balance was owed to the Group by the Alexander Centre CIC (2020: nil).

All the transactions referred to above were made in the ordinary course of business on an arm's-length basis and outstanding balances were not overdue. There is no overall controlling party of Shepherd Neame Limited.

15 EVENTS AFTER THE REPORTING PERIOD

On 30 March 2022 the Company cancelled its £25.0m CLBILS facility, which was taken out in the prior financial year as a result of the COVID-19 outbreak.

16 EXPLANATION OF TRANSITION TO IFRS

Transition to IFRS

The financial statements for the 52 weeks ended 26 June 2021 were presented in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The last full year financial statements under FRS 102 were for the 52 weeks ended 27 June 2020 and the date of transition to IFRS was 29 June 2019. A description of the nature of change for all relevant accounting policies can be found in the Annual Report for the 52 weeks ended 26 June 2021.

Set out below are the FRS 102 to IFRS equity reconciliations for the Group at 26 December 2020 (last interim statements prepared under FRS 102) and loss reconciliation for the 26 weeks to 26 December 2020.

Group reconciliation of income statement for the 26 weeks ended 26 December 2020

	FRS 102 Restated £'000	Goodwill £'000	Assets held for sale £'000	Leases £'000	Impairment £'000	Expected credit loss £'000	Government Grants £'000	IFRS £'000
Revenue	**50,943**	**-**	**-**	**-**	**-**	**-**	**-**	**50,943**
Other income	4,378	-	-	-	-	-	(3,913)	465
Operating charges	(59,940)	59	(61)	1,317	(713)	(22)	3,913	(55,447)
Operating loss	**(4,619)**	**59**	**(61)**	**1,317**	**(713)**	**(22)**	**-**	**(4,039)**
Finance costs	(2,414)	-	-	(642)	-	-	-	(3,056)
Fair value movements on financial instruments charged to profit and loss	(87)	-	-	-	-	-	-	(87)
Net finance costs	(2,501)	-	-	(642)	-	-	-	(3,143)
Profit on disposal of property	37	-	-	24	-	-	-	61
Investment property fair value movements	(114)	-	50	-	-	-	-	(64)
Loss before taxation	**(7,197)**	**59**	**(11)**	**699**	**(713)**	**(22)**	**-**	**(7,185)**
Taxation	1,265	-	4	(128)	135	4	-	1,280
Loss after taxation	**(5,932)**	**59**	**(7)**	**571**	**(578)**	**(18)**	**-**	**(5,905)**

Group reconciliation of Statement of Comprehensive Income for the 26 weeks ended 26 December 2020

	FRS 102 Restated £'000	Goodwill £'000	Assets held for sale £'000	Leases £'000	Impairment £'000	Expected credit loss £'000	Government Grants £'000	IFRS £'000
Loss after taxation	**(5,932)**	**59**	**(7)**	**571**	**(578)**	**(18)**	**-**	**(5,905)**
Items that may be reclassified subsequently to profit or loss:								
Gains arising on cash flow	625	-	-	-	-	-	-	625

hedges during the period								
Income tax relating to these items	(119)	-	-	-	-	-	-	(119)
Items that will not be reclassified subsequently to profit or loss:								
Unrealised gain on revaluation of property	15	-	-	-	-	-	-	15
Other comprehensive gains	**521**	**-**	**-**	**-**	**-**	**-**	**-**	**521**
Total comprehensive loss	**(5,411)**	**59**	**(7)**	**571**	**(578)**	**(18)**	**-**	**(5,384)**

Group reconciliation of equity as at 26 December 2020

	FRS 102 Restated £'000	Goodwill £'000	Assets held for sale £'000	Leases £'000	Impairment £'000	Expected credit loss £'000	Reclassification £'000	IFRS £'000
Non-current assets								
Goodwill and intangible assets	490	175	-	-	-	-	-	665
Property, plant, and equipment	296,300	-	(1,135)	(3,067)	750	-	-	292,848
Investment properties	9,507	-	(3,029)	-	-	-	-	6,478
Other non-current assets	5	-	-	-	-	-	-	5
Right-of-use assets	-	-	-	58,333	(9,595)	-	-	48,738
Total non-current assets	306,302	175	(4,164)	55,266	(8,845)	-	-	348,734
Current assets								
Inventories	6,145	-	-	-	-	-	-	6,145
Trade and other receivables	12,274	-	-	588	-	19	45	12,926
Cash and cash equivalents	63	-	-	-	-	-	(45)	18
Assets held for sale	-	-	4,152	-	-	-	-	4,152
Total current assets	18,482	-	4,152	588	-	19	-	23,241
Current liabilities								
Trade and other payables	(21,703)	-	-	(7)	-	-	-	(21,710)
Borrowings	(92,483)	-	-	-	-	-	-	(92,483)
Lease liabilities	-	-	-	(5,092)	-	-	-	(5,092)
Total current liabilities	(114,186)	-	-	(5,099)	-	-	-	(119,285)
Net current liabilities	(95,704)	-	4,152	(4,511)	-	19	-	(96,044)
Total assets less current liabilities	210,598	175	(12)	50,755	(8,845)	19	-	252,690
Non-current liabilities								
Lease liabilities	(2,766)	-	-	(51,495)	-	-	-	(54,261)
Derivative financial instruments	(6,591)	-	-	-	-	-	-	(6,591)
Provisions	(1,057)	-	-	559	-	-	-	(498)
Deferred tax liabilities	(13,168)	-	4	39	1,823	(5)	-	(11,307)
	(23,582)	-	4	(50,897)	1,823	(5)	-	(72,657)
Net assets	**187,016**	**175**	**(8)**	**(142)**	**(7,022)**	**14**	**-**	**180,033**

Capital and reserves								
Share capital	7,429	-	-	-	-	-	-	7,429
Share premium account	1,099	-	-	-	-	-	-	1,099
Revaluation reserve	69,637	-	-	-	-	-	(69,622)	15
Own shares	(1,031)	-	-	-	-	-	-	(1,031)
Hedging reserve	(4,457)	-	-	-	-	-	-	(4,457)
Retained earnings	114,339	175	(8)	(142)	(7,022)	14	69,622	176,978
Total equity	**187,016**	**175**	**(8)**	**(142)**	**(7,022)**	**14**	**-**	**180,033**

Group reconciliation of cash flows for the 26 weeks ended 26 December 2020

	FRS 102 £'000	Goodwill £'000	Assets held for sale £'000	Leases £'000	Impairment £'000	Expected credit loss £'000	Reclassification £'000	IFRS £'000
Cash flows from operating activities								
Cash generated from operations	(4,607)	-	-	1,398	-	-	9	(3,200)
Income taxes received	18	-	-	-	-	-	-	18
Net cash generated by operating activities	(4,589)	-	-	1,398	-	-	9	(3,182)
Cash flows from investing activities								
Proceeds from disposal of property and equipment	1,179	-	-	-	-	-	-	1,179
Purchases of property, equipment and lease premiums	(2,257)	-	-	-	-	-	-	(2,257)
Purchase of intangible assets	-	-	-	-	-	-	-	-
Customer loan redemptions	1	-	-	-	-	-	-	1
Net cash used in investing activities	(1,077)	-	-	-	-	-	-	(1,077)
Cash flows from financing activities								
Interest paid	(2,306)	-	-	-	-	-	-	(2,306)
Payments of principal portion of lease liabilities	-	-	-	(1,398)	-	-	-	(1,398)
Repayment of borrowings	(3,000)	-	-	-	-	-	-	(3,000)
Share option proceeds	5	-	-	-	-	-	-	5
Net cash generated by financing activities	(5,301)	-	-	(1,398)	-	-	-	(6,699)
Net movement in cash and cash equivalents	(10,967)	-	-	-	-	-	9	(10,958)
Cash and cash equivalents at beginning of the period	9,861	-	-	-	-	-	(54)	9,807
Cash and cash equivalents at end of the period	**(1,106)**	**-**	**-**	**-**	**-**	**-**	**(45)**	**(1,151)**

Company reconciliation of equity as at 26 December 2020

	FRS 102 Restated £'000	Goodwill £'000	Assets held for sale £'000	Leases £'000	Impairment £'000	Expected credit loss £'000	Reclassification £'000	IFRS £'000
Non-current assets								
Goodwill and intangible assets	490	175	-	-	-	-	-	665
Property, plant, and equipment	296,300	-	(1,135)	(3,067)	750	-	-	292,848
Investment properties	9,507	-	(3,029)	-	-	-	-	6,478
Other non-current assets	26	-	-	-	-	-	-	26
Right-of-use assets	-	-	-	58,333	(9,595)	-	-	48,738
Total non-current assets	306,323	175	(4,164)	55,266	(8,845)	-	-	348,755
Current assets								
Inventories	6,145	-	-	-	-	-	-	6,145
Trade and other receivables	12,274	-	-	588	-	19	45	12,926
Cash and cash equivalents	63	-	-	-	-	-	(45)	18
Assets held for sale	-	-	4,152	-	-	-	-	4,152
Total current assets	18,482	-	4,152	588	-	19	-	23,241
Current liabilities								
Trade and other payables	(21,724)	-	-	(7)	-	-	-	(21,731)
Borrowings	(92,483)	-	-	-	-	-	-	(92,483)
Lease liabilities	-	-	-	(5,092)	-	-	-	(5,092)
Total current liabilities	(114,207)	-	-	(5,099)	-	-	-	(119,306)
Net current liabilities	(95,725)	-	4,152	(4,511)	-	19	-	(96,065)
Total assets less current liabilities	210,598	175	(12)	50,755	(8,845)	19	-	252,690
Non-current liabilities								
Lease liabilities	(2,766)	-	-	(51,495)	-	-	-	(54,261)
Derivative financial instruments	(6,591)	-	-	-	-	-	-	(6,591)
Provisions	(1,057)	-	-	559	-	-	-	(498)
Deferred tax liabilities	(13,168)	-	4	39	1,823	(5)	-	(11,307)
	(23,582)	-	4	(50,897)	1,823	(5)	-	(72,657)
Net assets	187,016	175	(8)	(142)	(7,022)	14	-	180,033
Capital and reserves								
Share capital	7,429	-	-	-	-	-	-	7,429
Share premium account	1,099	-	-	-	-	-	-	1,099
Revaluation reserve	69,637	-	-	-	-	-	(69,622)	15
Own shares	(1,031)	-	-	-	-	-	-	(1,031)
Hedging reserve	(4,457)	-	-	-	-	-	-	(4,457)
Retained earnings	114,339	175	(8)	(142)	(7,022)	14	69,622	176,978

Total equity	**187,016**	**175**	**(8)**	**(142)**	**(7,022)**	**14**	**-**	**180,033**

[1] The periods referred to for financial year 2020 are the comparative month(s) during the financial year 52 weeks to 27 June 2020

[2] H1 2021 is the first half of the financial period of the 52 weeks to the 26 June 2021. This first half equated to the 26 weeks ended 26 December 2020. All comparatives have been restated on an IFRS basis. A description of the nature of change for all relevant accounting policies can be found in the Annual Report for the 52 weeks ended 26 June 2021

[3] Profit before tax pre net finance costs, depreciation, amortisation, profit or loss on sale of fixed assets excluding property and free trade loan discounts

[4] Underlying profit/(loss) less attributable taxation divided by the weighted average number of ordinary shares in issue during the period (see note 7). The numbers of shares in issue excludes those held by the Company and not allocated to employees under the Share Incentive Plan which are treated as cancelled

[5] Net assets at the reporting date divided by the number of shares in issue being 14,857,500 50p shares

[6] Net debt excluding lease liabilities comprises cash, bank overdrafts, bank and other loans less unamortised loan fees

[7] Coronavirus Large Business Interruption Loan Scheme

[8] Retail like-for-like sales includes revenue from the sale of drink, food and accommodation but excludes machine income. Like-for-like sales performance is calculated against a comparable 26 week period in the prior year for pubs that were trading in both 26-week periods

[9] Tenanted income calculated to exclude from both years those pubs which have not been trading throughout the two years. The principal exclusions are pubs purchased or sold, pubs which have closed, and pubs transferred to or from our retail business. Income is calculated against a comparable 26 week period in the prior year for pubs that were trading in both 26-week periods

[10] Shepherd Neame branded, licensed, customer own-label and contract beer and cider sales volumes

[11] Shepherd Neame branded beer and cider sales volumes excluding licensed, customer own-label and contract volumes

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