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Shepherd Neame Limited
22 March 2023

Shepherd Neame

Interim results for the 26 weeks to 24 December 2022

Shepherd Neame, Britain's Oldest Brewer and owner and operator of 301 high quality pubs in Kent and the Southeast, today announces results for the 26 weeks ended 24 December 2022.

The period under review has seen continuing strong consumer demand, but is dominated by significant inflationary pressures which have impacted margins, with Brewing and Brands remaining challenging. Our investment programme has now resumed, with many projects that are essential for the future development of the Company underway.

This time last year, the Board restored the dividend for the first time post-pandemic and have increased it again.

Record revenue in H1, in spite of economic headwinds

- Revenue was £85.3m (H1 2022: £78.7m; H1 2020[1] restated: £79.0m), an increase of +8.4% vs H1 2022
- Statutory profit before tax was £5.5m (H1 2022: £5.4m; H1 2020[1] restated: £5.3m), an increase of +1.8% vs H1 2022
- Underlying profit before tax[2] was £3.5m (H1 2022: £3.0m; H1 2020[1] restated: £6.0m), an increase of +15.5% vs H1 2022
- Cashflow has remained robust. Net debt, excluding lease liabilities[3], is level at £82.8m (H1 2022: £82.4m; H1 2020[1] restated: £85.4m)
- Basic earnings per share was 28.9p (H1 2022: 28.9p; H1 2020[1] restated: 27.9p)
- Underlying basic earnings per share[4] was 18.7p (H1 2022: 15.9p; H1 2020[1] restated: 32.4p)
- Net assets per share[5] were £12.12 (H1 2022: £11.76; H1 2020[1] restated: £14.06)
- Interim dividend of 4.00p per share declared (H1 2022: 3.50p; H1 2020[1] restated: nil), an increase of +14.3% vs H1 2022

Operational performance

	Performance H1 2023 vs H1 2022	Performance H1 2023 vs H1 2020[1]
Retail like-for-like sales[6]	+11.9%	+1.2%
Like-for-like tenanted income[7]	+7.1%	+1.5%
Total beer volume[8]	-0.9%	+4.7%
Own beer volume[9]	+12.7%	+8.2%

- **Retail Pubs and Hotels (67 pubs) revenue grew by +18.0%**
  - Total retail sales up +18.0% to £36.9m (H1 2022: £31.3m)
  - Retail like-for-like sales[6] were +11.9% vs H1 2022 and +1.2% vs H1 2020[1]
  - Retail like-for-like sales[6] inside the M25 were up +39.1%, outside the M25 +3.4% vs H1 2022, reflecting increased footfall in London as people return to their offices

- Retail sales growth mainly driven by drink sales with like-for-like sales up +27.4% vs H1 2022
- Food like-for-like sales reduced by -3.3% vs H1 2022
- Accommodation like-for-like sales down -8.6% vs H1 2022. RevPAR was up +2.6% vs H1 2022 at £90
- Divisional operating profit was up +2.4% at £4.7m (H1 2022: £4.6m)

- **Tenanted Pubs (229 pubs) remained resilient during the period**
  - Like-for-like tenanted pub income[7] was +7.1% vs H1 2022 and +1.5% vs H1 2020[1]
  - Divisional revenue was £17.4m (H1 2022: £16.4m) and operating profit was £6.9m (H1 2022: £5.6m)

- **Brewing and Brands: sales maintained, but margins impacted by exceptional inflationary pressures**
  - Total beer volumes[8] were down -0.9% vs H1 2022 and up +4.7% vs H1 2020[1]
  - Own beer volumes[9] were up +12.7% vs H1 2022 and +8.2% vs H1 2020[1]
  - Divisional revenue maintained at £30.3m (H1 2022: £30.6m), with an operating loss of £0.4m (H1 2022: £0.0m)

New long term financing put in place

- At the end of February 2023, we had total committed facilities of £114.3m and headroom of £32.8m. 69% of our committed facilities are at a fixed rate, with all debt medium and long term

Current trading and outlook

- For the 12 weeks to 18 March, retail like-for-like sales was +12.8% vs 2022[10] and +13.0% vs 2020[11]
- Like-for-like tenanted pub income for the nine weeks to 25 February was +4.9% vs 2022[10] and +1.7% vs 2020[11]
- Total beer volume for the 12 weeks to 18 March was -5.5% vs 2022[10] and -6.5% vs 2020[11]. Own beer volume was -3.0% vs 2022[10] and -1.8% vs 2020[11]
- Fundamentals of the business remain strong and the business is in good shape. Demand is encouraging but we expect further cost inflation in the second half and into next financial year.
- Measures announced in the budget to reduce alcohol duty on beer in pubs, are most welcome.

Jonathan Neame, CEO of Shepherd Neame, said:

"We have an excellent pub estate with considerable potential, well established brands, a loyal customer base, and a high profile within the individual communities we serve. All these factors will stand us in good stead as the cost of living crisis eases and the economy returns to growth."

22 March 2023

ENQUIRIES

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Jonathan Neame, Chief Executive
Mark Rider, Chief Financial Officer

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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 301 pubs, of which 229 were tenanted or leased, 67 managed and five 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 Spitfire, Bishops Finger, Whitstable Bay and Bear Island.

The Company also has a partnership with Boon Rawd Brewery Company for Singha beer, Thailand's original premium beer.

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

INTERIM STATEMENT

OVERVIEW

The Company has made further good progress in this period, in spite of significant economic headwinds.

Our revenue is now at record level for the first half of the year. Net debt, excluding lease liabilities, is level year on year, even after investment in four new pubs, and the interim dividend is increased, albeit not yet returned to pre-pandemic levels.

This is our first half-year period since 2019 without any COVID-19 related restrictions. Consumer spending overall has remained strong. A long hot summer and a mild autumn helped our coastal sites and there has been a progressive return to offices within the City of London. Christmas trading was generally good, although we did not see quite as many large parties as we would have expected pre-pandemic, and the train strikes had a significant impact on what would have been the busiest week.

Profit levels are not yet back to pre-pandemic levels. Overall, our tenanted pubs have been strong, retail sales most encouraging, but with margins impacted by high costs, and brewing and brands remains challenging.

The inflationary surge in the wider economy has impacted our cost base in many areas, with huge increases in food, energy, glass, brewing raw materials, packaging waste and logistics. The root cause of these increases is the higher cost of energy and energy-intensive products. Inflation in the sector has generally been significantly higher than the headline rate of inflation.

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.

The supply chain itself has become slightly more resilient and we have been able to source raw materials at all times. We have contracts in place in the brewery and retail pubs that protect us from further inflation from direct utility purchases, during the forthcoming year.

This period compares with the prior year during which we benefited from lower rates of VAT, set at 12.5% until March 2022. We value that benefit at £1.7m in the first half of last year. We also received business and furlough grants of £421k during that period. All Government support has now ceased except for the Energy Bills Relief Scheme and ongoing support for business rates, for some of our tenanted pubs.

We are optimistic that we are past peak inflation, and so we expect to see many, but not all, of our raw material and input costs start to stabilise in the second half. We will, however, see a further step-up in wage costs, as the National Minimum Wage increases by 9.7% in April. We pay ahead of the National Minimum Wage, but this increase will have a consequential impact across all employee grades.

Price increases have been necessary, and the impact of these will come through in the second half. We are mindful that our customers face similar cost pressures in their own businesses and consumers can only afford so much at a time when mortgages and energy costs are rising.

During the pandemic, we restrained investment and projects, but these have now resumed. We are re-commencing many projects that are essential for the future development of the Company.

We have invested £0.5m year to date in these projects and will carry out further projects in the second half. We have built up our People Team to support learning and development to develop our own talent, improve retention levels and focus on customer service. We have refocused our food team to support the introduction of a menu refresh across the business in the second half; we have re-designed our pub websites; we have strengthened our property and health and safety teams and restored our IT team to

full complement.

FINANCIAL RESULTS

Revenue was £85.3m (H1 2022: £78.7m; H1 2020[1]: £79.0m), an increase of +8.4% on the prior year.

Underlying operating profit was £6.3m (H1 2022: £5.9m; H1 2020[1]: £8.5m), an increase of +5.6%.

Statutory profit before tax was £5.5m (H1 2022: £5.4m; H1 2020[1]: £5.3m), an increase of +1.8%.

Underlying profit before tax was £3.5m (H1 2022: £3.0m; H1 2020[1]: £6.0m), an increase of +15.5%.

Basic earnings per share was 28.9p (H1 2022: 28.9p; H1 2020[1]: 27.9p).

Underlying basic earnings per share was 18.7p (H1 2022: 15.9p; H1 2020[1]: 32.4p).

Net assets per share were £12.12 (H1 2022: £11.76; H1 2020[1]: £14.06).

DIVIDEND

This time last year the Board restored the dividend for the first time post-pandemic. We feel sufficiently confident to increase it again in spite of the economic headwinds.

The Board is declaring an interim dividend of 4.00p per share (H1 2022: 3.50p; H1 2020[1]: nil), an increase of +14.3%.

The dividend will be paid on 17 April 2023 to those shareholders on the register as at 31 March 2023.

CAPITAL EXPENDITURE, NET DEBT AND CASH FLOW

Cashflow has remained robust. During the period, we have achieved underlying EBITDA (earnings before interest, tax, depreciation and amortisation) of £11.4m (H1 2022: £11.3m; H1 2020[1]: £14.4m), an increase of +0.5%.

Statutory net debt fell to £138.9m from £139.8m in the prior year. Net debt, excluding lease liabilities, was level at £82.8m (H1 2022: £82.4m; H1 2020[1]: £85.4m).

The robust cash and net debt position have supported an increase in capital expenditure, as we restore more normalised levels of investment. In the first half, we invested £10.7m (H1 2022: £2.7m; H1 2020[1]: £8.1m). The larger part of this investment was the acquisition of four retail pubs in July 2022, as previously announced, for £6.7m.

FINANCING

The Company has put in place a new long-term financing facility. This provides certainty of funds to the Company, a reduction in exposure to interest rate rises and an improved debt maturity profile.

Specifically, we now have a four-year revolving credit facility of £40m that matures in 2026, and a second private placement tranche of £20m with BAE Systems Pension Funds Investment Management Ltd at a fixed interest rate of 5.47% for 10 years. This is in addition to the 20 year private placement arranged with the same party in October 2018 at a fixed interest rate of 3.99%. The new facilities sit alongside the existing term loan which remains in place until December 2026, with the repayment of £1.6m payable on 31 December each year.

At the end of February, we had total committed facilities of £114.3m. 69% of our committed facilities are at a fixed rate, with all debt medium and long term. This provides a financing platform from which to take advantage of any opportunities that may arise in the next few years.

TENANTED AND RETAIL PUB OPERATIONS

As at 24 December 2022, we owned 301 pubs (June 2022: 300), of which 229 (June 2022: 231) are tenanted or leased, 67 (June 2022: 63) are retail pubs and five (June 2022: six) operated on a free-of-tie basis as investment properties. 85% of our pubs are owned freehold.

During the period we have transferred one tenanted pub to retail, and one retail pub to investment property. We have sold three pubs and have acquired four. These disposals have realised £0.9m of net proceeds (H1 2022: £8.0m).

Since the half year, we have recommenced major capital projects. The Crown at Chislehurst is underway and will complete by Easter, and the Tom Cribb near Haymarket will commence at the year end. We plan to undertake a transformational development at the Duke of Cumberland in Whitstable in the summer. We have carried out minor schemes at the Jamaica Winehouse, London, the Minnis Bay, Birchington and the garden at the Botany Bay, Kingsgate.

We are building a pipeline of substantial projects to carry out over the next three years as we transfer some pubs from tenancy and look to exploit the full potential of our estate, in line with our medium term goal to have 100 retail sites. In the second half we will transfer five pubs from tenanted to retail. We expect to incur transitional costs of £0.5m as these sites await transformational development.

RETAIL PUBS AND HOTELS

For the 26 weeks to 24 December 2022, our retail pubs achieved encouraging like-for-like sales growth on the prior year and on pre-pandemic levels, at +11.9% vs H1 2022 and +1.2% vs H1 2020[1]. All individual months were in growth on the prior year,

with the strongest growth in July and December, since these periods were affected by COVID-19 restrictions in the prior year. However, December was below expectations as we lost an estimate of £250k of sales due to the rail strikes.

Within the M25, like-for-like sales are +39.1% vs H1 2022 and -5.6% vs H1 2020[1]. Outside the M25, like-for-like sales are +3.4% vs H1 2022 and +4.4% vs H1 2020[1].

This growth has been mainly driven by drinks sales, with like-for-like sales +27.4% vs H1 2022, driven by the recovery of our London pubs as people return to their offices. Like-for-like food sales were -3.3% vs H1 2022 and like-for-like accommodation sales -8.6% vs H1 2022. Food and accommodation benefited from VAT reduction in the prior year to 12.5%, which has now normalised to 20%.

Whilst revenue on food and drink is up on a like-for-like basis on pre-pandemic levels, the volume of meals and pints sold remains below. Rooms sold are +6.7% up.

At 24 December 2022, we operated 232 rooms in our retail estate, 14 rooms more than at the year-end. Occupancy has been strong in this half at 82% (H1 2022: 77%) and RevPAR excellent at £90 (H1 2022: £84). The current economic conditions indicate that 2023 will be another staycation year.

Divisional revenue in Retail Pubs was up +18.0% at £36.9m (H1 2022: £31.3m), divisional operating profit was up +2.4% at £4.7m (H1 2022: 4.6m).

TENANTED PUBS

Trade in our tenanted pubs has remained resilient during this period. As in our retail pubs, most have benefited from the warm summer weather, and have seen demand remain robust during the autumn. Some pubs however have experienced material increases in their energy bills, depending on the specific terms of their utilities contract. The Government Energy Bills Relief Scheme has been most welcome but is currently due to expire at the end of March. Unless the lower market rate for energy starts to feed through to customers, this may cause a substantial challenge for individual licensees. Measures announced in the budget to reduce alcohol duty on beer in pubs are most welcome.

Like-for-like net pub income was +7.1% vs H1 2022 and +1.5% vs H1 2020[1].

Divisional revenue in Tenanted Pubs was £17.4m (H1 2022: £16.4m) and divisional operating profit was £6.9m (H1 2022: £5.6m).

BREWING AND BRANDS

Total beer volume was -0.9% vs H1 2022 and +4.7% vs H1 2020[1]. Own beer volume was +12.7% vs H1 2022 and +8.2% vs H1 2020[1].

We have all seen higher inflation in the last year, but the degree of inflation experienced in this area is quite exceptional. Inflation has been particularly acute in glass, CO_2, packaging waste and logistics. Our customers have been generally supportive but the price increases we have been able to pass on so far are short of these particular cost increases. As such we will need to pass on further price increases in the coming months, whilst exploring every avenue to contain cost inflation.

Divisional revenue in Brewing and Brands was £30.3m (H1 2022: £30.6m) and divisional operating loss was (£0.4m) (H1 2022: £0.0m).

INVESTMENT PROPERTY

As at December 2022, the Company owned investment property valued at £6.9m (2022: £6.2m). We have sold two properties during the period (2022: five). We continue to promote sites in the local area for potential development. We remain confident one or two of these schemes will be approved in the near term, but recent changes in Government policy make others less likely.

OUTLOOK AND CURRENT TRADING

Consumer spending has remained good throughout this period - and better than many had expected - albeit the underlying volumes of food and drink are still down on pre-pandemic levels. Costs are up in all channels, some significantly above the prevailing rate of RPI, with further costs to be absorbed.

The extraordinary rises in costs in the brewing business, in particular, are likely to impact margins in the short term. The second half will present further challenges to our cost base, but it seems likely that the specific energy and Ukraine-war related factors that have driven this inflation will start to abate in the next financial year. The consumer cost of living squeeze may also start to ease as wage increases close the gap.

For the 12 weeks to 18 March, retail like-for-like sales was +12.8% vs 2022 and +13.0% vs 2020[2]. Like-for-like tenanted pub income for the nine weeks to 25 February was + 4.9% vs 2022 and +1.7% vs 2020[2]. Total beer volume for the 12 weeks to 18 March was -5.5% vs 2022 and -6.5% vs 2020[2]. Own beer volume was -3.05% vs 2022 and -1.8% vs 2020[2].

This has been a tough time for anyone in the hospitality sector, with one crisis rolling in to the next. The events of the last few years demonstrate how unpredictable such things can be, and we remain flexible and agile to respond to further events.

The fundamentals, though, for the business remain good. With a strong balance sheet, and a cash generative business, we are now focused on maximising growth potential through delivering our investment and project plans.

We have an excellent pub estate with considerable potential, well established brands, a loyal customer base, and a high profile within the individual communities we serve.

All these factors will stand us in good stead as the cost of living crisis eases and the economy returns to growth.

JONATHAN NEAME
Chief Executive

1. H1 2020 is the first half of the financial period of the 52 weeks to the 27 June 2020. The first half equated to the 26 weeks ended 28 December 2019.
2. The periods referred to are the comparative periods during the financial years 52 weeks to 27 June 2020.

Group income statement

For the 26 weeks ended 24 December 2022

		Unaudited 26 weeks ended 24 December 2022			Unaudited 26 weeks ended 25 December 2021			Audited 52 weeks ended 25 June 2022
	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	**85,330**	**-**	**85,330**	78,729	-	78,729	151,538
Other income	3	**-**	**-**	**-**	121	-	121	383
Operating charges		(79,048)	(798)	(79,846)	(72,903)	451	(72,452)	(141,498)
Operating profit	2, 3	**6,282**	**(798)**	**5,484**	5,947	451	6,398	10,423
Net finance costs	2, 4	**(2,779)**	**(214)**	**(2,993)**	(2,915)	-	(2,915)	(5,682)
Fair value movements on financial instruments charged to profit and loss	2, 4	**-**	**195**	**195**	-	95	95	397
Total net finance costs		**(2,779)**	**(19)**	**(2,798)**	(2,915)	95	(2,820)	(5,285)
Profit on disposal of property	2	**-**	**2,639**	**2,639**	-	1,487	1,487	1,709
Investment property fair value movements	2	**-**	**136**	**136**	-	300	300	520
Profit before taxation		**3,503**	**1,958**	**5,461**	3,032	2,333	5,365	7,367
Taxation	5	**(746)**	**(455)**	**(1,201)**	(687)	(406)	(1,093)	(1,087)
Profit after taxation		**2,757**	**1,503**	**4,260**	2,345	1,927	4,272	6,280
Earnings per 50p ordinary share	7							
Basic				**28.9p**			28.9p	42.5p
Diluted				**28.7p**			28.5p	42.3p

All results are derived from continuing activities.

Group statement of comprehensive income

For the 26 weeks ended 24 December 2022

	Note	Unaudited 26 weeks ended 24 December 2022 £'000	Unaudited 26 weeks ended 25 December 2021 £'000	Audited 52 weeks ended 25 June 2022 £'000
Profit after taxation		**4,260**	4,272	6,280
Items that may be reclassified subsequently to profit or loss:				
Gains arising on cash flow hedges during the period		**1,389**	1,036	2,596
Income tax relating to these items	5	**(318)**	(197)	(561)
Other comprehensive gains		**1,071**	839	2,035
Total comprehensive income		**5,331**	5,111	8,315

Group statement of financial position

As at 24 December 2022

	Note	Unaudited 24 December 2022 £'000	Unaudited 25 December 2021 £'000	Audited 25 June 2022 £'000
Non-current assets				
Goodwill and intangible assets		**2,320**	319	375
Property, plant and equipment	8	**277,590**	277,694	274,651
Investment properties		**6,887**	6,243	6,716
Other non-current assets		**-**	2	-
Right-of-use assets	10	**45,850**	46,570	44,235
Finance lease receivables		**2,450**	-	-
		335,097	330,828	325,977
Current assets				
Inventories		**8,042**	9,068	8,067
Trade and other receivables		**18,358**	17,795	17,685
Cash and cash equivalents		**691**	4,041	5,579
Assets held for sale		**1,341**	1,359	1,099
Finance lease receivables		**65**	-	-
		28,497	32,263	32,430
Current liabilities				
Trade and other payables		**(27,132)**	(25,846)	(27,222)
Borrowings	11	**(1,600)**	(1,600)	(1,600)
Lease liabilities	10	**(1,976)**	(4,379)	(2,780)
		(30,708)	(31,825)	(31,602)
Net current (liabilities)/assets		**(2,211)**	438	828
Total assets less current liabilities		**332,886**	331,266	326,805
Non-current liabilities				
Lease liabilities	10	**(54,155)**	(53,021)	(53,106)
Borrowings	11	**(81,871)**	(84,818)	(79,270)
Derivative financial instruments		**(656)**	(4,280)	(2,353)

	Note	Unaudited 24 December 2022 £'000	Unaudited 25 December 2021 £'000	Audited 25 June 2022 £'000
Provisions		**-**	(55)	-
Deferred tax liabilities		**(16,173)**	(14,390)	(14,749)
		(152,855)	(156,564)	(149,478)
Net assets		**180,031**	174,702	177,327
Capital and reserves				
Share capital		**7,429**	7,429	7,429
Share premium account		**1,099**	1,099	1,099
Revaluation reserve		**31**	31	31
Own shares		**(1,045)**	(745)	(660)
Hedging reserve		**(418)**	(2,685)	(1,489)
Retained earnings		**172,935**	169,573	170,917
Total equity		**180,031**	174,702	177,327

Group statement of changes in equity

For the 26 weeks ended 24 December 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 25 June 2022		**7,429**	**1,099**	**31**	**(660)**	**(1,489)**	**170,917**	**177,327**
Profit for the period		-	-	-	-	-	4,260	4,260
Gains arising on cash flow hedges during the period		-	-	-	-	1,389	-	1,389
Tax relating to components of other comprehensive income	5	-	-	-	-	(318)	-	(318)
Total comprehensive income		**-**	**-**	**-**	**-**	**1,071**	**4,260**	**5,331**
Ordinary dividends paid		-	-	-	-	-	(2,227)	(2,227)
Accrued share-based payments		-	-	-	-	-	206	206
Purchase of own shares		-	-	-	(610)	-	-	(610)
Distribution of own shares		-	-	-	41	-	(37)	4
Unconditionally vested share awards		-	-	-	184	-	(184)	-
Balance at 24 December 2022		**7,429**	**1,099**	**31**	**(1,045)**	**(418)**	**172,935**	**180,031**
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)

	Note	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Own shares £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
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**

Group statement of cash flows

For the 26 weeks ended 24 December 2022

	Note	**Unaudited 26 weeks ended 24 December 2022**		Unaudited 26 weeks ended 25 December 2021		Audited 52 weeks ended 25 June 2022	
		£'000	**£'000**	£'000	£'000	£'000	£'000
Cash flows from operating activities	12a						
Cash generated from operations		**8,822**		7,034		21,141	
Income taxes paid		**(114)**		-		-	
Net cash flow generated by operating activities			**8,708**		7,034		21,141
Cash flows from investing activities							
Proceeds from disposal of property, plant and equipment		**20**		5,746		5,792	
Proceeds from disposal of investment property		**-**		1		1	
Proceeds from disposal of assets held for sale		**869**		2,284		3,292	
Purchases of property, plant, equipment and lease premiums		**(5,446)**		(2,670)		(5,304)	
Purchase of intangible assets		**-**		-		(129)	
Customer loan repayments		**1**		2		-	
Acquisition of subsidiaries	9	**(5,221)**		-		-	
Cash acquired on acquisition	9	**766**		-		-	
Net cash flow (absorbed)/generated by investing activities			**(9,011)**		5,363		3,652
Cash flows from financing activities							
Dividends paid	6	**(2,227)**		-		(520)	
Interest paid		**(2,073)**		(2,285)		(4,436)	
Payments of principal portion of lease liabilities	10	**(2,081)**		(1,632)		(4,220)	
Proceeds from borrowings	12c	**3,000**		-		-	
Repayment of borrowings	12c	**-**		(10,000)		(15,600)	
Issue costs of new long term loans	12c	**(598)**		-		-	

	Note	Unaudited 26 weeks ended 24 December 2022		Unaudited 26 weeks ended 25 December 2021		Audited 52 weeks ended 25 June 2022	
		£'000	**£'000**	£'000	£'000	£'000	£'000
Purchase of own shares		**(610)**		-		-	
Share option proceeds		**4**		1		2	
Net cash flow used in financing activities			**(4,585)**		(13,916)		(24,774)
Net (decrease)/increase in cash and cash equivalents			**(4,888)**		(1,519)		19
Cash and cash equivalents at beginning of the period			**5,579**		5,560		5,560
Cash and cash equivalents at end of the period			**691**		4,041		5,579

NOTES TO THE FINANCIAL STATEMENTS

24 DECEMBER 2022

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 25 June 2022, 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 26 June 2022, with no changes to the accounting policies set out in the statutory accounts of Shepherd Neame Limited for the period ended 25 June 2022, 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 24 December 2022 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 25 June 2022 is extracted from the statutory accounts of the Group for that year.

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 25 June 2022. 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 26 June 2022 were as follows:

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use;

Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract;

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).

The adoption of these amendments has not had a material impact on the interim financial statements of the Group.

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 as well as other principal risks and uncertainties as disclosed in the Group's latest Annual Report, namely the current economic downturn and its impact on consumers, and the inflationary cost pressures that the hospitality industry is currently facing.

At 24 December 2022, the Group had a strong balance sheet with 85% of the estate being freehold properties. The Group had cash in hand of £0.7m and has forecast cash inflows for the financial years to June 2023 and June 2024. At 24 December 2022,

the Group had existing facilities of £115.9m. Net debt, excluding lease liabilities, was £82.8m (H1 2022: £82.4m).

The Company put in place a new long term financing facility during the period. This provides certainty of funds to the Company, a reduction in exposure to interest rate rises and an improved debt maturity profile (see note 11).

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 its interim financial statements 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 24 December 2022 £'000	26 weeks ended 25 December 2021 £'000	52 weeks ended 25 June 2022 £'000
Underlying EBITDA	**11,394**	11,337	23,428
Depreciation and amortisation	**(5,077)**	(5,393)	(10,480)
Free trade loan discounts	**-**	(1)	(2)
(Loss)/profit on sale of assets (excluding property)	**(35)**	4	(53)
Underlying operating profit	**6,282**	5,947	12,893
Net underlying finance costs pre IFRS 16	**(2,179)**	(2,295)	(4,355)
Net underlying finance costs	**(2,779)**	(2,915)	(5,599)
Underlying profit before taxation	**3,503**	3,032	7,294
Profit on disposal of properties	**2,639**	1,487	1,709
Investment property fair value movements	**136**	300	520
Separately disclosed operating charges:			
Impairment of intangible assets, properties, right-of-use assets and assets held for sale	**-**	(148)	(2,863)
Other operating (charges)/credits excluded from underlying results	**(798)**	599	393
Separately disclosed finance costs:			
Settlement of ineffective portion of interest rate swap	**(73)**	-	-
Write-off of unamortised loan fees on refinancing	**(141)**	-	-
Fair value movements on financial instruments credited to profit and loss	**195**	95	397
Costs relating to the agreement of covenant waivers with our lenders	**-**	-	(50)
Costs relating to the transition from LIBOR to SONIA for sterling debt instruments	**-**	-	(33)
Profit before taxation	**5,461**	5,365	7,367

Separately disclosed operating charges:
During the 26 weeks ended 24 December 2022, separately disclosed operating charges comprise:

a) Professional fees of £491,000 relating to the extension of our distribution agreement with our logistics partner.

b) Professional fees of £269,000 relating to two company acquisitions (see note 9).

c) Professional fees of £38,000 relating to the transition of the pension scheme administration to an independent master trust.

During the 26 weeks ended 25 December 2021, separately disclosed operating charges comprised:

a) An impairment charge of £148,000 in relation to three freehold properties.

b) A recovery of £156,000 in relation to a previously disclosed fraud carried out by an employee.

c) The release of a provision to the value of £443,000 in respect of an inquiry opened by HMRC relating to the provision of uniforms and training to employees, which was closed in March 2022.

During the 52 weeks ended 25 June 2022, separately disclosed operating charges comprised:

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

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

c) The release of a provision to the value of £443,000 in respect of an inquiry opened by HMRC relating to the provision of uniforms and training to employees, which was closed in March 2022.

d) Professional fees of £47,000 relating to two company acquisitions which completed after the year end (see note 9).

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

Separately disclosed finance costs:

During the 26 weeks ended 24 December 2022, the Group settled the ineffective portion of the interest rate swap for cash consideration of £73,000, wrote off £141,000 of unamortised finance costs relating to the previous facility, and recognised a credit of £195,000 in respect of the ineffective portion of the movement in fair value interest rate swaps.

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 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.

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 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 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.

26 weeks ended 24 December 2022	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated[1] £'000	Total £'000
Revenue	**30,320**	**36,896**	**17,445**	**669**	**85,330**
Underlying operating (loss)/profit	(449)	4,680	6,884	(4,833)	6,282
Items excluded from underlying results	-	(3)	-	(795)	(798)
Divisional operating (loss)/profit	**(449)**	**4,677**	**6,884**	**(5,628)**	**5,484**
Net underlying finance costs					**(2,779)**
Finance costs excluded from underlying results					**(214)**

26 weeks ended 24 December 2022	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated[1] £'000	Total £'000
Fair value movements on ineffective element of cash flow hedges					**195**
Profit on disposal of property					**2,639**
Investment property fair value movements					**136**
Profit before taxation					**5,461**
Other divisional information					
Capital expenditure - tangible and intangible assets	978	6,465	1,408	629	9,480
Depreciation and amortisation pre IFRS 16	785	1,410	1,235	225	3,655
Depreciation and amortisation	840	2,274	1,650	313	5,077
Underlying divisional EBITDA pre IFRS 16	346	5,662	7,901	(4,561)	9,348
Underlying divisional EBITDA	405	6,967	8,542	(4,520)	11,394
Number of pubs	-	67	229	5	301

1. £669,000 of unallocated income (2021: £535,000) includes rent receivable from investment properties and other non-core trading income. Unallocated expenses primarily represent Head Office support costs.

26 weeks ended 25 December 2021	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated[2] £'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 divisional 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.
2. £535,000 of unallocated income includes rent receivable from investment properties and other non-core trading income. Unallocated expenses primarily represent Head Office support costs.

52 weeks ended 25 June 2022	Brewing and Brands £'000	Retail Pubs and Hotels £'000	Tenanted Pubs £'000	Unallocated[2] £'000	Total £'000
Revenue	**56,615**	**61,240**	**32,773**	**910**	**151,538**
Other income[1]	**-**	**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)
Divisional 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**
Other divisional 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 divisional EBITDA pre IFRS 16	1,394	10,920	15,812	(8,143)	**19,983**
Underlying divisional EBITDA	1,508	12,882	16,967	(7,929)	**23,428**
Number of pubs	-	63	231	6	**300**

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.
2. £910,000 of unallocated income includes rent receivable from investment properties and other non-core trading income. Unallocated expenses primarily represent Head Office support costs.

4 NET FINANCE COSTS

	26 weeks ended 24 December 2022 Total statutory £'000	26 weeks ended 25 December 2021 Total statutory £'000	52 weeks ended 25 June 2022 Total statutory £'000
Finance costs			
Interest expense arising on:			
Financial liabilities at amortised cost - bank loans	2,181	2,300	4,363
Financial liabilities at amortised cost - lease liabilities	600	620	1,244
Unwinding of discounts on provisions	(2)	(5)	(8)
Underlying net finance costs	**2,779**	2,915	5,599

	26 weeks ended 24 December 2022 Total statutory £'000	26 weeks ended 25 December 2021 Total statutory £'000	52 weeks ended 25 June 2022 Total statutory £'000
Finance costs excluded from underlying results			
Settlement of ineffective portion of interest rate swap	73	-	-
Write-off of unamortised loan fees on refinancing	141	-	-
Costs relating to the agreement of covenant waivers with our lenders	-	-	50
Costs relating to the transition from LIBOR to SONIA for sterling debt instruments	-	-	33
Ongoing fair value movements on financial instruments credited to profit and loss	(195)	(95)	(397)
Total finance costs excluded from underlying results	**19**	(95)	(314)
Net finance costs	**2,798**	2,820	5,285

5 TAXATION

	26 weeks ended 24 December 2022			26 weeks ended 25 December 2021			52 weeks ended 25 June 2022
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 charge/(credit)	**424**	**(114)**	**310**	-	-	-	-
Deferred income tax charge	**322**	**569**	**891**	687	406	1,093	1,087
Total tax charged to the income statement	**746**	**455**	**1,201**	687	406	1,093	1,087
Tax charged to other comprehensive income							
Deferred tax charge			**318**			197	561
Total tax charged to other comprehensive income			**318**			197	561

Taxation on the underlying result for the 26 weeks ended 24 December 2022 has been provided at 21.3% (2021: 22.7%) based on the current best estimate of the effective tax rate for the 52 weeks to 24 June 2023. The average statutory rate of corporation tax for the 52 weeks to 24 June 2023 is expected to be 20.5% (52 weeks to 25 June 2022: 19.0%).

6 DIVIDENDS

	26 weeks ended 24 December 2022 £'000	26 weeks ended 25 December 2021 £'000	52 weeks ended 25 June 2022 £'000
Declared and paid during the year			
Final dividend for 2022: 15.00p (2021: nil) per ordinary share	**2,227**	-	-
Interim dividend for 2022: 3.50p per ordinary share	**-**	-	520
Dividends paid	**2,227**	-	520

The interim dividend, in respect of the period ended 24 December 2022, at a cost of £590,000 (for the period ended 25 December 2021: £520,000), is to be paid on 17 April 2023 to shareholders on the register at the close of business on 31 March 2023.

7 EARNINGS PER SHARE

	26 weeks ended 24 December 2022 £'000	26 weeks ended 25 December 2021 £'000	52 weeks ended 25 June 2022 £'000
Profit attributable to equity shareholders	**4,260**	4,272	6,280
Items excluded from underlying results	**(1,503)**	(1,927)	(448)
Underlying profit attributable to equity shareholders	**2,757**	2,345	5,832

	Number	Number	Number
Weighted average number of shares in issue	**14,752**	14,775	14,784
Dilutive outstanding options	**90**	190	62
Diluted weighted average share capital	**14,842**	14,965	14,846

Earnings per 50p ordinary share			
Basic	**28.9p**	28.9p	42.5p
Diluted	**28.7p**	28.5p	42.3p
Underlying basic	**18.7p**	15.9p	39.4p

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 90 (2021: 190) 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 non-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 26 June 2021	254,563	2,088	37,106	95,319	230	389,306
Additions	45	119	454	4,098	513	5,229
Disposals	(6,051)	(39)	(45)	(5,021)	(12)	(11,168)
Transfers within property, plant and equipment	-	-	20	34	(54)	-
Transfers to investment property	(326)	-	-	(198)	-	(524)
Transfers from investment property	20	-	-	-	-	20
Transfers to assets held for sale	(1,272)	-	-	(375)	-	(1,647)
At 25 June 2022	**246,979**	**2,168**	**37,535**	**93,857**	**677**	**381,216**
Additions	3,195	1	423	2,732	1,077	7,428
Disposals	-	(39)	-	(729)	-	(768)
Transfers within property, plant and equipment	1	-	-	69	(70)	-
Transfers to assets held for sale	(828)	-	-	(292)	-	(1,120)
At 24 December 2022	**249,347**	**2,130**	**37,958**	**95,637**	**1,684**	**386,756**

Accumulated depreciation and impairment

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
At 26 June 2021	13,269	978	31,035	58,914	47	104,243
Charge for year	564	128	1,011	5,587	-	7,290
Impairment	1,141	13	-	407	-	1,561
Disposals	(1,695)	(39)	(44)	(3,998)	(1)	(5,777)
Transfers to investment property	(74)	-	-	(130)	-	(204)
Transfers to assets held for sale	(263)	-	-	(285)	-	(548)
At 25 June 2022	**12,942**	**1,080**	**32,002**	**60,495**	**46**	**106,565**
Charge for period	289	40	494	2,689	-	3,512
Disposals	-	(39)	-	(674)	-	(713)
Transfers to assets held for sale	(19)	-	-	(179)	-	(198)
At 24 December 2022	**13,212**	**1,081**	**32,496**	**62,331**	**46**	**109,166**
Net book values						
At 24 December 2022	**236,135**	**1,049**	**5,462**	**33,306**	**1,638**	**277,590**
At 25 June 2022	234,037	1,088	5,533	33,362	631	274,651
At 26 June 2021	241,294	1,110	6,071	36,405	183	285,063

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 24 December 2022.

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 are used for right-of-use assets as for property, plant and equipment. During the 26 weeks ended 24 December 2022, the Group recognised a charge of nil (2021: £148,000) in respect of the write-down of freehold properties (2021: three freehold properties) to their recoverable value. During the 52 weeks ended 25 June 2022, the Group recognised a charge of £2,863,000 in relation to seven freehold properties and eight right-of-use assets.

9 ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 28 July 2022, the Company acquired 100% of the issued share capital of East Anglia Pub Corporation Limited, a company which owns and operates one pub in Leigh-on-Sea, Essex, for cash consideration of £3,653,000. The fair value of the assets acquired at that date was £1,952,000, which was less than the fair value of the consideration by £1,701,000, which has been treated as goodwill.

The acquisition has been accounted for under the purchase method. The following table sets out the book values of the identifiable assets and liabilities acquired, and their fair value to the Group:

	Book value £'000	Revaluation £'000	Provisional fair value to Group £'000
Non-current assets			
Property, plant and equipment	**862**	1,138	**2,000**
Current assets			
Inventories	**12**	-	**12**
Trade and other receivables	**-**	-	**-**
Cash and cash equivalents	**576**	-	**576**

	Book value £'000	Revaluation £'000	Provisional fair value to Group £'000
Total assets	**1,450**	**1,138**	**2,588**
Trade and other payables	**(422)**	-	**(422)**
Deferred tax liabilities	**(30)**	(184)	**(214)**
Total liabilities	**(452)**	(184)	**(636)**
Net assets	**998**	954	**1,952**
Goodwill arising on acquisition			**1,701**
			3,653
Satisfied by:			
Cash			**3,653**

The business of East Anglia Pub Corporation Limited was hived up to Shepherd Neame Limited at the date of acquisition, and results since this date have been recognised in this company.

On 19 July 2022, the Company acquired 100% of the issued share capital of Urban Reef Restaurant Limited, a company which owns and operates one pub in Boscombe, Bournemouth, for cash consideration of £1,618,000. The fair value of the assets acquired at that date was £1,352,000, which was less than the fair value of the consideration by £266,000, which has been treated as goodwill.

	Book value £'000	Revaluation £'000	Provisional fair value to Group £'000
Non-current assets			
Property, plant and equipment	**390**	1,110	1,500
Current assets			
Inventories	**10**	-	**10**
Trade and other receivables	**107**	-	**107**
Cash and cash equivalents	**190**	-	**190**
Total assets	**697**	1,110	**1,807**
Trade and other payables	**(455)**	-	**(455)**
Deferred tax liabilities	**(27)**	27	**-**
Total liabilities	**(482)**	27	**(455)**
Net assets	**215**	1,137	**1,352**
Goodwill arising on acquisition			**266**
			1,618
Satisfied by:			
Cash			**1,568**
Contingent consideration			**50**

	Book value £'000	Revaluation £'000	Provisional fair value to Group £'000
			1,618

The £50,000 contingent consideration has not yet been settled.

The business of Urban Reef Restaurant Limited was hived up to Shepherd Neame Limited at the date of acquisition, and results since this date have been recognised in this company.

10 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:

Group and Company	Right-of-use assets £'000	Lease liabilities £'000
Net carrying value as at 26 June 2021	**47,311**	**58,326**
Additions	339	322
Disposals	(15)	(672)
Lease amendments - rent concessions	(48)	(164)
Lease amendments - other[1]	1,034	1,049
Depreciation	(3,160)	-
Impairment	(1,226)	-
Accretion of interest	-	1,245
Payments	-	(4,220)
Net carrying value as at 25 June 2022	**44,235**	**55,886**
Additions	3,168	1,718
Lease amendments - other[1]	(10)	(12)
Depreciation	(1,543)	-
Accretion of interest	-	620
Payments	-	(2,081)
Net carrying value as at 24 December 2022	**45,850**	**56,131**

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.

11 BORROWINGS

Group and Company	**24 December 2022 £'000**	25 December 2021 £'000	25 June 2022 £'000
Bank loans	**29,400**	52,000	46,400
Other loans	**55,000**	35,000	35,000
Less: capitalised loan arrangement fees	**(929)**	(582)	(530)
Total borrowings	**83,471**	86,418	80,870
Analysed as:			
Borrowings within current liabilities	**1,600**	1,600	1,600
Borrowings within non-current liabilities	**81,871**	84,818	79,270

Group and Company	24 December 2022 £'000	25 December 2021 £'000	25 June 2022 £'000
	83,471	86,418	80,870

Borrowings at the end of the reporting period comprise a 20-year term loan of £35,000,000 arranged in October 2018, a 10-year term loan of £20,000,000 arranged in October 2022, a 20-year term loan of £20,900,000 arranged in April 2007 and drawings of £8,500,000 on the revolving credit facility.

The £35,000,000 and £20,000,000 loans represent a private placement of loan notes with BAE Systems Pension Funds Investment Management Ltd and are repayable on 30 October 2038 and 26 October 2032 respectively. The interest rates are fixed at 3.99% and 5.47% respectively, and both are payable six-monthly. Due to a technical breach of covenants, the interest rate on the £35,000,000 loan was temporarily increased to 4.49% until the Company's leverage ratio returned to an accepted level for four consecutive quarters. The interest rate reverted to 3.99% on 1 January 2023.

The £20,900,000 term loan was provided by Lloyds Bank plc and is repayable in four instalments of £1,600,000 payable in December every year, with the outstanding balance being repayable on 31 December 2026. The interest rate payable is three-month SONIA 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 four-year revolving credit facility with Lloyds Bank plc and HSBC Bank plc matures on 31 December 2026. This is a committed facility which permits drawings of different amounts and for different periods. These drawings carry interest at a margin above SONIA with a commitment payment on the undrawn portions. Interest is payable at each loan renewal date.

The Group has a £5,000,000 overdraft facility within the revolving credit facility with interest linked to the Bank of England base rate.

At the end of the reporting period, £26,500,000 (2021: £30,500,000) of the total £35,000,000 (2021: £60,000,000) committed revolving credit bank facility was available and undrawn, with nil (2021: nil) drawn on the £5,000,000 overdraft facility.

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

12 NOTES TO THE CASH FLOW STATEMENT

a Reconciliation of operating profit to cash generated by operations

	26 weeks ended 24 December 2022			26 weeks ended 25 December 2021	52 weeks ended 25 June 2022
	Underlying results £'000	**Excluded from underlying results £'000**	**Total £'000**	Total £'000	Total £'000
Operating profit	**6,282**	**(798)**	**5,484**	6,398	10,423
Adjustment for:					
Depreciation and amortisation	**5,077**	**-**	**5,077**	5,393	10,480
Impairment of property, plant and equipment	**-**	**-**	**-**	74	1,561
Impairment of intangible assets	**-**	**-**	**-**	-	52
Impairment of right-of-use assets	**-**	**-**	**-**	-	1,226
Impairment of assets held for sale	**-**	**-**	**-**	74	24
Share-based payments expense	**206**	**-**	**206**	243	183
Decrease/(increase) in inventories	**46**	**-**	**46**	(1,748)	(747)
Increase in debtors and prepayments	**(459)**	**-**	**(459)**	(2,485)	(2,242)
(Decrease)/increase in creditors and accruals	**(1,327)**	**(55)**	**(1,382)**	(883)	338
Free trade loan discounts	**1**	**-**	**1**	1	-
Loss/(profit) on sale of assets (excluding property)	**35**	**-**	**35**	(4)	53
Interest received	**-**	**-**	**-**	3	-
Income tax paid	**(114)**	**-**	**(114)**	-	-

	26 weeks ended 24 December 2022			26 weeks ended 25 December 2021	52 weeks ended 25 June 2022
	Underlying results £'000	**Excluded from underlying results £'000**	**Total £'000**	Total £'000	Total £'000
Fair value movements on financial assets	**(186)**	**-**	**(186)**	(32)	(210)
Net cash inflow from operating activities	**9,561**	**(853)**	**8,708**	7,034	21,141

b Reconciliation of movement in cash to movement in net debt

Group and Company	**26 weeks ended 24 December 2022 £'000**	26 weeks ended 25 December 2021 £'000	52 weeks ended 25 June 2022 £'000
Opening cash and overdraft	**5,579**	5,560	5,560
Closing cash and overdraft	**691**	4,041	5,579
Movement in cash in the period	**(4,888)**	(1,519)	19
Cash from increase in bank loans	**(3,000)**	-	-
Cash used to repay bank loans	**-**	10,000	15,600
Movement in loan issue costs	**399**	(53)	(105)
Movement in net debt resulting from cash flows	**(7,489)**	8,428	15,514
Net debt at beginning of the period	**(75,291)**	(90,805)	(90,805)
Net debt	**(82,780)**	(82,377)	(75,291)
Current lease liability	**(1,976)**	(4,379)	(2,780)
Non-current lease liability	**(54,155)**	(53,021)	(53,106)
Statutory net debt	**(138,911)**	(139,777)	(131,177)

c Analysis of net debt

Group and Company	June 2022 £'000	Cash flow £'000	New loans £'000	Issue costs of new loans £'000	Non-cash £'000	**December 2022 £'000**
Cash and cash equivalents	5,579	(4,888)	-	-	-	**691**
Debt due in less than one year	(1,600)	-	-	-	-	**(1,600)**
Debt due after more than one year	(79,270)	-	(3,000)	598	(199)	**(81,871)**
Net debt	(75,291)	(4,888)	(3,000)	598	(199)	**(82,780)**
Lease liabilities	(55,886)	2,081	-	-	(2,326)	**(56,131)**
Statutory net debt	(131,177)	(2,807)	(3,000)	598	(2,525)	**(138,911)**

Non-cash movements in lease liabilities comprises lease additions and modifications of £1,706,000 (2021: £231,000), interest of £620,000 (2021: £620,000), less waivers of nil (2021: £145,000).

13 CAPITAL COMMITMENTS

Contracts for capital expenditure not provided for in the accounts amounted to £1,448,000 (2021: £102,000).

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 24 December 2022, Barnes Solicitors LLP provided legal services at a cost of £10,000, including VAT and disbursements to third parties (2021: £1,500). No balance was owed to Barnes Solicitors LLP by Shepherd Neame Limited at the end of the reporting period (2021: nil).

Nigel Bunting, an Executive Director of Shepherd Neame Limited, is also a Director of Davy and Company Limited. During the 26 weeks ended 24 December 2022, the Group did not purchase any goods (2021: nil) but made sales to the value of £195,000 (2021: £49,000) 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 (2021: nil) and £52,000 was owed to the Group by the Davy Group of companies (2021: £7,000).

Hilary Riva, a Non-Executive Director of Shepherd Neame Limited, is also a Director of the Alexander Centre CIC. During the 26 weeks ended 24 December 2022, the Group did not purchase any goods (2021: £1,000) but made sales to the value of £4,000 (2021: £3,000) 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 (2021: nil) and no balance was owed to the Group by the Alexander Centre CIC (2021: 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.

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[1] H1 2020 is the first half of the financial period of the 52 weeks to the 27 June 2020. This first half equated to the 26 weeks ended 28 December 2019, restated on an IFRS basis

[2] Profit/(loss) before any profit or loss on the disposal of properties, investment property fair value movements and operating charges which are either material or infrequent in nature and do not relate to the underlying performance

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

[4] 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

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

[6] 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 in the estate in the same period within both years

[7] Tenanted income calculated to exclude from both periods those pubs which have not been in the estate throughout the two periods. 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

[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, including Singha beer which the Company commenced brewing in March 2022

[10] The periods referred to for financial year 2022 are the comparative month(s) of January, February and March 2022 which are during the financial year 52 weeks to 25 June 2022

[11] The periods referred to for financial year 2020 are the comparative month(s) of January, February and March 2020 which are during the financial year 52 weeks to 27 June 2020. The UK went into lockdown due to COVID-19 on 23 March 2020

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