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Shepherd Neame Limited
28 September 2022

Shepherd Neame
Preliminary results for the 52 weeks to 25 June 2022

Shepherd Neame, Britain's Oldest Brewer and owner and operator of over 300 high quality pubs in Kent and the Southeast, today announces results for the 52 weeks ended 25 June 2022.

The period under review has been dominated by the impact of COVID-19 in the first half and by the effects of the war in Ukraine in the second half. In this context, we are pleased to have achieved the strong rebound in sales and profits.

Significant growth in revenue, a return to profits and final dividend recommended

- Statutory profit before tax was £7.4m (2021: loss of £(16.4)m)
- Basic earnings per share was 42.5p (2021: loss per share of (120.5)p)
- Underlying basic earnings per share[1] was 39.4p (2021: loss per share of (55.5)p)
- EBITDA[2] rose significantly to £23.4m (2021: £7.7m)
- Final dividend of 15.00p recommended which together with the interim dividend of 3.50p, makes a total of 18.50p for 2022 (2021: nil; 2019: 30.08p)
- Net assets per share[3] increased from £11.40 as at 26 June 2021 to £11.94 as at 25 June 2022
- Tight cash management has resulted in net debt, excluding lease liabilities[4], being reduced to pre-pandemic levels, allowing for the resumption of investment in the existing estate and new pubs. Net debt, excluding lease liabilities[4], as at 25 June 2022 was £75.3m (2021: £90.8m)

Strong operational performance

- Retail Pubs and Hotels (63 pubs):
  - Total retail like-for-like sales[5] were -8% vs 2019[6] and +130% vs 2021 for the 52 weeks to 25 June 2022 with footfall outside London near normal and strong in our coastal estate
    - Retail like-for-like sales[5] inside the M25 (25 pubs and hotels) were -30% vs 2019[6] and +263% vs 2021. Outside of the M25 (38 pubs and hotels), retail like-for-like sales[5] were +1% vs 2019[6] and +104% vs 2021
  - Total like-for-like drink sales were -16% vs 2019[6] and +168% vs 2021 and like-for-like food sales were -1% vs 2019[6] and +94% vs 2021
  - Total like-for-like accommodation sales were +25% vs 2019[6] and +111% vs 2021
  - Four high quality pubs acquired post year-end for £6.7m
- Tenanted Pubs (231 pubs): Following our strong support during the pandemic, like-for-like tenanted pub income[7] was +1% vs 2019[6] and +119% vs 2021
- Brewing and Brands:
  - Good sales momentum with total beer volumes[8] +7% vs 2019[6] and +27% vs 2021
  - Own beer volumes[9] were -8% vs 2019[6] and +16% vs 2021
- The business is largely protected from the worst of the energy inflation through fixed price contracts at below market rate: the brewery through to 2024 and retail pubs through to March 2023

Encouraging trading over the summer

- For the 13 weeks to 24 September 2022, retail like-for-like sales[5] were level with 2020[10] and +9.4% vs the 2022[11] financial year
    - For the 13 weeks to 24 September 2022, retail like-for-like sales[5] inside the M25 (25 pubs and hotels) were -11.0% vs 2020[10] and +50.6% vs 2022[11]. Outside of the M25 (38 pubs and hotels), retail like-for-like sales[5] were +4.7% vs 2020[10] and -0.4% vs 2022[11]
- For the 9 weeks to 27 August 2022, like-for-like tenanted pub income[7] was +2.9% vs 2020[10] and +12.8% vs 2022[11]
- For the 13 weeks to 24 September 2022, total beer volumes[8] were +5.6% vs 2020[10] and +1.2% vs 2022[11]. Own beer volumes[9] were +4.4% vs 2020[10] and +14.4% vs 2022[11]

Outlook

- Fundamentals of the business remain strong. Demand is encouraging and the business is in good shape. Short term may be challenging with many political and economic uncertainties ahead
- Government assistance on energy costs for consumers and for business is warmly welcomed but further material inflation still anticipated in the coming year
- Business is well placed for the long term as our geographic heartland is undergoing significant infrastructure development and we continue to seek good opportunities to enhance our portfolio of high-quality pubs

Jonathan Neame, CEO of Shepherd Neame, said:

"Shepherd Neame has rebounded well from the challenges of the last two years - a testament to the strength of the business model and depth of talent across the business.

The Company has strengthened its balance sheet through tight cash management and net debt reduction and continues to evolve operationally to meet changes in the market.

Our business is in good shape and has traded well through the summer. Whilst we are cautious about the winter ahead and the inflationary environment, we retain an optimistic view for the business and continue to seek investment and acquisition opportunities for the long term."

27 September 2022

ENQUIRIES

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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 1,600 people.

At the reporting date, the Company operated 300 pubs, of which 231 were tenanted or leased, 63 managed and six were held as investment properties under commercial free of tie leases. 85% of the estate is freehold. 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 and Bear Island.

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 Stock 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 .

CHAIRMAN'S STATEMENT

OVERVIEW

I am pleased to report a significant growth in revenue on last year and a return to profit for the Company.

Whilst this year's result does not represent a full recovery to the levels of profitability seen in 2019 - the last year pre-pandemic - it does represent a substantial recovery of the majority of our cashflow and operating profit.

Performance was dominated by the impact of COVID-19 and its aftermath, and by consequences of the war in Ukraine: specifically by the ongoing restrictions on hospitality in July 2021 and December 2021, as well as unexpected and material cost impacts from importing certain essential products, and temporary industrial action from our logistics provider.

We now face more general and widespread cost inflation and much higher energy costs. Inflation provides a new dimension of complexity to management decisions, a dimension which has been absent for many years.

Forecasting at all times is hazardous. The Nobel Prize-winning economist Kenneth Arrow, employed by the US Air Force during the Second World War as a meteorologist, quickly realised that his medium-term weather forecasts were no better than randomly right and asked to be relieved of this responsibility. The response came back: "the commanding general is well aware that your forecasts are no good. However, they are essential for planning purposes." Inflation complicates forecasting because it is unstable and hard to predict, and especially when some of the present inflationary pressures result from supply shortages arising from lockdown and from the conflict in Ukraine. These may be ephemeral.

Our best estimate is that we will not see full recovery of profitability in the Company's business to pre-pandemic levels before 2024/25 as a consequence of the ongoing energy crisis. We have no doubt that there will be surprises along the way, perhaps some good surprises. In any event, management will need to be both as flexible and as steadfast as it has been in the last few years in order to extract the best result amidst many uncertainties.

The difficulties of the immediate past for a business largely dependent on congregation, the current inflationary background, and the dire forecasts for consumer spending have combined to create a good deal of gloom in the pub and brewing sector. We observe the surveys of consumer sentiment anxiously but we do not share this pessimism. People like pubs. The underpinnings of the business remain strong.

In the short term, the evidence so far in the new financial year is that many consumers remain willing to spend and enjoy the conviviality and sense of community which our pubs offer.

Throughout the pandemic, management has shown great agility and adaptability to ever-changing circumstances. I hope that shareholders will feel proud of the way we have supported our licensees, our teams and our communities and impressed by the various actions and initiatives we have taken to maintain the essence and spirit of the Company. The Company is ready to face whatever economic or external challenges are thrown at us in the coming year.

I would like to thank all in the Shepherd Neame team for their relentless hard work and the senior team for their leadership, often under extreme pressure. I also thank our lenders and shareholders for their patience and understanding as we navigated each step of the way. I am pleased we can report a return to more normal debt levels and the restoration of a meaningful dividend.

Our efforts were recognised with the award of AQSE Company of the year at the Small Cap Awards 2022.

STRATEGY

The focus in the last year has been to restore our balance sheet and profitability sufficiently to be in a position to resume dividends and take advantage of whatever opportunities arise.

We remain convinced that our business - local, authentic, community-focused, customer-orientated, with a long-term family outlook - is essentially strong, with attributes increasingly valued by consumers. We value personal relationships highly and have a reputation for looking after our people well.

Our teams are very closely connected to local markets; pubs are at the heart of their communities. This local knowledge gives us a privileged insight into the needs of our customers as well as helping us make informed investment decisions.

Our strategy is to build on the brand reputation of Shepherd Neame, by developing a portfolio of unique and individual pubs and distinctive and characterful beers.

We aim to delight our customers with great experiences, and so create passionate advocates for our beers and pubs.

We remain firmly committed to the three different parts of our business to help us deliver our goals: retail pubs and hotels, tenanted pubs and brewing and brands. Retail pubs and hotels give us the direct relationship with consumers and are our principal engine for long-term growth; tenanted pubs are strongly linked with their communities and provides part of the asset and cashflow backbone of our business; brewing and brands is key to recruiting new customers and building our brand equity.

FINANCIAL RESULTS

Our accounts are prepared on an IFRS (International Financial Reporting Standards) basis. Revenue for the 52 weeks to 25 June 2022 was £151.5m (2021: £86.9m), an increase of +74% on the prior year which was significantly impacted by the COVID-19 pandemic.

Statutory operating profit was £10.4m (2021: statutory operating loss of £(10.5)m). Underlying operating profit was £12.9m (2021: underlying operating loss of £(4.2)m).

Statutory profit before tax was £7.4m (2021: statutory loss before tax of £(16.4)m). Underlying profit before tax was £7.3m (2021: underlying loss before tax of £(10.1)m).

Basic earnings per share was 42.5p (2021: basic loss per share of (120.5)p).Underlying basic earnings per share was 39.4p (2021: underlying basic loss per share of (55.5)p).

Net assets per share increased from £11.40 in June 2021 to £11.94.

DIVIDEND

The Board feels that the Company's recovery is sufficiently well established to resume dividend payments.

At the half year, we paid an interim dividend of 3.50p (2021: nil). This compares with the interim dividend of 6.00p that was declared and subsequently cancelled in March 2020.

We are now proposing the first final dividend to be paid since October 2019, of 15.00p. This compares with the final dividend of 2019 of 24.21p, and represents dividend cover for the full year of 2.1 times on underlying earnings per share of 39.4p.

BOARD CHANGES

Jonathon Swaine joined us on 27 June 2022 as Managing Director, Pubs. He joins us from Rank Group Plc, having spent the majority of his career in the pub industry, initially at Bass plc from 1997 to 2005, and then 14 years at Fuller, Smith and Turner plc. He is an experienced and proven operator.

At the same time, Nigel Bunting took on a new role as Commercial Director, overseeing the brewing, sales, procurement and supply chain operations.

SUMMARY

In its long history, Shepherd Neame has experienced many economic crises and downturns. It survives them because the business model is fundamentally robust, because we provide a product and service that people want even in the hard times, and because we constantly adapt to the wider industry trends and change to meet the needs of our local market. More broadly, Shepherd Neame is a business that is trusted, with a management that is trusted.

While there will be challenges ahead over the next 12 months and beyond, nothing is likely to compare with the challenge of being closed for the best part of a year in 2020.

As a long-term business, we see opportunity as well as challenge in times of turbulence - as evidenced by the acquisitions made post year end. We are positioned to take advantage of similar opportunities that may arise.

The business has recovered its momentum. The team is full of ambition, energy and new initiatives and I have no doubt this momentum will continue in the coming year.

RICHARD OLDFIELD

Chairman

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

I am extremely proud of the way the business has rebounded after the challenges of the last two years. To have grown our revenues and recovered the majority of our operating profit - compared with 2019 - is testament to the strength of the business, and the resilience and agility of our team members in adapting to ever changing circumstances.

At almost every step of the way since pubs were allowed to re-open their gardens in April 2021, there have been fresh hurdles to cross, and new and unexpected challenges, which have either impacted trading or resulted in higher costs for the business.

We have controlled cash tightly, reduced our net debt and strengthened the balance sheet so that we are able to resume dividend payments and investment in the business.

Consumer demand so far has remained robust, in spite of having to pay higher prices for most goods and services. It is anticipated that consumer demand over the coming winter may soften, as the high energy and fuel bills squeeze disposable income. Having coped with the greater challenge of the long periods of closure during the COVID-19 pandemic, over which we had no control, we feel able to deal with these issues as they arise.

The business is now back on a firm footing. Whilst the road to full recovery may take slightly longer than originally anticipated as a result of inflationary pressures, the next few years may also present some great long-term opportunities for the business and so we look forward to the future with confidence.

MEETING THE COVID CHALLENGE

Initially, we anticipated "freedom day" would come in June 2021, but this was delayed by six weeks to end July 2021, with ongoing restrictions still in place. As demand recovered, many goods and services were in short supply, particularly food products and materials for the building trade. Finding new team members was difficult and it has proved challenging to fill certain roles, such as chefs and kitchen staff, ever since.

As these challenges started to settle, we were faced with disruption in our logistics and supply chain, with short-term industrial action from our service provider and exceptionally high costs of international freight for our beer imports.

Throughout the autumn, we experienced materially higher costs and delays for international shipments of beer and wine. The back to work momentum started to build, workers returned to offices in London, and the prospects rose for a busy Christmas trade, until the Omicron variant struck, which resulted in substantial cancellations and more waste.

As the fears about Omicron started to subside, trade through February and early March was most encouraging, before the Ukraine war brought fresh concerns.

We enjoyed excellent trade in the week leading up to Easter, and over the May bank holiday. The Platinum Jubilee celebrations gave us a small boost, but the train strike impacted the final month of the year.

MEETING THE INFLATION CHALLENGE

Throughout this period, there have been three major economic phases, each of which has had a cost impact on our business:

- the first was the inflationary surge in the summer of 2021, driven largely by suppressed demand during the pandemic;
- the second was the removal of the reduced rate of VAT at the end of March, and the move to the higher national insurance rate and higher national minimum wage; and
- the third was the second inflationary wave driven by energy and cereal shortages, as a consequence of the war in Ukraine.

All three of these phases have increased our cost base, and we have had no option but to pass on these costs with higher prices. Consumers have so far shown remarkable resilience to this inflation, as our strong recent trade demonstrates. The demand for socialising, particularly after the restrictions of the last two years, is encouraging, and previous experience suggests that people are more likely to prioritise spending on going out, over other discretionary or delayable expenditure.

During the last year, the Company received £2.4m in furlough, grants and business rates relief (2021: £15.0m), to compensate for periods of ongoing restrictions.

Across the business we have experienced material inflation across our cost base above the prevailing rate of RPI: in retail pubs and hotels, this is driven mainly by the higher national minimum wage, national insurance and electricity costs; in the brewery, mainly by higher CO_2 and packaging costs.

So far, we have been largely protected from an even higher inflationary impact by long-term fixed price purchasing contracts. In the brewery, we are fully fixed on gas and electricity prices through to September 2024; while in the retail pubs we are fully fixed through to March 2023, and fixed on two-thirds of our anticipated requirement through to September 2024. In both cases, our current fixed prices are substantially below the prevailing market price, albeit, in the retail pubs, we will nonetheless incur incremental costs in the coming year of £1.2m for utility procurement.

We have secured all our malt and hops requirement through to the end of calendar 2023.

In the coming year, we expect further inflation. Our known principal exposure is in energy-related products, specifically glass and CO_2, and potential further increases in national minimum wage levels above those previously announced.

Our tenanted licensees will be exposed to these same inflationary forces to varying degrees, although will be protected through the winter by the Energy Bills Relief Scheme.

Following a full market tender, we are in discussions to extend our logistics contract. This is likely to result in a materially higher price than presently, as our existing contract rebases to normal market levels, and as all logistics providers tackle the impact of driver shortages and the high cost of fuel.

Aside from the inflationary forces we remain concerned about the impacts that any industrial action may have on our business.

THE MARKET

Total market beer volumes have recovered to pre-pandemic levels, despite the extraordinary disruption of the last two years. Certain trends, such as on- versus off-trade beer consumption are just starting to normalise; other trends such as city centre footfall and in-bound tourism will take slightly longer.

Certain consumer trends that were evident pre-pandemic continue to evolve, for example the trend towards premiumisation, on the one hand, and moderation - in the form of lower alcohol and less calories - and economising on the other. We continue to develop our business to adapt to these trends.

Tourism started to recover in summer 2022, with more visitors than expected from the US, but overall in-bound international tourism remains significantly below pre-pandemic levels and this is not expected to recover in full until 2024.

The inflationary challenge will drive higher prices for beer and food, and tighter margins for most retailers. Higher energy costs and higher interest rates are likely to squeeze consumers' disposable income.

OPERATIONAL OVERVIEW

Tenanted and Retail Pub Operations

As at 25 June 2022, we owned 300 pubs (2021: 310) of which 231 (2021: 235) are tenanted or leased and 63 (2021: 65) are retail pubs. Six (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, one retail pub to tenanted and three tenanted pubs to investment property. We have sold two freehold pubs, surrendered one leasehold pub and sold investment property and land (2021: two freehold pubs and investment property and land) for total proceeds of £9.1m. This includes two hotels, the Royal Wells, Tunbridge Wells and the Conningbrook, Ashford for £5.75m. These disposals in total have realised a profit of £1.7m. We anticipate further transfers from tenanted to retail in the coming year.

We did not invest in any major capital projects during the first half of the year and focused instead on our external signage and decoration programme. We have maintained our pubs at a high level. In the second half we resumed our capital programme with notable projects to refresh the Old Mill, Ashford and upgrade the White Horse, Boughton-under-Blean, as well as other smaller projects in gardens and outside areas.

In the coming year, we intend to resume the major development programme that was stalled during the pandemic, and have identified the Crown at Rochester, the Crown at Chislehurst and the Tom Cribb in Haymarket as priority projects. Subject to relevant permissions being granted, we hope to commence the build of our new pub site at Ebbsfleet by the end of the current financial year, but this venue is not due to open until end 2024.

We have invested in our digital infrastructure with an upgrade of the wi-fi network in our pubs. This will improve the customer experience and allow us to create stronger customer engagement. We have also enhanced our pub websites. We have an ongoing digital transformation strategy to build better awareness through data and drive stronger marketing connections with our customers and so build loyalty.

We are constantly reviewing our food and drink offer to provide our customers with a premium experience, whilst addressing the needs of increasingly more calorie and price conscious consumers. We expect to be able to mitigate cost inflation in food and drink through careful buying, price increases and menu management.

Retail Pubs and Hotels

Our retail pubs and hotels are the principal engine for growth. We are targeting 100 outlets in this division in the medium term. We have identified a number of sites within our existing estate that are suitable for management in due course. Many of these sites would benefit from major redevelopment.

We are investing to enhance our offer and the people experience, to build our digital infrastructure and to develop our customer engagement.

For the 52 weeks to 25 June 2022, the retail pubs achieved like-for-like sales of -8% vs the 2019[6] financial year, but were +130% vs 2021. We have returned to profit.

Within this performance, retail like-for-like sales were -19% vs 2019[6] in July 2021, due to the delay in lifting restrictions, and -25% vs 2019[6] in December 2021, as Omicron impacted footfall. In most other periods, we were running close to or above 2019 levels.

Like-for-like drinks sales were -16% vs 2019[6] and +168% vs 2021; like-for-like food sales were -1% vs 2019[6] and +94% vs 2021.

Like-for-like accommodation sales were +25% vs 2019[6] and +111% vs 2021. Occupancy was 76% (2019[6]: 76%; 2021: 31%) and RevPAR was £80 (2019[6]: £67; 2021: £32).

Footfall outside of London has been near normal - except during periods of restrictions - particularly at those coastal pubs and hotels which benefit from their unique locations and great outside space. We have 25 retail pubs inside the M25. Footfall here increased steadily throughout the autumn - until Omicron -, but resumed quickly in February, and has continued to build month on month. We expect the back to office momentum to continue through Autumn 2022, though we recognise that pre-pandemic office patterns are unlikely to recover in full.

For the 52 weeks to 25 June 2022, our retail estate inside the M25 achieved like-for-like sales of -30% vs 2019[6], but were +263% vs 2021. Outside of the M25, retail like-for-like sales were +1% vs 2019[6] and +104% vs 2021.

Tenanted Pubs

Trade in our tenanted pubs has followed roughly the same pattern as in retail, with a weak July and December, when restrictions were in place, followed by good trade in the autumn, and early spring and summer. Volumes were impacted by the supply chain difficulties in September, and remain lower than pre-pandemic levels.

For the 52 weeks to 25 June 2022, like-for-like tenanted pub income was +1% vs 2019[6] and +119% vs 2021. In the restriction-free periods, income levels were generally above the equivalent month in 2019. For those periods where restrictions were in place, we provided a 10% discount on rent to our licensees, helped them secure grants and provided other advice.

Despite the economic and inflationary challenges facing the sector, the turnover of licensees has remained low thanks in part to the excellent support we have given our licensees during the pandemic. Although there is a shortage of applicants, as with other areas of the economy, we remain able to attract good-quality candidates.

We have again registered good scores in the industry Tenant Tracker benchmark survey and are one of the most respected tenanted pub operators in the sector.

Capital and Investment

We have maximised our cashflow by restricting core capital expenditure to £5.4m (2021: £3.9m), from more normal levels of £10m-£14m and by realising £9.1m in disposal of non-core assets. We plan to increase core capital expenditure in the coming year to be in line with historic levels.

Since the year end we have acquired three popular pubs in Essex - all freehold - from the East Anglia Pub Company and one leasehold site in Bournemouth. The aggregate investment in these acquisitions is £6.7m. All four pubs will be operated in the retail division.

The three in Essex are near Southend-on-Sea. They are all characterful pubs, including the very popular 16th century dining venue, the Bellhouse in Leigh-on-Sea. These acquisitions build on our presence in south Essex. Urban Reef in Bournemouth has been one of our many free-trade customers in the area and enjoys a spectacular location on the beach at Boscombe.

Brewing and Brands

The underlying trends in this division are encouraging. Volume has been good, but cost inflation has been significant.

For the 52 weeks to 25 June 2022, total beer sales were +7% vs 2019[6] and +27% vs 2021. Own beer volume was -8% vs 2019[6] and +16% vs 2021.

In 2019, we took the decision to strengthen our on-trade local Heartland team, and as business has resumed this has paid good dividends, as we are winning some excellent new business, and high profile accounts in an ever wider geography. We have built great new brand platforms with Bromley FC, Remarkable Pubs and the Pig Hotel Group in particular.

As anticipated, trade through the grocers has been lower this year, as the on-trade has re-opened. The off-trade is now c. 60% of the overall beer market.

Our more mature brands such as Spitfire and Bishops Finger still deliver substantial volumes, but our marketing increasingly supports our Whitstable Bay and Bear Island portfolios, both of which have proved very popular with customers.

That portfolio is now strengthened with the brewing of Singha beer at Faversham, as from March 2022, in partnership with the Boon Rawd Brewery. This will not only reduce import costs materially, but also gives us an exciting and super-premium world lager, to enhance our enviable and unique brand portfolio.

This portfolio will be strengthened further in the coming year as we commission our small batch brewery. This will enable us to develop taste and flavour profiles that are hard to achieve in a larger plant, and so will provide an exciting and dynamic new beer range for our customers.

We have again this year showcased our brands at various high profile events. In March we were the official beer of the Oxford and Cambridge University Boat Race on the Thames; in July, we were once again chosen as the supplier to the 150th Open Golf in St Andrews. In addition we have supported many local events such as the Black Deer Festival and the Pig Hotel Smoked and Uncut Festival.

Investment Property

As at 25 June 2022, the Company owns investment property valued at £6.7m (2021: £6.1m). We have sold seven investment properties during this period as part of our plan to reduce debt incurred during the pandemic.

We continue to work on promoting a number of sites in and around Faversham which we believe are suitable for residential development as part of the overall local plan. Faversham has seen substantial housing development in the last few years and more is anticipated as demand in the area increases.

FINANCING, CASHFLOW AND NET DEBT

The principal focus of the Board over the last two years has been to manage cashflow as tightly as possible, to restrict cash outflow during times of closure and to maximise cash inflow during periods of trading.

In 2020 we took an additional CLBILS loan to give us additional headroom and were granted relaxation of banking covenants by our lenders. These could have remained in place until September 2022, but through good trading and active property management, we reduced our debt position sufficiently quickly to be able to terminate these arrangements at the end of March 2022. We have returned to our previous covenant tests on other debt.

During the year we generated underlying EBITDA (earnings before interest, tax, depreciation and amortisation) of £23.4m (2021: £7.7m).

Statutory net debt, including lease liabilities, was £131.2m (2021: £149.1m), made up of £75.3m of bank and private placement debt, and £55.9m of lease liabilities.

Net debt, excluding lease liabilities, fell sharply from £90.8m in the prior year to £75.3m. At the end of the 2021 financial year, £2.4m of VAT was deferred in agreement with HMRC and was settled in full by the year end 2022.

This rapid debt reduction has given us the confidence to resume investment again. We have substantial headroom. At the year end our covenant leverage was 3.7:1. Our medium-term covenant leverage target remains at 3:1.

POST YEAR END

Since the year end, we have extended our long-term financing. We have taken an additional £20m private placement from BAE Systems Pension Fund, for a term of ten years, at a fixed rate of 5.47%. This sits alongside the 20-year private placement for £35m, that we issued with the same lender in 2018, at a rate of 3.99%.

This extends our total long-term committed facilities, at a time of economic uncertainty, and reduces our overall cost of debt. We are in the process of renewing our revolving credit facilities. These steps provide with us a sound funding platform to take advantage of any opportunities that arise in the future.

ENVIRONMENT AND OUR COMMUNITY

We have carried out extensive research in this area in the last year, established an ESG steering committee and clarified our goals as:

- to become carbon neutral (scopes 1 and 2) by 2030;
- to become carbon neutral in our supply chain (scope 3) by 2040; and
- no waste to landfill by 2025.

We have made good progress in a number of areas. We are founder members of the Zero Carbon Forum and have led the pilot of the Green Mark programme in a group of pubs. We have entered into a new waste contract to support our goal of zero waste to landfill.

We have consolidated the purchase of energy across the business and now buy 100% electricity from renewable sources. We are planning a major solar installation on one of the brewery buildings. We continue to roll out electric vehicle rapid charging points in our pubs.

We have launched a variety of initiatives to raise funds to support the great work of Kent Wildlife Trust and we supported the Platinum Jubilee Green Canopy project by planting a series of small fruit tree orchards at our pubs.

BUILDING A GREAT TEAM OF DEDICATED PEOPLE

To meet the challenges of recruiting staff, we have chosen to strengthen our People Team. We have recruited several new roles in this area under our People Director, Kate Ware, including appointing People Partners for each part of the business and an Apprenticeship Lead.

We have also installed new software to help us manage the recruitment process more effectively, and carried out an in-depth survey to identify areas where we can improve the people experience and build clearer career paths.

We are fortunate that our people are so passionate about the Company, their roles and the teams they work with. I would like to thank them for their commitment and extraordinary hard work, in such difficult circumstances, in the last year.

CURRENT TRADING

Trading over the summer has been encouraging.

July and August have been boosted by exceptionally dry, warm and sunny weather. This has driven drinks sales in particular.

Occupancy has remained high, but overall accommodation sales are slightly lower than last year as people returned to overseas holiday destinations after the staycation boom of 2021. Food is in line with recent trends, slightly lower than 2019, but strong nonetheless.

Many towns have reinstated local events and festivals, such as the Faversham Hop Festival and Broadstairs Folk Week, which provide a welcome boost to those communities. Our new acquisitions have performed well and in line with expectations. Urban Reef in particular has produced some exceptional trading weeks.

For the 13 weeks to 24 September 2022, retail like-for-like sales were level with 2020[10] and +9.4% vs 2022[11].

For the 13 weeks to 24 September 2022, our retail estate inside the M25 achieved like-for-like sales of -11.0% vs 2020[10] and +50.6% vs 2022[11]. Outside of the M25, retail pubs achieved like-for-like sales of +4.7% vs 2020[10] and were in line with 2022[11].

Like-for-like tenanted pub income for the nine weeks to 27 August 2022 was +2.9% vs 2020[10] and +12.8% vs 2022[11].

Beer volumes have remained strong throughout the summer, driven primarily by Heartland sales, and offset by declines in the off-trade and the rebalancing between on- and off-trade sales post-pandemic. Total beer volume for the 13 weeks to 24 September 2022 was +5.6% vs 2020[10] and +1.2% vs 2022[11]. Own beer volume was +4.4% vs 2020[10] and +14.4% vs 2022[11].

We continue to incur high costs in all areas of the business, which we expect to persist throughout the year.

SUMMARY AND OUTLOOK

There are many economic and political uncertainties ahead, and a recession is forecast.

In this context we warmly welcome the recent government announcement to support consumers and businesses manage their way through the utility crisis. This will provide considerable relief for those tenanted pubs who are not on fixed contracts. In other parts of the business we have fixed price contracts that are below the market rate.

In line with many in the industry, the current energy crisis will hold back full recovery. However, previous experience would suggest that the beer and hospitality sector is more resilient than most to such an environment, and that consumers will prioritise this over spend in other areas. The pandemic has shown that socialising in a pub remains core to our way of life. As such, whilst the short-term market conditions may be challenging, this may also prove to be a time of great long-term opportunity.

Furthermore, the ongoing house building and infrastructure projects continue to turn our heartland into a larger and more affluent community. Of note this year is the opening of the Elizabeth Line, with its terminus in North Kent, and the development of a new Thanet Parkway station. Both these projects will bring shorter journey times to London and so support the hybrid lifestyle that people desire. We are well positioned to capitalise on these economic and lifestyle trends in the future.

After the hard work to rebuild momentum post-pandemic, we now have the confidence to move forward, to resume investment and seek good-value opportunities when they arise.

JONATHAN NEAME

Chief Executive

GROUP INCOME STATEMENT

FOR THE 52 WEEKS ENDED 25 JUNE 2022

		52 weeks ended 25 June 2022			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
Revenue	1, 2	**151,538**	**-**	**151,538**	86,884	-	86,884
Other income	1	**383**	**-**	**383**	2,839	-	2,839
Operating charges	3	**(139,028)**	**(2,470)**	**(141,498)**	(93,963)	(6,307)	(100,270)
Operating profit/(loss)	3	**12,893**	**(2,470)**	**10,423**	(4,240)	(6,307)	(10,547)
Net finance costs	3	**(5,599)**	**(83)**	**(5,682)**	(5,817)	(471)	(6,288)
Fair value movements on financial instruments charged to profit and loss	3	**-**	**397**	**397**	-	115	115
Total net finance costs		**(5,599)**	**314**	**(5,285)**	(5,817)	(356)	(6,173)
Profit on disposal of property	3	**-**	**1,709**	**1,709**	-	221	221

Investment property fair value movements	3	**-**	**520**	**520**	-	87	87
Profit/(loss) before taxation		**7,294**	**73**	**7,367**	(10,057)	(6,355)	(16,412)
Taxation	4	**(1,462)**	**375**	**(1,087)**	1,868	(3,247)	(1,379)
Profit/(loss) after taxation		**5,832**	**448**	**6,280**	(8,189)	(9,602)	(17,791)
Earnings/(loss) per 50p ordinary share	6						
Basic				**42.5p**			(120.5)p
Diluted				**42.3p**			(120.5)p

All results are derived from continuing activities.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 25 JUNE 2022

	Note	**52 weeks ended 25 June 2022 £'000**	52 weeks ended 26 June 2021 £'000
Profit/(loss) after taxation		**6,280**	(17,791)
Items that may be reclassified subsequently to profit or loss:			
Gains arising on cash flow hedges during the period		**2,596**	1,605
Income tax relating to these items	4	**(561)**	(166)
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of property		**-**	31
Other comprehensive gains		**2,035**	1,470
Total comprehensive income/(loss)		**8,315**	(16,321)

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 25 JUNE 2022

	Group 25 June 2022 £'000	Group 26 June 2021 £'000
Non-current assets		
Goodwill and intangible assets	**375**	328
Property, plant and equipment	**274,651**	285,063
Investment properties	**6,716**	6,068
Other non-current assets	**-**	5
Right-of-use assets	**44,235**	47,311
	325,977	338,775
Current assets		
Inventories	**8,067**	7,320
Trade and other receivables	**17,685**	15,360
Cash and cash equivalents	**5,579**	5,560
Assets held for sale	**1,099**	2,419
	32,430	30,659
Current liabilities		
Trade and other payables	**(27,222)**	(26,383)
Borrowings	**(1,600)**	(1,600)
Lease liabilities	**(2,780)**	(5,100)
	(31,602)	(33,083)
Net current assets/(liabilities)	**828**	(2,424)
Total assets less current liabilities	**326,805**	336,351
Non-current liabilities		
Lease liabilities	**(53,106)**	(53,226)
Borrowings	**(79,270)**	(94,765)
Derivative financial instruments	**(2,353)**	(5,414)
Provisions	**-**	(498)
Deferred tax liabilities	**(14,749)**	(13,101)
	(149,478)	(167,004)
Net assets	**177,327**	169,347
Capital and reserves		
Share capital	**7,429**	7,429
Share premium account	**1,099**	1,099
Revaluation reserve	**31**	31
Own shares	**(660)**	(1,010)
Hedging reserve	**(1,489)**	(3,524)
Retained earnings	**170,917**	165,322
Total equity	**177,327**	169,347

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 25 JUNE 2022

	Note	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Own shares £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 27 June 2020		**7,429**	**1,099**	**17**	**(1,328)**	**(4,963)**	**182,982**	**185,236**
Loss for the financial year		-	-	-	-	-	(17,791)	(17,791)
Gains arising on cash flow hedges during the year		-	-	-	-	1,605	-	1,605
Gains on revaluation of property, plant and equipment		-	-	31	-	-	-	31
Tax relating to components of other comprehensive income	4	-	-	-	-	(166)	-	(166)
Total comprehensive income/(loss)		**-**	**-**	**31**	**-**	**1,439**	**(17,791)**	**(16,321)**
Revaluation reserve realised on disposal of properties		-	-	(17)	-	-	17	-
Accrued share-based payments		-	-	-	-	-	428	428
Distribution of own shares		-	-	-	125	-	(121)	4
Unconditionally vested share awards		-	-	-	193	-	(193)	-
Balance at 26 June 2021		**7,429**	**1,099**	**31**	**(1,010)**	**(3,524)**	**165,322**	**169,347**
Profit for the financial year		-	-	-	-	-	6,280	6,280
Gains arising on cash flow hedges during the year		-	-	-	-	2,596	-	2,596
Tax relating to components of other comprehensive income	4	-	-	-	-	(561)	-	(561)
Total comprehensive income		**-**	**-**	**-**	**-**	**2,035**	**6,280**	**8,315**
Ordinary dividends paid		-	-	-	-	-	(520)	(520)
Accrued share-based payments		-	-	-	-	-	183	183
Distribution of own shares		-	-	-	101	-	(99)	2
Unconditionally vested share awards		-	-	-	249	-	(249)	-
Balance at 25 June 2022		**7,429**	**1,099**	**31**	**(660)**	**(1,489)**	**170,917**	**177,327**

GROUP STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 25 JUNE 2022

	Note	**52 weeks ended 25 June 2022 £'000**		52 weeks ended 26 June 2021 £'000	
Cash flows from operating activities					
Cash generated from operations	7	**21,141**		1,631	
Income taxes received		**-**		195	
Net cash generated by operating activities			**21,141**		1,826
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**5,792**		383	
Proceeds from disposal of investment property		**1**		658	
Proceeds from disposal of assets held for sale		**3,292**		3,485	
Purchases of property, equipment and lease premiums		**(5,304)**		(3,878)	
Purchase of intangible assets		**(129)**		-	
Net cash generated by investing activities			**3,652**		648
Cash flows from financing activities					
Dividends paid	5	**(520)**		-	
Interest paid		**(4,436)**		(4,796)	
Payments of principal portion of lease liabilities		**(4,220)**		(3,930)	
Repayment of borrowings	7	**(15,600)**		-	
Proceeds from borrowings	7	**-**		2,000	
Share option proceeds		**2**		5	
Net cash used in financing activities			**(24,774)**		(6,721)
Net movement in cash and cash equivalents			**19**		(4,247)
Cash and cash equivalents at beginning of the period			**5,560**		9,807
Cash and cash equivalents at end of the period			**5,579**		5,560

NOTES TO THE FINANCIAL STATEMENTS

25 JUNE 2022

1 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 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 Hotels; 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.

52 weeks ended 25 June 2022	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated[1] £'000	Total £'000
Revenue	**56,615**	**61,240**	**32,773**	**910**	**151,538**
Other income	**-**	**383**	**-**	**-**	**383**
Underlying operating (loss)/profit	(252)	8,288	13,359	(8,502)	12,893
Items excluded from underlying results	-	(1,899)	(940)	369	(2,470)
Segmental operating (loss)/profit	**(252)**	**6,389**	**12,419**	**(8,133)**	**10,423**
Net underlying finance costs					**(5,599)**
Finance costs excluded from underlying results					**(83)**
Fair value movements on ineffective element of cash flow hedges					**397**
Profit on disposal of property					**1,709**
Investment property fair value movements					**520**
Profit before taxation					**7,367**

52 weeks ended 25 June 2022	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Other segment information					
Capital expenditure - tangible and intangible assets	1,400	1,736	1,677	639	**5,452**
Depreciation and amortisation pre IFRS 16	1,592	2,840	2,601	397	**7,430**
Depreciation and amortisation	1,695	4,614	3,601	570	**10,480**
Impairment of property, plant and equipment, goodwill and assets held for sale	-	1,010	603	24	**1,637**
Impairment of right-of-use assets	-	889	337	-	**1,226**
Underlying segmental EBITDA pre IFRS 16	1,394	10,920	15,812	(8,143)	**19,983**
Underlying segmental EBITDA	1,508	12,882	16,967	(7,929)	**23,428**
Number of pubs	-	63	231	6	**300**

1. £910,000 of unallocated income (2021: £1,050,000) includes rent receivable from investment properties and other non-core trading income. Unallocated expenses primarily represent Head Office support costs.

52 weeks ended 26 June 2021	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Revenue	**42,018**	**27,068**	**16,748**	**1,050**	**86,884**
Other Income	**-**	**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)
Segmental 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)**

52 weeks ended 26 June 2021	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
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 segmental EBITDA pre IFRS 16	449	2,855	5,150	(5,732)	**2,722**
Underlying segmental EBITDA	546	6,184	6,616	(5,636)	**7,710**
Number of pubs	-	65	235	10	**310**

Geographical information

An analysis of the Group's revenue by geographical market is set out below:

	52 weeks ended 25 June 2022 £'000	52 weeks ended 26 June 2021 £'000
Revenue		
UK	**149,011**	84,606
Rest of the World	**2,527**	2,278
	151,538	86,884

2 REVENUE

An analysis of the Group's revenue by category is as follows:

	52 weeks ended 25 June 2022 £'000	52 weeks ended 26 June 2021 £'000
Sale of goods and services[1]	**142,296**	83,707
Rental income	**9,242**	3,177
Revenue	**151,538**	86,884

1. Revenue in the prior year includes £609,000 received from the Government under the Eat Out to Help Out scheme.

3 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;
- separately disclosed operating and finance charges 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 4).

	52 weeks ended 25 June 2022 £'000	52 weeks ended 26 June 2021 £'000
Underlying EBITDA	**23,428**	7,710
Depreciation and amortisation	**(10,480)**	(11,110)
Free trade loan discounts	**(2)**	-
Loss on sale of assets (excluding property)	**(53)**	(840)
Underlying operating profit/(loss)	**12,893**	(4,240)
Net underlying finance costs pre IFRS 16	**(4,355)**	(4,532)
Net underlying finance costs	**(5,599)**	(5,817)
Underlying profit/(loss) before taxation	**7,294**	(10,057)
Profit on disposal of properties	**1,709**	221
Investment property fair value movements	**520**	87
Separately disclosed operating charges:		
Impairment of intangible assets, properties, right-of-use assets and assets held for sale	**(2,863)**	(5,709)
Restructuring costs	**-**	(709)
Other operating charges excluded from underlying results	**393**	111
Separately disclosed finance costs:		
Costs related to putting in place CLBILS loan	**-**	(201)

Costs relating to the agreement of covenant waivers with our lenders	**(50)**	(270)
Costs relating to the transition from LIBOR to SONIA for sterling debt instruments	**(33)**	-
Fair value movements on financial instruments charged to profit and loss	**397**	115
Profit/(loss) before taxation	**7,367**	(16,412)

Separately disclosed operating charges

a) An impairment charge of £2,863,000 (2021: £5,709,000) in relation to seven freehold properties and eight right-of-use assets.

b) A recovery of £159,000 (2021: £111,000) in relation to previously disclosed fraud carried out by an employee.

c) A provision of £498,000 was made in the year to 27 June 2020 in respect of potential charges relating to an inquiry opened by HMRC regarding the provision of uniforms and training to employees. The inquiry was closed by HMRC in March 2022 and the excess provision of £443,000 has been released in the period.

d) Professional fees of £47,000 relating to two company acquisitions which completed after the year end (see note 8).

e) Professional fees of £162,000 relating to the transition of the pension scheme administration to an independent master trust.

During the 52 weeks ended 26 June 2021, there was a one-off net charge of £709,000 in respect of restructuring costs.

Separately disclosed finance costs

During the 52 weeks ended 25 June 2022, the Group incurred £83,000 of legal and professional fees associated with agreeing covenant waivers with our lenders, as well as fees associated with the transition of existing debt instruments from LIBOR to SONIA. These charges were offset by £397,000 credited in respect of the ineffective portion of the movement in fair value interest rate swaps.

The non-underlying finance charges for the 52 weeks ended 26 June 2021 comprise £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.

4 TAXATION

a Tax on profit/(loss)

	52 weeks ended 25 June 2022			52 weeks ended 26 June 2021		
Tax charged/(credited) 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
Current income tax						
Current tax on profit/(loss) for the year	**-**	**-**	**-**	(37)	-	(37)
Adjustments for current tax on prior periods	**-**	**-**	**-**	(110)	47	(63)
Total current income tax credit	**-**	**-**	**-**	(147)	47	(100)
Deferred income tax						
Origination and reversal of timing differences	**1,462**	**(84)**	**1,378**	(1,724)	(784)	(2,508)
Change in corporation tax rate	**-**	**(33)**	**(33)**	-	4,032	4,032
Adjustments for current tax on prior periods	**-**	**(258)**	**(258)**	3	(48)	(45)
Total deferred tax charge/(credit)	**1,462**	**(375)**	**1,087**	(1,721)	3,200	1,479
Total tax charged/(credited) to the income statement	**1,462**	**(375)**	**1,087**	(1,868)	3,247	1,379
Tax charged to other comprehensive income						
Deferred tax						
Gains arising on cash flow hedges in the period			**493**			305
Effect of increase in future rate of corporation tax			**68**			(139)
Total tax charged to other comprehensive income			**561**			166

b Reconciliation of the total tax charge

	52 weeks ended 25 June 2022 £'000	52 weeks ended 26 June 2021 £'000
Profit/(loss) before income tax	**7,367**	(16,412)
Tax on Group profit/(loss) at UK standard rate of corporation tax of 19.0% (2021: 19.0%)	**1,400**	(3,118)
Expenses not deductible/(taxable) for tax purposes	**151**	(9)
Profit on sale of property less chargeable gains	**(173)**	582
Effect of a change in tax rate	**(33)**	4,032
Current and deferred tax over-provided in previous years	**(258)**	(108)
Total tax charged to the income statement	**1,087**	1,379

c Factors that may affect future tax charges

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. A 1% reduction in the rate of corporation tax from this level will decrease deferred tax balances held by £600,000.

There is no expiry date on timing differences.

5 DIVIDENDS

	52 weeks ended 25 June 2022 £'000	52 weeks ended 26 June 2021 £'000
Declared and paid during the year		
Interim dividend for 2022: 3.50p (2021: nil) per ordinary share	**520**	-
Dividends paid	**520**	-

The Directors propose a final dividend of 15.00p (2021: nil) per 50p ordinary share totalling £2,222,000 (2021: nil) for the 52 weeks ended 25 June 2022. The dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 28 October 2022, and has not been included as a liability in these financial statements as it has not yet been approved or paid.

Shares held by the Company (and not allocated to employees under the Share Incentive Plan) are treated as cancelled when calculating dividends and earnings per share.

6 EARNINGS PER SHARE

	52 weeks ended 25 June 2022 £'000	52 weeks ended 26 June 2021 £'000
Profit/(loss) attributable to equity shareholders	**6,280**	(17,791)
Items excluded from underlying results	**(448)**	9,602
Underlying profit/(loss) attributable to equity shareholders	**5,832**	(8,189)

	Number	Number
Weighted average number of shares in issue	**14,784**	14,760
Dilutive outstanding options	**62**	-
Diluted weighted average share capital	**14,846**	14,760

Earnings/(loss) per 50p ordinary share		
Basic	**42.5p**	(120.5)p
Diluted	**42.3p**	(120.5)p
Underlying basic	**39.4p**	(55.5)p

The basic earnings per share figure is calculated by dividing the profit 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 per share have been calculated on a similar basis taking into account 62 (2021: nil) dilutive potential shares, which excludes shares held by trusts in respect of employee incentive plans and options. There were no dilutions in the previous year due to the loss per share.

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.

7 NOTES TO THE STATEMENT OF CASH FLOWS

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

	52 weeks ended 25 June 2022			52 weeks ended 26 June 2021		
	Underlying results £'000	**Excluded from underlying results £'000**	**Total £'000**	Underlying results £'000	Excluded from underlying results £'000	Total £'000
Operating profit/(loss)	**12,893**	**(2,470)**	**10,423**	(4,240)	(6,307)	(10,547)
Adjustment for:						
Depreciation and amortisation	**10,480**	**-**	**10,480**	11,110	-	11,110
Impairment of property, plant and equipment	**-**	**1,561**	**1,561**	-	3,628	3,628
Impairment of intangible assets	**-**	**52**	**52**	-	328	328
Impairment of right-of-use assets	**-**	**1,226**	**1,226**	-	1,619	1,619
Impairment of assets held for sale	**-**	**24**	**24**	-	134	134

Share-based payments expense	**183**	**-**	**183**	428	-	428
(Increase)/decrease in inventories	**(747)**	**-**	**(747)**	910	-	910
Increase in debtors and prepayments	**(2,242)**	**-**	**(2,242)**	(5,279)	-	(5,279)
Increase/(decrease) in creditors and accruals	**712**	**(374)**	**338**	(870)	(678)	(1,548)
Loss on sale of assets (excluding property)	**53**	**-**	**53**	840	-	840
Interest received	**-**	**-**	**-**	3	-	3
Income tax received	**-**	**-**	**-**	195	-	195
Fair value movements on financial assets	**(210)**	**-**	**(210)**	5	-	5
Net cash inflow/(outflow) from operating activities	**21,122**	**19**	**21,141**	3,102	(1,276)	1,826

b Reconciliation of movement in cash to movement in net debt

Group and Company	**52 weeks ended 25 June 2022 £'000**	52 weeks ended 26 June 2021 £'000
Opening cash and overdraft	**5,560**	9,807
Closing cash and overdraft	**5,579**	5,560
Movement in cash in the period	**19**	(4,247)
Cash from increase in bank loans	**-**	(2,000)
Cash used to repay bank loans	**15,600**	-
Movement in loan issue costs	**(105)**	(103)
Movement in net debt resulting from cash flows	**15,514**	(6,350)
Net debt at beginning of the period	**(90,805)**	(84,455)
Net debt	**(75,291)**	(90,805)
Current lease liability	**(2,780)**	(5,100)
Non-current lease liability	**(53,106)**	(53,226)
Statutory net debt	**(131,177)**	(149,131)

c Analysis of net debt

Group and Company 2022	June 2021 £'000	Cash flow £'000	Reclassification of long-term loans £'000	Repayment of loans £'000	Non-cash £'000	**June 2022 £'000**
Cash and cash equivalents	5,560	19	-	-	-	**5,579**
Debt due in less than one year	(1,600)	-	(1,600)	1,600	-	**(1,600)**
Debt due after more than one year	(94,765)	-	1,600	14,000	(105)	**(79,270)**
Net debt	(90,805)	19	-	15,600	(105)	**(75,291)**
Lease liabilities	(58,326)	4,220	-	-	(1,780)	**(55,886)**
Statutory net debt	(149,131)	4,239	-	15,600	(1,885)	**(131,177)**

Group and Company 2021	June 2020 £'000	Cash flow £'000	Reclassification of long-term loans £'000	New loans £'000	Non-cash £'000	June 2021 £'000
Cash and cash equivalents	9,807	(4,247)	-	-	-	5,560
Debt due in less than one year	(94,262)	-	92,662	-	-	(1,600)
Debt due after more than one year	-	-	(92,662)	(2,000)	(103)	(94,765)
Net debt	(84,455)	(4,247)	-	(2,000)	(103)	(90,805)
Lease liabilities	(55,860)	3,930	-	-	(6,396)	(58,326)
Statutory net debt	(140,315)	(317)	-	(2,000)	(6,499)	(149,131)

Non-cash movements in lease liabilities comprises lease additions and modifications of £699,000 (2021: £5,844,000) and interest of £1,245,000 (2021: £1,285,000), less waivers of £164,000 (2021: £733,000).

8 EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Company acquired two freehold pubs in Essex from East Anglia Pub Co Limited. These pubs have been transferred to the Retail estate.

The Company has also acquired East Anglia Pub Corporation Limited which operated one pub in Essex, and Urban Reef Restaurant Limited which operated one pub in Bournemouth. Both of these pubs have been transferred to the Retail estate.

The total investment in these acquisitions was £6.7m.

After the reporting period, the Company has also taken an additional private placement of loan notes for £20,000,000 with BAE Systems Pension Funds Investment Management Ltd (BAE Pension Fund). BAE Pension Fund will receive loan notes at a fixed interest rate of 5.47% for 10 years. This is in addition to the 20-year private placement of £35,000,000 arranged with BAE Pension Fund in October 2018 at a fixed rate of interest of 3.99%.

9 ACCOUNTS

The financial information for the period ended 25 June 2022 and the period ended 26 June 2021 does not constitute the Company's statutory accounts for those years.

Statutory accounts for the period ended 26 June 2021 have been delivered to the Registrar of Companies. The statutory accounts for the period ended 25 June 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditor's report on the statutory accounts for 25 June 2022 is unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006. The auditor's report on the statutory accounts for 26 June 2021 was unqualified, and did not contain a statement under s498(2) ors498(3) of the Companies Act 2006.

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[1] Underlying profit/(loss) less attributable taxation divided by the weighted average number of ordinary shares in issue during the period. 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

[2] Underlying profit/(loss) before tax pre net finance costs, depreciation, amortisation, profit or loss on sale of fixed assets excluding property and free trade loan discounts

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

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

[5] 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 52 week period in the prior year for pubs that were in the estate in the same period within both years

[6] 2019 is the 52 weeks to the 29 June 2019

[7] Tenanted income calculated to exclude from both years those pubs which have not been in the estate 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 52 week period in the prior year for pubs that were trading in both 52-week periods

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

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

[10] The periods referred to for financial year 2020 are the comparative month(s) of July, August & September 2019 which were during the financial year 52 weeks to 27 June 2020

[11] The periods referred to for financial year 2022 are the comparative month(s) of July, August & September 2021 which were during the financial year 52 weeks to 25 June 2022

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