Shepherd Neame

Full Year Results

Resilient performance. Well placed for when normal trading resumes

Shepherd Neame, Britain's Oldest Brewer and owner and operator of 319 high quality pubs in Kent and the South East, today announces results for the 52 weeks ended 27 June 2020.

Financial performance for the year:

- Traded well up to the outbreak of COVID-19. The first 8 month period of the financial year to 29 February 2020 saw turnover up +4.6% and underlying profit before tax[1] up +6.1%
- Turnover for the year decreased to £123.6m (2019: £145.8m) demonstrating the impact of 3 months' closure
- Underlying operating profit[2] was £0.9m (2019: £15.3m) and underlying loss before tax was £2.9m (2019: profit £11.4m). Statutory loss before tax was £12.1m (2019: profit £3.5m)
- Underlying basic loss per share[3] was 17.8p (2019: earnings per share 60.9p)
- Basic loss per share was 79.8p (2019: earnings per share 17.6p)

Key points

- **Business resilient and well positioned for growth once normal trading conditions resume**
  - Core strategy is unchanged, namely to focus on our strengths as a brewer and pub retailer within our heartland of Kent, London and the South East
  - Balance of business between managed, tenanted and brewing divisions, between wet, dry and accommodation sales, and between city, suburban, community and destination outlets has proved to be extremely resilient
  - Demand for food and accommodation outlets has been strong since reopening
  - Long term infrastructure developments in our Kent heartland presents significant growth opportunities over the medium term
- **Current Trading: 18 weeks to 31 October 2020**
  - Pubs continued to outperform the market to 31 October with managed like-for-like sales[4] at 66% of last year's levels and managed like-for-like sales for open sites -13.4%. Tenanted like-for-like pub income[5] at 75% of prior year
  - Own brand beer and cider volumes[6] at 98% of the prior year level. Total own beer volumes[7] at 92% of the prior year level
  - Net debt continues to hold steady: £83.9m at 28 December 2019, £84.4m at 27 June 2020 with £11m of tax liabilities that had been deferred in agreement with HMRC, £84.8m at 31 October 2020 with the tax liabilities that had been deferred reduced to £4.7m with a further £1.1m of general deferrals
  - New lockdown from 5 November will be again extremely disruptive and adversely impact performance. Remains unclear when trading may resume bringing uncertainty over the important Christmas period
- **Annual General Meeting**
  - Annual General Meeting date previously announced is changed to 12 Noon Friday December 4th and will be held as a virtual meeting. Details in the Notice of Meeting.

Jonathan Neame, Chief Executive, commented:

"This has been the most challenging period any of us in the hospitality industry have ever faced. I am incredibly proud of how everyone across the business has reacted, and the ingenuity and team spirit shown by our licensees and team members during this time has been inspiring.

Trading during the summer months was encouraging, highlighting the strength of our offer and people's undiminished desire to go out and socialise in a safe environment with family and friends.

We have worked hard to drive positive cash flow in the new financial year and have sufficient liquidity for the foreseeable future. We welcome the ongoing support from the Chancellor, but the sector faces a very tough winter as we return to lockdown with fresh uncertainties.

Shepherd Neame has weathered many crises in its long history and I am determined that we emerge from this crisis in a position of strength, ready to seize the opportunities that lie ahead.''

4 November 2020

Shepherd Neame Tel: 01795 532206

Jonathan Neame, Chief Executive

Mark Rider, Finance and IT Director

Instinctif Partners Tel: 020 7457 2020

Matthew Smallwood

Jack Devoy

NOTES FOR EDITORS

Shepherd Neame is Britain's oldest brewer. Established in 1698 and based in Faversham, Kent it employs around 1,700 people.

At the year end, the Company operated 319 pubs, of which 234 were tenanted or leased, 69 managed and 16 were held as investment properties under commercial free of tie leases. The pub estate ranges from inns and hotels to destination dining, great traditional and local community pubs.

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

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

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

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

CHAIRMAN'S STATEMENT

OVERVIEW

The COVID-19 pandemic has inevitably had a profound effect on the financial performance of the business and caused us to pause all planned activity. However, I am hugely impressed by how the business responded to these changed circumstances and addressed each of the many challenges in a positive, methodical and professional way.

From the outset it was clear to the Board that the safety and well being of our team members, licensees and customers would be our overriding priority. The various measures that were quickly put in place are outlined in the Chief Executive's report but demonstrate clear and decisive leadership during the crisis from the senior team, as well as the caring attitude and community spirit that so defines Shepherd Neame.

Shepherd Neame's operating and financial model is robust and the business is resilient. Its business is balanced with three different operating divisions, each with its own distinct financial and market characteristics. Additionally the business is underpinned by a high quality freehold asset base and a strong balance sheet, and entered into the crisis with sensible levels of leverage.

We recognised quickly that our tenanted business was likely to recover fastest and therefore it was vital to support our licensees to ensure that they would be able to resume trading as soon as restrictions were lifted, without a financial burden overhanging their businesses.

Managed pubs have a high fixed cost base inherent in businesses of this size, and so need higher turnover to achieve their profitability. Thus, their recovery was always going to take longer. However, it is most encouraging to see how strong and rapid the recovery has been in most outlets over the summer, up until the point that further restrictions were introduced.

We have 15 managed pubs in the City and West End of London which we did not re-open until September 2020. These are great pubs but we are concerned for their future in the short term, as central London footfall has been significantly reduced, with few tourists and most commuters working from home.

The Brewing and Brands business has been able to operate throughout to supply off trade customers. This provided much needed cashflow at a time when other sources of cash were foreclosed.

It is pleasing to see how all three business divisions have started their recovery path with resilient trading in the first part of the new financial year.

FINANCIAL RESULTS

The financial results are materially affected by the impact of COVID-19.

For the last 15 weeks of our financial year ended June 2020, we maintained supply of our beer brands to the supermarkets and a few export customers, but derived no income from our pubs, which remained closed until 4 July. We took all the steps we could to minimise costs during this period, used all available Government assistance and ceased all non-contractual expenditure. Nonetheless we continued to incur costs in many areas.

In addition, the Board of Directors took a temporary pay cut of 20%. No bonuses will be paid this year and there is no pay increase across the Company, except those required by law under the national minimum wage legislation.

Total turnover for the 52 weeks to 27 June was £123.6m (2019: £145.8m).

Underlying operating profit was £0.9m (2019: £15.3m). Underlying loss before tax was £2.9m (2019: profit £11.4m) and statutory loss before tax was £12.1m (2019: profit £3.5m).

Underlying basic loss per share was 17.8p (2019: earnings per share 60.9p) and basic loss per share was 79.8p (2019: earnings per share 17.6p).

In a normal year, the business is strongly cash generative. Much of that cashflow is achieved in the summer months and so a 15 week period of closure at this time had a significant effect.

Underlying EBITDA[8] was £9.7m (2019: £23.7m).

FINANCING

At the year end the Board took steps to strengthen the Company's financial position and to secure liquidity for the foreseeable future. This is a precautionary step to protect the business in the event of a further and sustained lockdown.

We secured a £25m revolving credit facility from our banking lenders Lloyds Bank plc and Santander plc utilising the Government CLBILS scheme (Coronavirus Large Business Interruption Lending Scheme). Of this, £15m is committed and a further £10m available on request. The loan will mature on 1 July 2022, but can be cancelled by the Company at any time.

As part of these arrangements, the Company's loan note holder BAE Systems Pensions Funds Investment Management Ltd and banking lenders agreed to waive any technical defaults arising from the COVID-19 pandemic and to amend the Group's financial covenants through to September 2021. The Company has now been set a minimum level of EBITDA and liquidity which we are currently comfortably exceeding.

We have managed the Company's cash well. At the year end, the Company's net debt[9] was £84.4m (2019: £82.0m), a small increase from the half year end. Over and above this, the Company incurred deferred liabilities of £11m during lockdown, predominantly Government liabilities.

CAPITAL AND INVESTMENT

Capital expenditure was £12.3m (2019: £19.3m). Of this £1.8m (2019: £9.0m) was spent on new site acquisitions and £10.5m (2019: £10.3m) on brewery and pub investments. This expenditure was almost entirely incurred in the period up to March 2020.

DIVIDENDS

The Board recognises the importance of dividends to its shareholders and has every intention of resuming dividend payments as soon as possible.

However, as shareholders would expect given the circumstances and the need to preserve cash, the Company will not be paying a final dividend at the AGM 2020 nor an interim dividend in March 2021. In 2019 the Company paid a final dividend of 24.21p and a total dividend for the year of 30.08p.

ANNUAL GENERAL MEETING

The Annual General Meeting is delayed from the usual date of the end of October due to the reporting complexities arising from COVID-19. In order to adhere to Government guidance, the format of the AGM is different but we anticipate returning to the more normal timetable and format when appropriate.

BOARD OF DIRECTORS

As previously announced Richard Oldfield will become Chairman at the Annual General Meeting. Richard has been a Non-Executive Director since 2016 and his advice and experience have been invaluable in helping the Company steer through the challenges of the last few months. I have no doubt he will make an excellent Chairman and help lead the Company back on a path to growth.

He will step down as Chair of the Audit Committee on his appointment and this role will be taken by Bill Brett. Hilary Riva will become Chair of the Remuneration Committee. Richard will also become Chair of the Nominations Committee.

As previously announced, Kevin Georgel will be elected to the Board at the Annual General Meeting, as a Non Executive Director.

COMPANY SECRETARY

At the AGM, Robin Duncan will step down as Company Secretary and will retire in March 2021. Robin has served the Company with great distinction in many roles for over 40 years and we wish him well for the future. I am delighted that Glenda Flanagan will become Company Secretary. She has been a key member of the senior team for over 10 years in her role as Financial Controller and is very well qualified to assume this role with considerable knowledge of corporate governance and accounting.

ROBERT NEAME CBE

I would like to pay a personal tribute to Robert Neame, the former Chairman and the Company's first President, who sadly passed away in November 2019. He dedicated 63 years of his life to the Company and achieved great success over many years. He built the platform that the business benefits from today. He will be sorely missed by all who knew him.

SUMMARY AND OUTLOOK

Shepherd Neame is a strong independent business with a clear plan to drive recovery in the short term and a focus on the opportunities that may arise in the market for the long term.

The Company has experienced many challenges over its history, but perhaps none as severe and instant as this crisis. The Company survives because it has a clear strategy, a well balanced business, a strong freehold asset base, long term financing and sensible levels of net debt. The Company is also tightly managed by an experienced and dedicated team who have already put the Company well on the path to recovery.

We have traded as well as could be expected since re-opening in the summer, but the rest of the winter presents further risks and fresh uncertainties. The new restrictions are of great concern, and we hope can be lifted in due course.

The Company has liquidity for the foreseeable future within its financing structure, and our clear objective, when conditions allow, is to resume our growth trajectory, re-start our investment programme and the payment of a dividend as soon as possible.

The Company's position in the market as an independent operator with its local and community footprint, high quality pub estate and brewery, with its unique heritage, is as strong as ever. As we emerge from this crisis, I have no doubt we will benefit from the opportunities, such as local heartland infrastructure investment, that are likely to arise in the coming months and years.

It has been a privilege to be Chairman of this great company for the past 15 years. I have greatly enjoyed working with the team and supporting the development and growth as best I can. I shall miss it greatly, but look forward to seeing the Company enjoy the success in the future that I fully anticipate.

MILES TEMPLEMAN

Chairman

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

We plan for many scenarios on an ongoing basis, but no one planned for the total closure of all our pubs and the loss of the greater part of our revenue and cashflow for 15 weeks. No one anticipated one of the deepest recessions ever nor the fundamental shifts – temporary or permanent – in consumer behaviour in response to the COVID-19 pandemic.

It is however a testament to the great resilience of the business, to the inherent strength of our brands and assets, as well as to the skills of the people we employ, that we have so far weathered this storm as well as could be expected, and in many respects, are likely to emerge in due course well positioned.

During the last few months, we have had to take many critical decisions, often under extreme pressure, that could have a material impact in the long term on the Company. Throughout, I feel the team has made the right judgment calls at the right time, as well as maintaining a good flow of communications to our people, licensees and customers. I would like to express my thanks to all who have contributed to this enormous effort.

Since re-opening, and up until new restrictions were imposed in mid September, our performance has been stronger than originally anticipated, but we still face considerable difficulties before this crisis ends and have a significant challenge to navigate our way through the winter months.

Our plan is to minimise expenditure, maximise cashflow, and restore the strength of our balance sheet, as quickly as possible over the next year, so that we are best placed to take advantage of any opportunities that arise.

PERFORMANCE TO THE END OF FEBRUARY 2020

The Interim Results, for the 26 weeks ended 28 December 2019, were published on 11 March. At that time, we reported a satisfactory trading period, in spite of a great deal of political uncertainty in the autumn prior to the General Election in December. In the context of what followed, such uncertainty seems trivial.

Trade in January was buoyant in all channels and there was every prospect of a strong finish to the year. In this context we looked forward to the final quarter with considerable optimism. Indeed, as we stated in our Interim Report, 'we have seen no discernible change in customer behaviour to date'. Whilst clearly accurate at the time, that position changed rapidly in the days following this announcement, and by Friday 20 March, all pubs in the UK were shut.

Our turnover to the half year was up +3.3% to £79.0m (2019: £76.5m) and to 29 February 2020, like-for-like sales in each division continued on the same solid and steady trajectory. Tenanted like-for-like pub income was strong at +2.6%, own brand beer and cider volumes were up +4.4% and same outlet managed like-for-like sales were up +0.6%.

A key highlight in the managed estate in the first half of the year was the development of the Woolpack at Banstead at a cost of £1.3m. We had also commenced a major redevelopment at The Wharf in Dartford in January, but had to suspend work at the site in March and only resumed in July.

Earlier in the year, we acquired the Crown, Rochester and secured a freehold site at Ebbsfleet with an initial payment to build a new pub hotel, to be called The Chalk Yard. This build was due to commence in May 2020, but subsequently the project has been suspended.

In the tenanted estate, we have enjoyed a continual strong performance for some time now. The levels of maintenance and investment in our estate over a sustained period, and the high quality support services we provide, have created a robust business. We carried out major developments at the Lord Nelson, Dover, at the Red Lion, Charing Heath and at the Rose in June, Margate.

We were delighted that our efforts and achievements were recognised as winners of the 2020 Publican Award for Best Tenanted/Leased Company (up to 500 sites).

In our Brewing and Brands division, we commenced a distribution partnership with Boon Rawd Brewery for Singha Beer, Thailand's original premium beer, in September 2019. We were enjoying considerable success in the period prior to lockdown, by opening new wholesaler and on trade customer accounts, and are most pleased at the way this has continued since re-opening.

Overall beer volume was in growth for the first part of the year, with good performances in export and grocery and renewed momentum in our heartland. We commissioned the installation of a new yeast plant to improve beer quality at a cost of £0.5m. This project was suspended in March and finally completed in October.

PIVOTING THE BUSINESS IN RESPONSE TO COVID-19

On 16 March, we formed a crisis management committee, consisting of members of the senior team, and met several times per week through to the end of July. This committee and the Board made all the critical decisions about closing the business down and then preparing it to re-open in July.

The overriding priority of the Board was the safety and wellbeing of our team members, licensees and customers. Immediate actions that were taken were to:

- close the offices and move to home working from 18 March
- make the Brewery COVID-secure so that it could continue to produce beer. We introduced various protections for our brewing team so that they could operate in a safe environment, with workplace distancing measures in place

The priority for the business was to conserve cash. Immediate actions taken included decisions to:

- cancel the interim dividend
- cancel all capital projects

- minimise expenditure

and, the Board of Directors and higher paid staff all took a voluntary pay cut for the period of closure.

From lockdown, we implemented further measures and:

- waived all rent receivable from our tenanted licensees from 16 March
- gave credits to our customers for beer that could not be sold
- provided regular advice and guidance to our licensees
- helped our licensees to access business grants and other available Government assistance
- established daily communications to all our teams
- accessed the Government Coronavirus Job Retention Scheme to furlough up to 91% of all staff

We entered negotiations with all our landlords where we hold a lease over rental commitments. In the main, we achieved satisfactory outcomes with our landlords being supportive and understanding of our predicament. We are grateful to those who have waived rent in full or part during lockdown. We have now paid the majority of the outstanding rent accrued during lockdown, with the remainder subject to agreed deferral arrangements. It is also most welcome that the Government has cancelled business rates for hospitality outlets for one year.

During the whole of lockdown[10] the brewery continued to produce beer for the supermarkets and a few export customers. Off trade volume grew by +36% during this period, albeit total own brand beer volume was down –23% of normal. Demand was so high for our traditional beers that we were able to support local hop growers and place a significant order for Kentish hops. We also re-launched our online shop.

DOING THE RIGHT THING

We believed it was critical that the Company and its licensees played their part.

To this end, we:

- arranged for all food in our managed pub kitchens to be despatched to local food banks
- offered our managed hotel accommodation to the NHS
- supported the regular #ClapforCarers
- produced the base ‘beer’ for hand sanitiser in partnership with the Copper Rivet Distillery

Many of our pubs provided much needed take away or grocery services to their local community.

Throughout, we tried to maintain regular communications with our staff, licensees and customers on the actions we were taking to combat the crisis.

RE-OPENING OUR PUBS

As we approached the re-opening date of 4 July, intense activity prepared the business to restart. We were able to give first class advice and guidance to our licensees on the specific risk assessment required for each pub, and to help make the necessary mitigations in each outlet. Our customer signage received many favourable comments and was produced by our Charity of the Year, the Royal British Legion Industries (RBLI).

To operate with social distancing in place is a considerable challenge for many outlets, resulting in a loss of capacity and therefore a risk to the viability of many pubs. It was most welcome therefore that the Government recognised this and moved to the ‘1 metre plus’ rule, thereby increasing capacity, so long as satisfactory mitigations to avoid face to face contact, such as screens or seating back to back, were in place. Customers have welcomed the small booths created by screens between tables and many of these will become a permanent feature.

Additional new measures included table service, single use menus or apps for ordering, and track and trace registration on arrival. This is in addition to clear directional and spacing signage throughout our premises and multiple hand sanitiser stations. All of this required re-training for our team members as they returned from furlough.

Whilst there was understandable concern about how such measures could be implemented, I am delighted by the way all our teams responded. We recognise that we need strict compliance to the guidelines and the highest standards of hygiene and safety in our outlets to reassure our customers that our outlets are COVID-19 secure.

We have received many favourable comments from customers since re-opening about the measures we have put in place and the quality and attitude of our staff. We believe that this has provided the necessary confidence to encourage our customers to return.

By the end of July we had re-opened most of our 234 tenanted pubs and 45 of our 69 managed pubs. The majority of those that remained closed were in Central London. This was ahead of our original plan as, after the first couple of weeks, it was clear that people still wanted to go to pubs.

THE SUMMER MONTHS

Trade was fairly slow in early July, but it was building week on week. August was strong in our tenanted and managed pubs, with many pubs trading above last year. This was clearly boosted by the Eat Out To Help Out (EOTHO) scheme which supported over 74,000 meals in our managed pubs and a successful dinner, bed and breakfast promotion to drive occupancy in our hotels.

The Wharf in Dartford finally reopened at the end of August once the redevelopment was complete.

We benefit from a large number of rural, coastal and suburban pubs with great gardens or terraces, and have a strong food offer in most of those sites. These have been in strong demand throughout the summer.

I am pleased to say that staff and customers alike seemed thrilled to be back, enjoying the pub experience that they loved and missed. The table service experience in particular has been welcomed by most customers.

But, after the great progress made over the summer by our teams, and the immense efforts to create safe environments for our staff and customers, it was extremely disheartening that fresh restrictions were imposed on the hospitality sector. These included the new Rule of Six, the compulsory Test and Trace, increased wearing of masks, the imposition of a 10pm curfew and the new regional tier system and ultimately fresh national lockdown from 5 November.

The curfew is a poor public health measure as it has meant that people leave pubs simultaneously, many of them to gather at close quarters without distancing elsewhere. The clear evidence from Public Health England is that hospitality venues are safe and are a source of only a fraction of all infections.

By contrast, we, and our licensees, have been very careful to ensure that our pubs are safe places with proper distancing and movement rules in place.

Neither the trade nor any of the relevant licensing authorities were consulted on these measures which are almost universally seen to be bad policy.

Pubs have a high fixed cost base and need volume to achieve profit. This is in part due to the heavy tax burden on the sector. The initial support that the Chancellor was able to provide to the sector was impressive and most welcome. In particular, the VAT cut to 5%, the cancellation of business rates and the EOTHO in August are all welcome initiatives.

The hospitality sector in general has been one of the hardest hit, and this support was important to start to re-build the finances for many pubs and to protect a significant number of jobs. In this context the new restrictions imposed in mid September have been a blow to many operators and will stimulate significant job losses across the sector.

TRADING PERFORMANCE

Of those managed pubs that have been open, since 4 July, like-for-like retail sales to the end of September were -7.9%. Demand for food and accommodation in our coastal hotels has been strong. Overall like-for-like sales were -36.7%.

Tenanted volumes were tracking at c. 90% of normal through the summer period, which was above our initial expectation, but have now fallen back following the new restrictions. For the 13 weeks to 26 September we achieved 73% of prior year like-for-like tenanted pub income. Following the reopening of pubs, we provided substantial rental support. Currently rent is being charged at substantially below contractual rent and will remain at this level through to the end of February 2021. We hope to restore rental levels to near their previous levels as soon as practicable.

Beer volumes have remained robust, with export and grocery business performing well. Own Brand Beer and Cider volumes to 26 September were -1.9% versus last year. The shift to drinking at home has clearly benefitted the off trade. Whilst the on trade was recovering well, many key customers such as sports clubs, nightclubs and event management companies, have remained closed since the start of lockdown.

ADAPTING TO THE CHANGE IN CONSUMER BEHAVIOUR

It is hard to gauge at this stage which of the many changes in consumer behaviour during lockdown will stay for the long term.

However, many are likely to be beneficial to us if they become permanent, as and when consumer confidence returns. Specifically, support for local independent businesses is strong, particularly those with a strong community presence; international travel restrictions are likely to drive more staycation holidays; and the move to home working, whilst negative for our London pubs, could be positive for our many suburban and village pubs in commuter areas.

The way we have adapted our offer to table service within pubs has been well received, and the design modifications to create booth seating are also popular.

It is also clear that we are entering a new era where digital excellence is a critical success factor for any consumer business. We are reviewing where else we can improve in terms of wifi infrastructure, customer communications and consumer engagement via social channels.

Another significant change arising from this crisis is in pub recruitment. In recent years, it has become harder to recruit for certain roles in hospitality, particularly chefs and qualified kitchen staff. But this has changed and applications for pub, bar and kitchen roles are strong. Demand for our tenanted pubs is also good.

One overall theme seems clear, namely that there is great loyalty to Shepherd Neame from existing customers and that our actions and behaviours during lockdown appear to have attracted new ones.

THE YEAR AHEAD

At this stage there is no clear indication when restrictions will be lifted in full. Whilst food outlets have fared well so far, ongoing restrictions will have a negative impact on certain venues, for example pubs which rely on live music, broadcast live sport or host traditional pub games.

We remain therefore in a time of considerable uncertainty which is reflected in the risks to which we draw attention in this Report and in uncertainties relating to valuations. Subject to these important reservations, with the knowledge that we have of current circumstances we are optimistic about a good recovery.

Looking further ahead into 2021, we remain cautiously optimistic of a good summer. We hope that many of the normal events and sporting occasions can resume, and that customers will continue to enjoy the great British pub experience. Demand for functions and weddings is already high, assuming they are allowed to take place. We anticipate another staycation summer and are delighted that the Open Golf due to take place at Royal St Georges in July 2020 has been rescheduled for July 2021 and should bring visitors to the area.

THE RECOVERY PLAN

The Board has a clear Business Plan to stabilise the business during 2021 and then provide a platform for sustainable growth beyond.

We managed to contain our net debt through lockdown to similar levels as at the half year but incurred incremental liabilities of c. £11m, largely from agreed deferral of tax payments. These are being paid off against an agreed schedule during the coming year. We have made great strides at debt reduction in the new financial year, which demonstrate how cash generative the business remains even in the current difficult circumstances.

Key elements of our plan include continuing to minimise all but essential expenditure and the considered sale of non core assets. Sadly we have had to review our cost base and have had to make a total of approximately 170 roles redundant in the pubs and brewery. We are also looking to continue to build on our partnerships within the brewing and brands division so as to utilise the brewery to its maximum capacity.

We own four separate land holdings in and around Faversham which are considered suitable for residential development, and with a realistic prospect of receiving planning permission over the medium term. We are promoting these through the local plan.

Our immediate priority is to revive the cashflows in the business, to reduce leverage and to restore a dividend as soon as possible.

THE LONGER TERM OPPORTUNITY

Whilst there remains considerable uncertainty in the short term, we remain confident for the long term.

Shepherd Neame remains well positioned in the sector. As an authentic, independent business with a strong community and local presence, we are arguably more relevant now than ever before.

Our core strategy is unchanged, namely to focus on our strengths as a brewer and pub operator within our heartland of Kent, London and the South East. Our strong freehold asset base has been a critical factor in enabling us to weather this storm and remains key to having a strong balance sheet.

As we emerge and are able to start looking for new growth opportunities we believe that the infrastructure development within our heartland, in particular in north and central Kent, will continue to provide interesting opportunities.

The hospitality market will evolve rapidly as a result of COVID-19. It is likely that many secondary or city centre outlets may close for good. In that context, many of our pubs may benefit, particularly suburban and community pubs which is the core base of our estate. We have gained new customers for our beer during lockdown and expect that to continue. Further, our reputation and the loyalty to our brand appears to have been enhanced in the last few months.

But, the sector will need ongoing support. We are hopeful that the Government now recognise the importance of hospitality to jobs and the British economy and will reflect this in future policy making. We will continue to make the case for lower overall taxation on the sector, such as extended business rates holiday and lower rates of excise duty for beer in line with other countries, and differential rates of VAT for food and accommodation to help re-stimulate the visitor economy.

A BIG THANK YOU

Finally, there has been an extraordinary effort from many right across the business in recent months, to enable us to address the challenges we faced and to respond accordingly.

I have been hugely impressed by the ingenuity demonstrated by many of our licensees in serving their communities and by the team spirit right across the organisation. The messages of goodwill from employees, licensees and customers alike has been uplifting, and at times overwhelming. On many dark days this has been the fuel that has kept us all going. The passion and commitment within the business is as great as ever and will provide the energy for us to drive a powerful recovery over the next few years.

We are also very grateful for the messages of support received from many shareholders who recognise the need to cancel the dividend and appreciate the actions we have taken to safeguard the business for the future.

JONATHAN NEAME

Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT 52 weeks ended 27 June 2020

	note	**52 weeks to 27 June 2020** Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000	52 weeks to 29 June 2019 Underlying results £'000	Items excluded from underlying results £'000	Total statutory £'000
Turnover	1,2	**123,619**	**-**	**123,619**	145,801	-	145,801
Operating charges	3	**(122,675)**	**(9,082)**	**(131,757)**	(130,543)	(168)	(130,711)
Operating profit/(loss)	1	**944**	**(9,082)**	**(8,138)**	15,258	(168)	15,090
Finance costs		**(3,857)**	**(185)**	**(4,042)**	(3,901)	(9,820)	(13,721)
Fair value movements on financial instruments charged to profit and loss		**-**	**35**	**35**	-	(952)	(952)
Net finance costs		**(3,857)**	**(150)**	**(4,007)**	(3,901)	(10,772)	(14,673)
(Loss)/profit on disposal of property	3	**-**	**(6)**	**(6)**	-	2,848	2,848
Investment property fair value movements	3	**-**	**50**	**50**	-	206	206
(Loss)/profit before taxation		**(2,913)**	**(9,188)**	**(12,101)**	11,357	(7,886)	3,471
Taxation	4	**285**	**66**	**351**	(2,401)	1,519	(882)
(Loss)/profit after taxation		**(2,628)**	**(9,122)**	**(11,750)**	8,956	(6,367)	2,589
(Loss)/earnings per 50p ordinary share	6						
Basic				**(79.8)p**			17.6p
Diluted				**(79.8)p**			17.5p
Underlying basic				**(17.8)p**			60.9p

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 52 weeks ended 27 June 2020

	note	**52 weeks ended 27 June 2020 £'000**	52 weeks ended 29 June 2019 £'000
(Loss)/profit after taxation		**(11,750)**	2,589
(Losses)/gains arising on cash flow hedges during the period		**(96)**	248
Transfers to the profit and loss account on cash flow hedges		**-**	10,660
Gains arising on revaluation of tangible fixed assets		**17**	-
Tax relating to components of other comprehensive income	4	**(490)**	(1,931)
Other comprehensive (losses)/gains		**(569)**	8,977
Total comprehensive (loss)/income		**(12,319)**	11,566

CONSOLIDATED AND PARENT COMPANY BALANCE SHEET As at 27 June 2020

	Group 27 June 2020 £'000	Group 29 June 2019 £'000	Company 27 June 2020 £'000	Company 29 June 2019 £'000
Fixed assets				
Intangible fixed assets	**557**	760	**557**	760
Tangible fixed assets	**309,363**	314,728	**309,363**	314,728
Investments and loans	**5**	10	**27**	5,519
	309,925	315,498	**309,947**	321,007
Current assets				
Stocks	**8,230**	7,111	**8,230**	7,111
Debtors	**9,968**	12,945	**9,968**	12,945
Deferred tax asset	**1,354**	1,058	**1,354**	1,058
Cash at bank and in hand	**9,861**	116	**9,861**	116
	29,413	21,230	**29,413**	21,230
Creditors: amounts falling due within one year				
Bank loans and overdrafts	**(94,262)**	(933)	**(94,262)**	(1,068)
Creditors	**(27,846)**	(23,096)	**(27,868)**	(28,470)
	(122,108)	(24,029)	**(122,130)**	(29,538)
Net current liabilities	**(92,695)**	(2,799)	**(92,717)**	(8,308)
Total assets less current liabilities	**217,230**	312,699	**217,230**	312,699
Creditors: amounts falling due after more than one year				
Bank loans	**-**	(81,160)	**-**	(81,160)
Derivative financial instruments	**(7,107)**	(6,822)	**(7,107)**	(6,822)
Deferred lease liability	**(2,693)**	(2,547)	**(2,693)**	(2,547)
Provisions for liabilities	**(15,184)**	(14,073)	**(15,184)**	(14,073)
Net assets	**192,246**	208,097	**192,246**	208,097
Capital and reserves				
Called-up share capital	**7,429**	7,429	**7,429**	7,429
Share premium account	**1,099**	1,099	**1,099**	1,099
Revaluation reserve	**70,409**	71,858	**70,409**	71,858
Own shares	**(1,328)**	(1,551)	**(1,328)**	(1,551)
Hedging reserve	**(4,963)**	(4,990)	**(4,963)**	(4,990)
Profit and loss account	**119,600**	134,252	**119,600**	134,252
Equity shareholders' funds	**192,246**	208,097	**192,246**	208,097

The loss attributable to the shareholders of the Company for the 52 weeks ended 27 June 2020 was £11,750,000 (2019: profit £2,618,000 for the 52 weeks ended 29 June 2019).

These accounts for Shepherd Neame Limited (Registered in England number 138256) were approved by the Board of Directors on 3 November 2020 and were signed on its behalf by:

Miles Templeman

Jonathan Neame

Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 52 weeks ended 27 June 2020

	Called-up share capital	Share premium account	Revaluation reserve	Own shares	Hedging reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 June 2018	**7,429**	**1,099**	**73,532**	**(1,588)**	**(13,967)**	**134,547**	**201,052**
Profit for the financial year	-	-	-	-	-	2,589	2,589
Gains arising on cash flow hedges during the year	-	-	-	-	248	-	248
Transfers to the profit and loss account on termination of interest rate swaps	-	-	-	-	9,875	-	9,875
Transfers to the profit and loss account on hedge ineffectiveness of remaining interest rate swaps	-	-	-	-	785	-	785
Tax relating to components of other comprehensive income	-	-	-	-	(1,931)	-	(1,931)
Total comprehensive income	**-**	**-**	**-**	**-**	**8,977**	**2,589**	**11,566**
Ordinary dividends paid	-	-	-	-	-	(4,341)	(4,341)
Transfer of realised revaluation	-	-	(1,674)	-	-	1,674	-
Accrued share-based payments	-	-	-	-	-	396	396
Purchase of own shares	-	-	-	(595)	-	-	(595)
Distribution of own shares	-	-	-	467	-	(448)	19
Unconditionally vested share awards	-	-	-	165	-	(165)	-
Balance at 29 June 2019	**7,429**	**1,099**	**71,858**	**(1,581)**	**(4,990)**	**134,252**	**208,097**
Loss for the financial year	-	-	-	-	-	(11,750)	(11,750)
Losses arising on cash flow hedges during the year	-	-	-	-	(96)	-	(96)
Gains on revaluation of fixed assets	-	-	17	-	-	-	17
Tax relating to components of other comprehensive income	-	-	(613)	-	123	-	(490)
Total comprehensive (loss)/income	**-**	**-**	**(596)**	**-**	**27**	**(11,750)**	**(12,319)**
Ordinary dividends paid	-	-	-	-	-	(3,573)	(3,573)
Revaluation reserve realised on disposal of properties	-	-	(853)	-	-	853	-
Accrued share-based payments	-	-	-	-	-	318	318
Purchase of own shares	-	-	-	(290)	-	-	(290)
Distribution of own shares	-	-	-	353	-	(340)	13
Unconditionally vested share awards	-	-	-	160	-	(160)	-
Balance at 27 June 2020	**7,429**	**1,099**	**70,409**	**(1,328)**	**(4,963)**	**119,600**	**192,246**

There are no differences in the Parent Company Statement of Changes in Equity and the Consolidated Statement Changes in Equity above for the 52 weeks to 27 June 2020. For the 52 weeks to 29 June 2019 there were also no differences other than the Parent Company profit for that financial year being £2,618,000.

CONSOLIDATED CASH FLOW STATEMENT 52 weeks ended 27 June 2020

		52 weeks ended 27 June 2020		52 weeks ended 29 June 2019
	£'000	**£'000**	£'000	£'000
Net cash flows from operating activities (note 7)		**15,253**		22,497
Cash flows from investing activities				
Proceeds of sale of tangible fixed assets	**1,752**		7,825	
Purchase of tangible fixed assets	**(12,025)**		(13,710)	
Purchase of intangible fixed assets	**(92)**		-	
Customer loan redemptions	**2**		61	
Acquisition of subsidiaries	**(151)**		(5,594)	
Cash acquired on acquisition	**-**		347	
Net cash flows from investing activities		**(10,514)**		(11,071)
Cash flows from financing activities				
Dividends paid	**(3,573)**		(4,341)	
Interest paid	**(3,211)**		(3,526)	
Settlement of derivative financial instruments	**-**		(9,610)	
Repayment of loans	**-**		(54,500)	
New loans	**13,000**		59,500	
Issue costs of new loans	**-**		(815)	
Purchase of own shares	**(290)**		(595)	
Share option proceeds	**13**		19	
Net cash flows from financing activities		**5,939**		(13,868)
Net increase/(decrease) in cash and cash equivalents		**10,678**		(2,442)
Cash and cash equivalents at beginning of the period		**(817)**		1,625
Cash and cash equivalents at end of the period		**9,861**		(817)

NOTES TO THE ACCOUNTS 27 June 2020

1 Segmental reporting

The operating segment disclosure requirements of IFRS 8 are required as the Group has publicly traded equity instruments. The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision-maker.

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 the customers:

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

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

52 weeks ended 27 June 2020	Brewing and Brands £'000	Managed Pubs £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Turnover	**41,724**	**55,108**	**25,224**	**1,563**	**123,619**
Underlying operating (loss)/profit	(307)	2,367	6,979	(8,095)	944
Items excluded from underlying results	–	(6,771)	(1,161)	(1,150)	(9,082)
Divisional operating (loss)/profit	**(307)**	**(4,404)**	**5,818**	**(9,245)**	**(8,138)**
Net underlying finance costs					**(3,857)**
Finance costs excluded from underlying results					**(185)**
Fair value movements on ineffective elements of cash flow hedges					**35**
Loss on disposal of property					**(6)**
Investment property fair value movements					**50**
Loss before taxation					**(12,101)**
Other segment information					
Capital expenditure – tangible and intangible fixed assets	1.126	6,730	3,894	720	**12,470**
Depreciation and amortisation	1,702	3,551	2,712	528	**8,493**
Underlying divisional EBITDA	1,423	5,998	9,755	(7,520)	**9,656**
Number of pubs	-	69	234	16	**319**

52 weeks ended 29 June 2019	Brewing and Brands £'000	Managed Pubs £'000	Tenanted Pubs £'000	Unallocated £'000	Total £'000
Turnover	**40,742**	**68,777**	**35,033**	**1,249**	**145,801**
Underlying operating profit	923	9,215	12,950	(7,830)	15,258
Items excluded from underlying results	–	140	(308)	–	(168)
Divisional operating profit	**923**	**9,355**	**12,642**	**(7,830)**	**15,090**
Net underlying finance costs					**(3,901)**
Finance costs excluded from underlying results					**(9,820)**
Fair value movements on ineffective elements of cash flow hedges					**(952)**
Profit on disposal of property					**2,848**
Investment property fair value movements					**206**
Profit before taxation					**3,471**
Other segment information					
Capital expenditure – tangible and intangible fixed assets	1,105	13,647	4,216	1,203	**20,171**
Depreciation and amortisation	1,979	3,282	2,479	558	**8,298**
Underlying divisional EBITDA	2,968	12,517	15,460	(7,272)	**23,673**
Number of pubs	-	70	239	13	**322**

Geographical information

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

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Turnover		
UK	**121,495**	143,581
Rest of the World	**2,124**	2,220
	123,619	145,801

2 Turnover

An analysis of the Group's revenue (including turnover) by category is as follows:

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Sale of goods and services	**111,568**	136,757
Rental income	**6,639**	9,044
Grants	**5,412**	-
	123,619	145,801

In the current year, grant accounting has been applied to the Coronavirus Job Retention Scheme launched as part of HM Government's response to the COVID-19 pandemic. The scheme is designed to compensate for staff costs, so amounts received are recognised in the profit and loss account over the same period as the costs to which they relate and disclosed within other income. Eligible managed pubs have also benefited from the Retail, Hospitality and Leisure Grant Fund.

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 the "underlying operating profit", "underlying profit before tax", "underlying basic earnings per share", "underlying earnings before interest, tax, depreciation, and amortisation" presented provide a clear and consistent presentation of the underlying performance of ongoing business for shareholders. Underlying profit is not defined by FRS 102 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 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.

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Underlying EBITDA	**9,656**	23,673
Depreciation and amortisation	**(8,493)**	(8,298)
Free trade loan discounts	**(3)**	(25)
Loss on sale of assets (excluding property)	**(216)**	(92)
Underlying operating profit	**944**	15,258
Net underlying finance costs	**(3,857)**	(3,901)
Underlying (loss)/profit before taxation	**(2,913)**	11,357
(Loss)/profit on disposal of properties	**(6)**	2,848
Investment property fair value movements	**50**	206
Operating charges – items excluded from underlying results	**(9,082)**	(168)
Settlement of interest rate swaps associated with refinancing	**-**	(9,386)
Write-off of unamortised finance costs following refinancing	**-**	(434)
Cost related to putting in place CLBILS loan	**(185)**	-
Other fair value movements on financial instruments charged to profit and loss	**35**	(952)
(Loss)/profit before taxation	**(12,101)**	3,471

Operating charges – items excluded from underlying results comprise:

a) An impairment charge of £7,638,000 (2019: 168,000) in relation to 26 licensed properties.

b) A one-off net charge of £946,000 relating to the correction of erroneous charges made against certain accounts as a result of unlawful action by one employee, acting independently.

These entries were made in the period July 2008 to September 2019 and the majority of the charges related to previous accounting periods. Since the sums involved, although significant cumulatively, were not significant in any single year, and are not in aggregate material in the context of the Company's overall finances, the Directors feel that it is appropriate to recognise the charge within items excluded from underlying results, in the current period.

The gross value of the erroneous charges amounted to £861,000. However, this exposure has been reduced by £369,000 in respect of the net write-off of associated debt not recovered by the Company in the prior accounting periods. The net balance represents repayments due, and we are in the process of reimbursing fully all those accounts affected, together with interest amounting to £107,000. We have incurred additional charges of £347,000 in respect of fees relating to this matter and are taking action to attempt to recover our loss (see financial review section).

c) A provision of £498,000 in respect of potential charges relating to an enquiry opened by HMRC relating to the provision of uniforms and training to employees. This investigation is at an early stage and as such the quantum of any liability is uncertain. Whilst we do not accept any liability, we have made a prudent estimate including a 100% uplift of any balance owed to employees in respect of the fine that HMRC would levy should a liability be assessed.

Finance costs – items excluded from underlying results

During the 52 weeks ended 27 June 2020, the Company incurred £185,000 of adviser fees in relation to putting in place a CLBILS loan following the COVID-19 outbreak.

During the 52 weeks ended 29 June 2019, £37,500,000 of term loan was repaid and the Group entered into new financing arrangements. The Group also terminated interest rate swap contracts totalling £35,000,000 for net cash consideration of £9,386,000 in connection with the repayment of the loan. As a result, other finance costs excluded from underlying results includes £9,386,000 in respect of settled interest rate swap liabilities and £434,000 of unamortised finance costs relating to the previous facility which have been written off. Finance costs excluded from underlying results includes £952,000 in respect of the ineffective portion of the movement in fair value interest rate swaps.

4 Taxation

a Tax on (loss)/profit

	52 weeks ended 27 June 2020			52 weeks ended 29 June 2019		
Tax charged to profit and loss	Underlying results £'000	Excluded from underlying results £'000	Total statutory £'000	Underlying results £'000	Excluded from underlying results £'000	Total statutory £'000
Current tax						
UK corporation tax at 19.0% (2019: 19.0%)	**(165)**	**(206)**	**(371)**	2,455	(1,959)	496
Prior year under provision	**6**	**187**	**193**	1	–	1
Total current tax	**(159)**	**(19)**	**(178)**	2,456	(1,959)	497
Deferred tax						
Origination and reversal of timing differences	**(116)**	**(887)**	**(1,003)**	(59)	440	381
Effect of increase in tax rate	**–**	**1,021**	**1,021**	–	–	–
Prior year (over)/under provision	**(10)**	**(181)**	**(191)**	4	–	4
Total deferred tax	**(126)**	**(47)**	**(173)**	(55)	440	385
Total tax (credited)/charged to profit and loss	**(285)**	**(66)**	**(351)**	2,401	(1,519)	882

Tax charged to other comprehensive income	2020	2019
Deferred tax		
(Losses)/gains arising on cash flow hedges in the period	**(18)**	1,931
Effect of increase in future rate of corporation tax	**508**	–
Total tax charged to other comprehensive income	**490**	1,931

b Reconciliation of the total tax charge

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Group (loss)/profit before taxation	**(12,101)**	3,471
Tax on Group (loss)/profit at average UK corporation tax rate of 19.0% (2019: 19.0%)	**(2,299)**	659
Expenses not deductible for tax purposes	**168**	85
Profit on sale of property less chargeable gains	**757**	133
Effect of a change in tax rate	**1,021**	-
Prior year under provision	**2**	5
Total tax (credited)/charged to profit and loss	**(351)**	882

c Factors that may affect future tax charges

The Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 29 June 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year-end.

During the 52 weeks beginning 28 June 2020, the net reduction of deferred tax liabilities expected to be credited to the profit and loss account is estimated at £200,000 due to the reversal of accelerated capital allowances. This estimate is based upon a number of assumptions, including the level of capital expenditure qualifying for capital allowances, which is uncertain and could result in a different actual movement.

There is no expiry date on timing differences.

5 Dividends

	52 weeks ended 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
Declared and paid during the year		
Final dividend for 2019: 24.21p (2018: 23.45p) per ordinary share	**3,573**	3,475
Interim dividend for 2020: nil (2019: 5.87p) per ordinary share	**-**	866
Dividends paid	**3,573**	4,341

No final dividend has been proposed for approval at the Annual General Meeting due to the Board wishing to preserve cash for the long term health of the Company and the terms and conditions of the new financing arrangements that prohibit payment of dividends by the Group whilst the CLBILS facility and alternative covenants remain in place. (2019: the Directors proposed a final dividend of 24.21p per 50p ordinary share totalling £3,573,000 for the 52 weeks ended 29 June 2019).

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 27 June 2020 £'000	52 weeks ended 29 June 2019 £'000
(Loss)/profit attributable to equity shareholders	**(11,750)**	2,589
Items excluded from underlying results	**9,122**	6,367
Underlying (loss)/earnings attributable to equity shareholders	**(2,628)**	8,956

	Number	Number
Weighted average number of shares in issue	**14,733**	14,717
Dilutive outstanding options	**-**	114
Diluted weighted average share capital	**14,733**	14,831

(Loss)/earnings per 50p ordinary share		
Basic	**(79.8)p**	17.6p
Diluted	**(79.8)p**	17.5p
Underlying basic	**(17.8)p**	60.9p

The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts in respect of employee incentive plans and options.

7 Notes to the cash flow statement

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

	52 weeks ended 27 June 2020			52 weeks ended 29 June 2019		
	Underlying results £'000	**Excluded from underlying results £'000**	**Total £'000**	Underlying results £'000	Excluded from underlying results £'000	Total £'000
Operating (loss)/profit	**944**	**(9,082)**	**(8,138)**	15,258	(168)	15,090
Adjustment for:						
Depreciation and amortisation	**8,493**	**–**	**8,493**	8,298	–	8,298
Impairment of tangible fixed assets	**–**	**7,498**	**7,498**	–	652	652
Impairment of intangible fixed assets	**–**	**140**	**140**	–	–	–
Reversal of impairment of tangible fixed assets	**–**	**–**	**–**	–	(484)	(484)
Share-based payments expense	**318**	**–**	**318**	396	–	396
Increase in stocks	**(1,119)**	**–**	**(1,119)**	(254)	–	(254)
Decrease in debtors and prepayments	**3,027**	**–**	**3,027**	1,168	–	1,168
Increase/(decrease) in creditors and accruals	**4,106**	**884**	**4,990**	(938)	–	(938)
Free trade loan discounts	**3**	**–**	**3**	25	–	25
Loss on sale of assets (excluding property)	**216**	**–**	**216**	92	–	92
Interest received	**10**	**–**	**10**	18	–	18
Income tax paid	**(185)**	**–**	**(185)**	(1,566)	–	(1,566)
Net cash inflow/(outflow) from operating activities	**15,813**	**(560)**	**15,253**	22,497	–	22,497

b Analysis of net debt

	June 2019 £'000	Cash flow £'000	Reclassification of loans £'000	New loans £'000	Amortisation of issue costs £'000	**June 2020 £'000**
Cash	116	9,745	-	-	-	**9,861**
Bank overdraft	(933)	933	-	-	-	**-**
Cash and cash equivalents	(817)	10,678	-	-	-	**9,861**
Debt due in less than one year	-	-	(94,262)	-	-	**(94,262)**
Debt due after more than one year	(81,160)	-	94,262	(13,000)	(102)	**-**
Total	(81,977)	10,678	-	(13,000)	(102)	**(84,401)**

8 Accounts

The financial information set out above does not constitute the Group's statutory accounts for the 52 weeks ended 27 June 2020 or 52 weeks ended 29 June 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not contain statements under s498(2) or (3) of the Companies Act 2006 although did draw attention, by way of emphasis, to a material uncertainty in relation to the Group's ability to comply with future covenants.

The preliminary announcement is prepared on the same basis as set out in the previous year's annual accounts.

[1] Underlying operating profit less underlying net finance costs.
[2] Profit before net finance costs, 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] Underlying profit less attributable taxation divided by the weighted average number of ordinary shares in issue during the period. The number of shares in issue excludes those held by the company and not allocated to the employees under the Share Incentive Plan, which are treated as cancelled.
[4] Managed LFL sales includes turnover from the sale of drink, food and accommodation but excludes machine income. LFL sales performance is calculated against a comparable 52 week period in the prior year for pubs that were trading in both 52 week periods.
[5] Tenanted income calculated to exclude from both years those pubs which have not been trading throughout the two years. The principal exclusions are pubs purchased or sold, pubs which have closed, and pubs transferred to or from our managed business. Income is calculated against a comparable 52 week period in the prior year for pubs that were trading in both 52 week periods.
[6] Year-on-year growth of Shepherd Neame branded beer and cider sales volumes excluding licensed, customer own label and contract volumes.
[7] Year-on-year growth in the sales volumes of all beer and Shepherd Neame cider brewed and packaged by the Company in Faversham.
[8] Underlying loss before tax pre net finance costs, depreciation, amortisation, profit or loss on sale of fixed assets excluding property and free trade loan discounts
[9] Net debt comprises cash, bank overdrafts, bank and other loans less unamortised loan fees.
[10] 16 March to 4 July