

Report of the Directors

For the year ended 31 December 2008

Business activities and development

The Chairman's Statement and Business Review on pages 2 to 13 include information about the company's business and financial performance during the year and indications of likely future developments and should be read in conjunction with this report.

The principal activities of the company are brewing, retailing and wholesaling beer, wines, spirits and minerals, property ownership and hotel management.

Trading Results and Dividends

	£000
Company Profit on Ordinary Activities after Taxation	1,060
Dividends to Ordinary Shareholders	
Final 122% (paid 28 April 2008)	576
Interim 64% (paid 1 October 2008)	302
Retained profits	182

Proposed final dividend of £576,000 (122%) to be paid 30 April 2009.

Principal risks and uncertainties

The company's principal risks and uncertainties, particularly around the financial risks and treasury policy are detailed within the business review on pages 4 to 13.

Properties

In the opinion of the Directors the market value of the properties considerably exceeds the amount included in the Balance Sheet. The Directors are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the Company's intention to retain ownership of its existing properties for use in its activities for the foreseeable future.

Directors

The Directors who held office at 31 December 2008 and their beneficial interests in the share capital of the company, at the beginning and end of the Financial Year, are shown below.

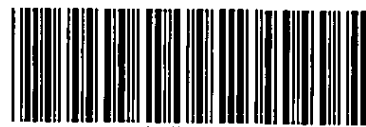
JPA Adnams and AC Wood retire by rotation and being eligible offer themselves for re-election.

Directors' interests	'A' Ordinary 25p		'B' Ordinary £1	
	2008	2007	2008	2007
Ordinary shares				
J P A Adnams	172,502	168,953	3,263	3,263
S D Curzon (retired 31 March 2008)	481	481	—	—
W B Kendall*	2,644	2,644	—	—
S P D Loftus*	41,339	51,339	—	—
S C Pugh	1,370	1,309	—	—
S M Sharp*	304	304	—	—
A C Wood	4,758	4,680	—	—

* Denotes non-executive Director.

The company has a Share Incentive Plan (SIP) in which the Executive Directors are eligible to participate. Directors' interests in shares attributed under the terms of this scheme are included above.

WEDNESDAY



AIKRLC55

A08

05/08/2009

381

COMPANIES HOUSE

Report of the Directors

For the year ended 31 December 2008

Employee matters

Involvement

Adnams is committed to involving employees in the performance and development of the company by encouraging them to discuss with the management matters of interest and subjects affecting day to day operations. Most employees, including Executive Directors, benefit from the company's success through a profit sharing scheme, and through a share incentive plan which distributes shares to employees during their period of service with the company.

Health welfare and development of employees

For many years Adnams has operated schemes for the welfare and benefit of employees. As well as pension and life assurance, we provide cover for illness and we make available to employees qualified specialists to cover medical welfare, pension advice and any counselling needs. Health and safety policies are given a high profile in all areas with wide representation throughout the company on the Health & Safety Committee. It is our policy to train and develop the knowledge and skills of employees at every level and to provide long term secure and fulfilling employment. We are proud achievers of the Investors in People award.

Disabled persons

It is the company's policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for employees who become disabled to continue their employment or to be trained for other positions.

Independence

Adnams continues to value and work for its independence as a regional family brewer.

Charitable donations

Adnams is committed to giving not less than 1% of its annual profits to charitable causes. Charitable donations during the year amount to £15,000 (2007: £40,000).

Supplier payment

It is the company's policy to make every effort to agree terms of payment with suppliers in advance, to ensure that suppliers are made aware of the terms and to abide by them. At 31 December 2008, the company had an average of 21 days (2007: 22 days) purchases outstanding in trade creditors.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Statement as to disclosure of information to the auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 489 of the Companies Act 2006.

By Order of the Board

S C Pugh

Secretary

26 March 2009



Notice of meeting

Notice is hereby given that the One Hundred and Nineteenth Annual General Meeting will be held at St. Edmunds Hall, Southwold on the 27 April 2009 at 12 o'clock noon for the following purposes:

Ordinary Resolutions

1. To consider the Accounts and Directors' report
2. To declare a final dividend
3. To re-elect JPA Adnams, who retires by rotation
4. To re-elect AC Wood, who retires by rotation
5. To re-appoint Grant Thornton UK LLP as Auditor
6. To authorise the Directors to fix the remuneration of the Auditor

Special Resolution

7. To approve the new Adnams PLC Articles of Association (details in enclosed explanatory note)

Also to transact any other business. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote.

By Order of the Board

S C Pugh

Secretary

26 March 2009

Registered Office

Sole Bay Brewery, Southwold, Suffolk, IP18 6JW

Registered Number 31114

For an ordinary resolution to be passed, more than half of the votes cast must be in favour of the resolution. For a special resolution to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Profit and loss account

For the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover	1	47,065	47,368
Operating Expenses	2	(45,544)	(43,162)
Operating Profit		1,521	4,206
Profit on disposal of properties	5	421	3,943
Interest receivable	7	7	86
Interest payable	8	(727)	(915)
Other finance income on pension scheme	26	105	135
Profit on Ordinary Activities before Taxation		1,327	7,455
Tax on Profit on Ordinary Activities	9	(267)	(646)
Profit for the financial year after Taxation		1,060	6,809
Earnings per Share Basic and Diluted	11		
'A' Shares of 25p each		56.2p	360.8p
'B' Shares of £1 each		224.7p	1443.1p

All amounts relate to continuing activities.

Statement of total recognised gains and losses

For the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Profit for the financial year		1,060	6,809
Actuarial gain on pension scheme	26	163	2,802
Movement on deferred tax relating to actuarial gain		(46)	(785)
Total recognised gains and losses relating to the year		1,177	8,826

Balance sheet

As at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible Assets	12	34,194	33,819
Investments	13	211	217
		34,405	34,036
Current assets			
Stocks	14	3,906	3,515
Debtors	15	6,052	6,173
Cash at bank and in hand		14	10
		9,972	9,698
Creditors: amounts falling due within one year	16	(18,543)	(17,626)
Net current liabilities		(8,571)	(7,928)
Total assets: less current liabilities		25,834	26,108
Creditors: amounts falling due after more than one year	17	(288)	(286)
Provision for liabilities	18	(795)	(1,005)
		(1,083)	(1,291)
Net assets excluding pension asset/liability		24,751	24,817
Pension asset/(liability)	26	294	(71)
Net assets including pension asset/liability		25,045	24,746
Capital and reserves			
Called up Share Capital	19	472	472
Share Premium	20	144	144
Profit & Loss Account	20	24,429	24,130
		25,045	24,746

The financial statements were approved by the board of Directors on 26 March 2009 and signed on its behalf by:

S C Pugh
Director



Cash flow statement

For the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash inflow from operating activities	22	2,835	6,361
Returns on investments and servicing of finance			
Interest Received		7	86
Interest Paid		(775)	(738)
		(768)	(652)
Taxation			
Corporation Tax paid		(321)	(1,449)
Corporation Tax received		–	983
		(321)	(466)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,945)	(3,466)
Receipts from sales of tangible fixed assets		1,896	4,533
Payments to acquire investments		(47)	(151)
Receipts from investments/deposits		55	73
		(2,041)	989
Equity dividends paid		(878)	(840)
(Decrease)/increase in cash		(1,173)	5,392
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash	23	(1,173)	5,392
Net Debt at 1 January		(10,909)	(16,301)
Net debt at 31 December	23	(12,082)	(10,909)

Statement of accounting policies

Basis of Preparation

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The policies remain unchanged from the prior year.

Turnover

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods. Turnover in respect of services is recognised on provision of services. Rental income received from the tied estate properties is recognised in the period in which it arises.

Tangible Fixed Assets

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Freehold buildings	2% to 4% p.a.
Leasehold property	
– long lease	2% p.a.
– short lease	period of lease
Plant, equipment, fixtures and fittings and motor vehicles	4% to 25% p.a.

Fixed assets in the course of construction are not depreciated until they are brought into use.

Impairment Reviews

In accordance with FRS 11, asset values are reviewed for impairment should it appear that their value might not be recoverable. In assessing the potential impairment of assets or income generating units (those assets affected by the same economic factors) returns are forecast and compared to the carrying value of the assets. Any shortfall is recognised as an impairment loss.

Stocks

Stocks have been valued on a consistent basis at the lower of cost or net realisable value on a first-in, first-out basis. Cost of beer stocks includes relevant production and storage expenses. Net realisable value is based on estimated selling price less any further costs expected.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- Provision is made for tax on gains on disposal of fixed assets only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold;
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign Currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange ruling at the date of transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Statement of accounting policies continued**Pension Costs – Defined Benefit Scheme**

The service cost of providing defined benefit pension entitlements to employees during the year is charged to operating profit. This scheme closed to future accrual on 30 June 2005. The cost of providing amendments to benefits in respect of past service is also charged to operating profit. The expected return on the assets of the scheme during the year based on the market value of scheme assets at the start of the financial year is included within interest on pension surplus/deficit. This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses, together with differences from changes in assumptions. The surplus/deficit on the defined benefit pension scheme is reported on the balance sheet, net of related deferred tax. Additional information is included in note 26.

Pension Costs – Defined Contribution Scheme

In respect of the defined contribution pension scheme, the amounts charged to the profit and loss account are the contributions payable in the year.

Leasing

Total rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term, taking into account any rent free periods.

Fixed asset investments

Fixed asset investments are stated at historic cost and include unlisted investments and trade loans to customers. The carrying values of the fixed asset investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Dividends

Dividends payable on ordinary shares are shown as a movement in reserves when approved. Dividends payable on preference shares are shown as an interest cost in accordance with the payment date attaching to those shares.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share Incentive Plan and Employee Benefit Trust

For many years the company has encouraged employee participation through incentive schemes under which shares are allocated to employees. Throughout 2007 and 2008, the company used a tax-approved Share Incentive Plan for this purpose. The company does not issue shares for such schemes and so has to arrange the purchase of shares. It does this through an Employee Benefit Trust. The Employee Benefit Trust buys shares as required during the year and passes them annually to the Share Incentive Plan, at a valuation approved by the tax authorities. The shares held by the Share Incentive Plan are not consolidated in the company's accounts as they are already allocated to employees. Shares held by the Employee Benefit Trust are a mixture of those already earned by employees, which are awaiting transfer to the Share Incentive Plan, and those not yet allocated. No transfer will be made to the Share Incentive Plan in relation to 2008 as performance did not reach the requisite level. The unallocated shares are small in number and accordingly the company does not consolidate the Employee Benefit Trust on grounds of materiality. 7,358 such shares, all of which were Adnams PLC 'A' shares, were held at 31 December 2008 (2007: 9,496 shares).

Notes to the accounts

For the year ended 31 December 2008

1. Turnover

Represents the fair value (excluding VAT) for sales (net of discounts), rents, commissions and royalties in the United Kingdom.

2. Operating expenses	2008 £000	2007 £000
Raw materials, consumables and duty	25,043	24,630
Change in stock of finished goods and work in progress	(456)	(576)
Staff costs (note 4)	8,773	7,832
SIP Scheme for employees (note 28)	–	68
Depreciation	2,088	2,308
Loss/(profit) on disposal of plant and vehicles	7	(46)
Auditors' remuneration – Audit services	31	31
– Audit of pension schemes	6	–
– Taxation services	25	20
Operating lease rent – Land and buildings	372	259
Defined benefit scheme costs (note 26)	–	24
Foreign exchange loss/(gain)	78	7
Other operating costs	9,577	8,605
	45,544	43,162

Revised estimated useful lives for large brewing vessels (from 10 to 25 years) and casks (from 5 to 10 years) have reduced the 2008 depreciation charge by £595,000.

3. Segmental analysis

The company's business segments are Adnams Brewing & Brands, which comprises brewing and distribution of beer and other products and Adnams Leisure Retail which comprises tenanted pubs, the Swan and Crown Hotels and Cellar&Kitchen stores together with home delivery and web sales.

	Brewing & Brands		Retail		Central Management		Total	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Total sales	27,371	27,886	19,925	19,599	50	179	47,346	47,664
Inter-segment sales	(281)	(296)					(281)	(296)
Sales to third parties	27,090	27,590	19,925	19,599	50	179	47,065	47,368
Operating expenses	26,618	25,928	17,654	15,663	1,272	1,571	45,544	43,162
Operating Profit/(loss)	472	1,662	2,271	3,936	(1,222)	(1,392)	1,521	4,206
Profit on disposal of properties					421	3,943	421	3,943
Interest receivable					7	86	7	86
Interest payable					(727)	(915)	(727)	(915)
Other finance income on pension scheme					105	135	105	135
Profit/(loss) on Ordinary Activities before Taxation	472	1,662	2,271	3,936	(1,416)	1,857	1,327	7,455
Net assets employed	19,263	19,858	19,193	18,142	(13,411)	(13,254)	25,045	24,746

4. Staff costs	2008 £000	2007 £000
Wages and salaries	7,651	6,745
Social Security costs	712	672
Other pension costs (note 26)	410	415
	8,773	7,832

The average monthly number of persons employed by the company, including executive directors, was as follows:

	Number	Number
Trading	28	26
Customer Services	64	66
Production	20	27
Wine/Shops	55	41
Hotels	118	105
Corporate Services	43	36
	328	301

Total number of part-time workers included in above:	61	63
--	----	----

5. Profit on disposal of properties	2008 £000	2007 £000
Profit on sale of properties	421	3,943

The effect on the current tax charge for the year of the above items is nil.

6. Directors' remuneration	2008 £000	2007 £000
Fees	81	78
Basic salaries	568	560
Benefits	4	3
Car allowance	42	52
Performance related pay	–	25
	695	718

	Salaries and fees £000	Benefits £000	Car allowance £000	2008 £000	2007 £000
S P D Loftus	27	–	–	27	26
J P A Adnams	177	1	13	191	191
R J Nicholson	–	–	–	–	11
A C Wood	167	1	13	181	181
S C Pugh	131	1	13	145	146
S D Curzon	93	1	3	97	122
S M Sharp	27	–	–	27	15
W B Kendall	27	–	–	27	26
	649	4	42	695	718

6. Directors' remuneration continued

J P A Adnams and A C Wood are members of the company's defined benefit pension scheme which closed to future accrual on 30 June 2005. The following disclosures are made in respect of that scheme:

	Accumulated total accrued pension at 31 Dec 2008 £	31 Dec 2007 £
J P A Adnams	79,171	75,048
A C Wood	23,314	22,088

Accumulated total accrued pension normally represents scheme service to retirement, but for 31 December 2008 this figure reflects the scheme closure in June 2005.

The transfer value of the highest paid Director's accrued benefits in the defined benefit pension scheme amounted to £1,097,764 (2007: £974,000).

The following contributions were paid to the Adnams defined contribution pension scheme in respect of the Directors:

	2008 £	2007 £
J P A Adnams	18,506	18,763
S D Curzon	7,612	10,337
S C Pugh	13,037	12,613
A C Wood	17,387	17,627

The company has an approved Share Incentive Plan in which the Executive Directors participated. Allocated shares, which are included in Directors' Interests in the Report of the Directors, were as follows:

	2008 'A' shares	2007 'A' shares
J P A Adnams	83	147
S D Curzon	–	96
S C Pugh	61	117
A C Wood	78	122

There were no share option arrangements in place.

7. Interest receivable	2008 £000	2007 £000
Trade Loans	7	13
Corporation Tax interest	–	73
	7	86

8. Interest payable and similar charges	2008 £000	2007 £000
Bank Loans and Overdraft	708	913
Other	17	–
Preference share dividends paid: 3.85% cumulative £10 shares	1	1
Preference share dividends paid: 4.9% non-cumulative £5 shares	1	1
	727	915

9. Taxation	2008 £000	2007 £000
The charge based on the profit for the year comprises:		
UK Corporation Tax @ 28.5%	165	919
Tax under provided in prior years	216	–
Total Current Tax	381	919

Deferred Taxation (see note 18)

Origination and reversal of timing differences (ACA and other)	201	135
Pension cost relief in excess of pension cost charge	97	155
Removal of IBAs from deferred tax	–	(563)
Adjustment in respect of prior periods	(412)	–
	(114)	(273)

Tax on profit on ordinary activities	267	646
---	------------	------------

Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2007 - lower) than the standard rate of corporation tax in the UK of 28.5%. The differences are reconciled below:

Profit on ordinary activities before tax	1,327	7,455
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	378	2,237
Disallowed expenses and non-taxable income	113	165
IBAs received with no balancing charge	(50)	(92)
Capital allowances in excess of depreciation	(198)	(209)
Rollover relief claimed on property disposal	(72)	(1,183)
Other timing differences	(6)	1
Adjustment relating to prior years	216	–
Current tax charge/(credit) for the period	381	919

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on the sale of properties where potential gains will be rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for the year is £1,401,000 (2007: £1,344,000). At present it is not envisaged that any tax will become payable in the foreseeable future.

10. Dividends	2008 £000	2007 £000
Equity dividends on Ordinary Shares		
Interim Paid 1 October 2008 64% (2007: 1 October 2007 61%)	302	288
Final Paid 28 April 2008 122% (2007: 30 April 2007 117%)	576	552
	878	840

The Directors propose a final dividend of £1.22 per £1 nominal share (totalling £576,000) for the year ended 31 December 2008. The dividend will be submitted for formal approval at the Annual General Meeting, to be held on 27 April 2009. This dividend has not been accounted for within the current year financial statements as it has yet to be approved.

11. Earnings per share	2008 £000	2007 £000
Including property disposals:		
'A' Ordinary shares	56.2p	360.8p
'B' Ordinary shares	224.7p	1443.1p

Basic and diluted earnings per share for 'A' Ordinary shares are calculated by dividing the earnings available for 'A' Ordinary shareholders of £418,000 (2007: £2,684,000) by the number of issued 25p 'A' Ordinary shares (note 19): 744,000 (2007: 744,000).

Basic and diluted earnings per share for 'B' Ordinary shares are calculated by dividing the earnings available for 'B' Ordinary shareholders of £642,000 (2007: £4,125,000) by the number of issued £1 'B' Ordinary shares (note 19): 285,842 (2007: 285,842).

Excluding property disposals:		
'A' Ordinary shares	33.9p	151.9p
'B' Ordinary shares	135.4p	607.4p

12. Tangible fixed assets	Freehold and leasehold land and buildings £000	Plant, equipment fixtures and fittings and motor vehicles £000	Total £000
Cost			
At 1 January 2008	25,452	23,705	49,157
Additions	2,223	1,722	3,945
Disposals at cost	(1,336)	(634)	(1,970)
At 31 December 2008	26,339	24,793	51,132
Depreciation			
At 1 January 2008	2,827	12,511	15,338
Provided in the year	518	1,570	2,088
Disposals	(40)	(448)	(488)
At 31 December 2008	3,305	13,633	16,938
Net book value at 31 December 2008	23,034	11,160	34,194
Net book value at 31 December 2007	22,625	11,194	33,819

At 31 December 2008 £96,000 (2007: £180,000) of assets were in the course of construction.

	2008 £000	2007 £000
The cost of Land and Buildings comprises:		
Freehold Land	2,074	2,385
Freehold Buildings	23,172	22,027
Long Leasehold	426	373
Short Leasehold	667	667
	26,339	25,452

The company carries out an annual impairment review of its pub estate. This is assessed by comparing the carrying value of pubs to the value in use or if necessary fair value. As at 31 December 2008 and 31 December 2007, no impairment losses were recognised in line with the accounting policy disclosed on page 19.

	2008 £000	2007 £000
13. Fixed asset investments		
Unlisted investments at cost and net book value	101	101
Trade Loans	110	116
Total Investments	211	217

Unlisted investments

In the opinion of the Directors the value of these investments is not less than book value.

	2008 £000	2007 £000
Trade loans		
Cost		
At 1 January	116	145
Loans advanced during the year	49	44
Repayments	(55)	(73)
At 31 December	110	116

Further details on trade loans are contained in note 27.

	2008 £000	2007 £000
14. Stocks		
Raw materials	225	290
Work in progress	43	56
Finished goods and goods for resale	3,638	3,169
	3,906	3,515

The difference between purchase price or production cost of stocks and their replacement cost is not material.

	2008 £000	2007 £000
15. Debtors		
Trade Debtors	4,851	4,811
Prepayments	859	960
Corporation Tax	342	402
	6,052	6,173

	2008 £000	2007 £000
16. Creditors: amounts falling due within one year		
Bank Overdraft and Loans	12,096	10,919
Trade Creditors	3,041	3,122
Taxation & Social Security	1,047	1,324
Other Creditors	–	98
Accruals	2,359	2,163
	18,543	17,626

The bank overdraft and loan are unsecured.

	2008 £000	2007 £000
17. Creditors: amounts falling due after more than one year		
Tenants' Deposits	242	240
3.85% cumulative preference shares of £10 each (3,100 shares):	31	31
4.9% non-cumulative preference shares of £5 each (3,100 shares):	15	15
	288	286

See note 19 for full details of the preference shares.

	2008 Provided £000	2008 Full Potential Liability £000	2007 Provided £000	2007 Full Potential Liability £000
18. Provision for liabilities				
Deferred taxation				
Accelerated Capital Allowances	812	812	1,028	1,028
Other timing differences	(17)	(17)	(23)	(23)
Chargeable Gains	–	1,401	–	1,344
Deferred tax excluding that relating to pension liability	795	2,196	1,005	2,349
Deferred tax on pension scheme surplus/deficit (note 26)	115	115	(28)	(28)
Total provision for deferred tax	910	2,311	977	2,321
Movement in the provision				
At 1 January 2008	1,005			
Deferred tax credit to the profit & loss account (current year movement at 28%)	202			
Adjustment in respect of prior years	(412)			
31 December 2008	795			
Deferred tax asset relating to pension deficit				
At 1 January 2008	28			
Deferred tax charge in the profit & loss account	(97)			
Deferred tax charged to the STRGL	(46)			
31 December 2008	(115)			

Of the deferred tax liability of £910,000 (2007: £977,000), £115,000 (2007: £28,000) has been deducted in arriving at the net pension asset (2007: liability) on the balance sheet (note 26).

The Finance Act 2007 abolished most balancing charges and allowances for Industrial Buildings Allowances (IBAs) where the disposal is on or after 21 March 2007. As a result timing differences in respect of IBAs are no longer recognised and this gave rise to a deferred tax reversal during 2007 of £563,000.

	Authorised		Allotted, Called Up and Fully Paid	
19. Share Capital	2008 £000	2007 £000	2008 £000	2007 £000
Ordinary Shares				
'A' of 25p each (744,000 shares)	186	186	186	186
'B' of £1 each (285,842 shares)	288	288	286	286
Called up share capital	474	474	472	472

Profits distributed by the company are applied first to the 3.85% cumulative preference shares, then to the 4.9% non-cumulative preference shares before distribution on the ordinary shares. The preference shares carry no votes at meetings: the ordinary shares have a single vote for each 'A' or 'B' share. On a winding up of the company, the surplus assets will be applied first to repay capital on the 3.85% cumulative preference shares, then capital plus any dividend arrears on the 4.9% non-cumulative preference shares; the remaining surplus is applied to the 'A' and 'B' ordinary shares in proportion to the amounts paid up. Preference shares are classed as financial liabilities and held within creditors falling due after more than one year; see note 17.

	Share Capital £000	Share Premium Account £000	Profit and Loss Account £000	Total £000
20. Reserves				
1 January 2008	472	144	24,130	24,746
Profit for the year	–	–	1,060	1,060
Actuarial gain on pension scheme (note 26)	–	–	163	163
Movement on deferred tax relating to pension scheme (note 18)	–	–	(46)	(46)
Dividends	–	–	(878)	(878)
31 December 2008	472	144	24,429	25,045
Pension surplus			(294)	
Profit and loss reserve excluding pension asset			24,135	

All reserves relate to equity

	2008 £000	2007 £000
21. Reconciliation of shareholders' funds		
Profit for the year	1,060	6,809
Dividends	(878)	(840)
Actuarial gain on pension scheme (note 26)	163	2,802
Movement on deferred tax relating to pension scheme (note 18)	(46)	(785)
Net addition to shareholders' funds	299	7,986
Opening shareholders' funds	24,746	16,760
Closing shareholders' funds	25,045	24,746

	2008 £000	2007 £000
22. Net cash inflow from operating activities		
Operating profit	1,521	4,206
Depreciation charges	2,088	2,308
Loss/(profit) on sales of fixed asset disposals	7	(46)
Difference between pension charge and cash contributions	(240)	(190)
(Increase) in stock	(391)	(603)
Decrease in debtors	61	144
(Decrease)/increase in creditors	(211)	542
	2,835	6,361

	At 1 Jan 2008 £000	Cash Flow £000	At 31 Dec 2008 £000
23. Analysis of net debt			
Cash at bank and in hand	10	4	14
Bank overdraft	(2,919)	(9,177)	(12,096)
Bank loan	(8,000)	8,000	–
Net debt	(10,909)	(1,173)	(12,082)

	2008 £000	2007 £000
24. Capital commitments and contingent liabilities		
Contracted for	454	1,264

The amount for 2008 reflects capital commitments for the warehouse, new trucks and the redevelopment of the Swan Garden Rooms (prior year commitment relates to the Cellar&Kitchen store in Southwold).

The final settlement for the construction of the Reydon Distribution Centre is yet to be agreed.

	2008 Land & Buildings £000	2007 Land & Buildings £000
Operating lease commitments		
On Leases expiring:		
Within one year	34	44
In 2-5 years	—	—
In over 5 years	338	299
	372	343

At the year-end Barclays Bank held a bond guarantee on behalf of Adnams plc with Her Majesty's Revenue and Customs for £720,000 (2007: £720,000).

25. Related party transactions

During the year the company carried out trading activities with the following directors and/or organisations in which Directors have an interest.

Nicholsons: £30,000 (2007: £130,000) of which R J Nicholson is a partner. £nil (2007: £11,000) of these amounts are included within salaries and fees in note 6. £nil was outstanding at 31 December 2008 (2007: £nil).

Mr W B Kendall: £21,000 (2007: £21,000) for consultancy services. These amounts are included within salaries and fees in note 6. £5,000 was outstanding at 31 December 2008 (2007: £6,000).

The Employee Benefit Trust (EBT) held 7,358 Adnams Plc 'A' shares at 31 December 2008 (2007: 9,496 'A' shares). During 2008 the EBT received dividends of £4,000 on its Adnams shares (2007: £5,000).

The Directors are granted a discount of 25% on purchases from the company, in line with the discount given to all other staff.

26. Pension scheme

Defined benefit pension scheme

The assets of the defined benefit pension scheme are held separately from those of the company, being invested with a fund manager.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the defined accrued benefit method. The most recent valuation was at 1 April 2007. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments.

It was assumed that the pre-retirement investment returns would be 6.5% per annum and that post-retirement returns would be 5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £20,105,000 and that the actuarial value of these assets was sufficient to cover 94% of the benefits that have accrued to members.

The contributions of the company and employees have been at least equal to the rates recommended by the actuary.

26. Pension scheme continued

The disclosures required by FRS17 are set out below.

Valuation of the scheme has been updated to 31 December 2008 by a qualified actuary in order to assess the following:

The major assumptions used by the actuary were (in nominal terms)**Financial assumptions:**

	Valuation at 31 Dec 2008	Valuation at 31 Dec 2007	Valuation at 31 Dec 2006
Pensionable salary growth	N/A	N/A	N/A
Pension escalation in payment:			
Benefits accrued prior to 1 October 1999	4.0%pa	4.0%pa	4.0%pa
Benefits accrued after 1 October 1999	2.7%pa	3.4%pa	3.2%pa
Discount rate for liabilities	6.5%pa	5.9%pa	5.1%pa
Inflation assumption	2.7%pa	3.4%pa	3.2%pa
Pension revaluation in deferment	2.7%pa	3.4%pa	3.2%pa

Demographic assumptions:

Assumed life expectancy in years, on retirement at 65

	31 Dec 2008	31 Dec 2007
Retiring today		
Males	23.5	23.5
Females	26.5	26.5
Retiring in 20 years		
Males	23.5	23.5
Females	26.5	26.5

Pre retirement mortality rates

The following mortality rates represents the probability of a person of the age shown dying within one year.

	Age	Males	Females
	30	0.00033	0.00019
	40	0.00052	0.00041
	50	0.00138	0.00104
	60	0.00441	0.00278

The assets and liabilities in the scheme and the expected rate of return were:

	Expected return for 2009	Value at 31 Dec 2008 £000	Expected return for 2008	Value at 31 Dec 2007 £000	Expected return for 2007	Value at 31 Dec 2006 £000
Equities	8.0%	9,253	8.0%	10,767	7.75%	10,605
Bonds	5.5%	7,752	5.5%	7,763	5.0%	6,636
Property	7.0%	995	7.0%	1,269	7.0%	1,600
Cash	5.0%	769	5.0%	1,616	4.5%	1,152
Total market value of assets		18,769		21,415		19,993
Present value of scheme liabilities		(18,360)		(21,514)		(23,219)
Surplus/(deficit) in the scheme		409		(99)		(3,226)
Related deferred tax (liability)/asset		(115)		28		968
Net pension asset/(liability)		294		(71)		(2,258)

26. Pension scheme continued

	For year to 31 Dec 2008 £000	For year to 31 Dec 2007 £000
Analysis of the amount charged to operating profit		
Current service cost	–	(24)
Total operating (charge)/income	–	(24)

The projected unit valuation method has been used to arrive at the above service cost. To produce a stable future contribution rate this valuation method assumes that the average age of the scheme membership will remain broadly constant in future due to a flow of new entrants to the scheme. As the scheme is closed to new members this will not be the case and the costs of benefits accruing, as a percentage of salaries, will be expected to increase over time.

	For year to 31 Dec 2008 £000	For year to 31 Dec 2007 £000
Analysis of the amount included as other finance income		
Expected return on pension scheme assets	1,367	1,319
Interest on pension scheme liabilities	(1,262)	(1,184)
Other finance income	105	135
Actual return on plan assets	(2,428)	1,386

Changes in the present value of the defined benefit obligation are as follows:

	For year to 31 Dec 2008 £000	For year to 31 Dec 2007 £000
Opening defined benefit obligation	21,514	23,219
Current service cost	–	24
Interest cost	1,262	1,184
Actuarial (gains)	(3,958)	(2,735)
Benefits paid	(458)	(178)
Closing defined benefit obligation	18,360	21,514

As no further benefits are accruing under the scheme, the service cost disclosed as at 31 December 2008 has been restricted to the expenses payable to Norwich Union for running the scheme plus death in service insurance premiums over the accounting period.

Changes in the fair value of plan assets are as follows:

	For year to 31 Dec 2008 £000	For year to 31 Dec 2007 £000
Opening fair value of plan assets	21,415	19,993
Expected return	1,367	1,319
Actuarial (losses)/gains	(3,795)	67
Contributions by employer	240	214
Benefits paid	(458)	(178)
Closing fair value of plan assets	18,769	21,415

The company expects to contribute £375,000 to the Adnams Pension Fund in the next accounting year.

26. Pension scheme continued

	For year to 31 Dec 2008 £000	For year to 31 Dec 2007 £000			
Analysis of the amount recognised in the statement of					
Total recognised gains and losses (STRGL)					
Actual return less expected return on pension assets	(3,795)	67			
Experience (losses)/gains arising on the scheme liabilities	(44)	25			
Changes in assumptions underlying the present value of the scheme liabilities	4,002	2,710			
Actuarial gain recognised in STRGL	163	2,802			
Movement in deficit during the year					
Deficit in scheme at beginning of the year	(99)	(3,226)			
Movements in year:					
– Current service cost	–	(24)			
– Contributions paid by the employer	240	214			
– Other finance income	105	135			
– Actuarial gain	163	2,802			
Surplus/(deficit) in scheme at the end of the year	409	(99)			
History of experience gains and losses					
	2008	2007	2006	2005	2004
Defined benefit obligations	18,360	21,514	23,219	24,437	23,030
Plan assets	18,769	21,415	19,993	20,791	13,468
Surplus/(deficit)	409	(99)	(3,226)	(3,646)	(9,562)
Difference between the expected and actual return on scheme assets					
amount £000	(3,795)	67	349	1,678	204
% of scheme assets	(20%)	<1%	2%	8%	2%
Experience gains and losses on scheme liabilities					
amount £000	(44)	25	(41)	(335)	(420)
% of present value of scheme liabilities	<1%	<1%	(<1%)	(1%)	(2%)
Total amount recognised in STRGL					
amount £000	163	2,802	75	(783)	(1,979)
% of present value of scheme liabilities	<1%	13%	<1%	(3%)	(9%)

Defined contribution scheme

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. During the year the company contributed £410,000 (2007: £415,000) to the scheme. There were no amounts outstanding at the year end (2007: £50,000). This amount was included within accruals in note 16 for 2007.

27. Financial Instruments

The company's financial instruments comprise cash and bank overdraft, the purpose of which is to raise finance for the company's operations. The company also has trade loans to customers which are disclosed below. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations, which have not been included in the following disclosures.

Details of the company's policies in respect of borrowings, treasury management, interest rate and liquidity risk are included within the business review.

Financial assets

The company funds certain free trade customers with loans. Amounts at the balance sheet date are disclosed in note 13 to the accounts. The maturity profile of these assets is £45,000 (2007: £33,000) recoverable within one year and £60,000 (2007: £75,000) recoverable within one to five years. The balance is due after five years.

Of these loans £37,000 (2007: £34,000) is expected to be repaid in cash and £73,000 (2007: £82,000) is expected to be repaid by discounts. The level of discounts awarded and the interest charged depends on the trading performance of each customer against set targets.

Interest rate profile

Bank overdrafts of £12,096,000 (2007: £2,919,000) bear interest at 1% above Barclays Bank base rate which was 2.0% at 31 December 2008 (2007: 1% above Barclays Bank base rate of 5.5%).

Bank loans of £8,000,000 in 2007 bore interest at 7.66%.

Fair values of financial assets and liabilities

Trade loans are financial assets carried at book value. It is not practicable for the company to estimate the fair value of these loans with sufficient reliability given the cash flows are based upon improved sales revenues in future years.

There is no difference between book value and fair value in respect of the cash, bank loan and bank overdraft.

28. Share Incentive Plan

The Adnams Share Incentive Plan (SIP) is open to all employees with 18 months service at the award date. A free award of shares based upon profitability of the company is made based upon employees' salary and capped at a maximum of £3,000 per person. The awarded shares are held in trust for five years with dividends accruing to employees during this period. Leavers before this time do not necessarily lose their right to these shares. In the opinion of the Directors the 2007 share award vested unconditionally at the balance sheet date. No award will be made in relation to 2008. The value of free shares awarded under the SIP scheme for 2007 is disclosed in note 2 to the accounts.

The 2007 amount also represented the year end liability and is included within accruals for 2007 in note 16.

Shares are transferred to the SIP at an annual value approved by Her Majesty's Revenue and Customs share valuation team.

Corporate governance

Standards

The company is committed to high standards of corporate governance incorporating best practice.

The workings of the Board and its committees

During 2008 the Board comprised three (four until March) Executive Directors and three Non-Executive Directors. The Board is responsible to shareholders for the proper management of the company. It meets monthly, setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, examining acquisition possibilities, formulating policy on key issues and reporting to shareholders.

An Audit Committee has been appointed, which consists of the Non-Executive Directors and meets not less than twice annually. The Committee provides a forum for the company's external auditors. The Finance Director attends meetings at the invitation of the Committee. The Committee is responsible for reviewing a wide range of financial matters including the annual figures and reports and monitoring the controls which are in force in the company to ensure the integrity of the financial information reported to shareholders. The same Non-Executive Directors form the Remuneration Committee.

Internal financial control

The Board acknowledges its responsibility for maintaining a system of internal control which can provide reasonable, albeit not absolute, assurance against mis-statement or loss.

To meet this responsibility, the Board relies upon:

- an organisation structure with clearly defined lines of authority and responsibility, limits for authorisation of transactions and segregation of duties
- the production and review of regular monthly management information to agreed timescales
- the identification of key performance indicators with explanations of variances
- a formalised process for reviewing all group activities during the year
- detailed annual operating budgets for all businesses
- formal authorisation procedures for all investment and capital expenditure.

The Audit Committee considers that the system of internal financial control operated effectively during the year.

Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Independent Auditor

to the members of Adnams plc

We have audited the financial statements (the 'financial statements') of Adnams plc for the year ended 31 December 2008 which comprise the principal accounting policies, the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Review of the Year that is cross referred from the Review of the Year section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Review of the Year and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Norwich
26 March 2009

