

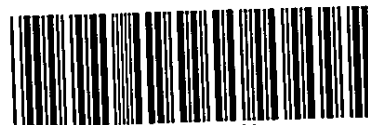


LOOKING TO THE LONG TERM

Adnams plc Annual Report and Accounts 2010

Company Number: 31114

THURSDAY



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COMPANIES HOUSE

WE'RE REALLY
RATHER
FLATTERED

We've had another good year for awards and were particularly proud to receive Brewery of the Year To get an accolade such as this which has been voted for by the readers of the Good Pub Guide is a real boost for the entire Adnams team Thank you if you voted!

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Testing economic climates dictate we work harder and smarter than ever before - to ensure we grow stronger. 2010 was an exciting year which we'd like to tell you about, but not all the words are from us - we wanted to ask our licensees, employees, customers and a supportive Olympic medalist to help tell our story - as we look forward to the long term...

FINANCIAL HIGHLIGHTS

Turnover £000		Operating profit £000		Dividend		Debt levels £000	
£50,912 -0.8%		£3,188 -1.5%		£1.87 +0.0%		£14,254 -2.9%	
2006	46,075	2006	4,101	2006	1.75	2006	18,559
2007	47,368	2007	4,206	2007	1.83	2007	10,980
2008	47,065	2008	1,521	2008	1.86	2008	11,788
2009	51,321	2009	3,238	2009	1.87	2009	14,686
2010	50,912	2010	3,188	2010	1.87	2010	14,254
		(before exceptionals)		(per £1 share)		(including pension asset/liability)	

CHAIRMAN'S REPORT

"WE ARE PROUD OF OUR INNOVATIVE AND FORWARD LOOKING APPROACH"

Jonathan Adnams OBE
Chairman

Adnams is a company that looks to the long term, and it is worth noting that a long term perspective is now recognised as a main principle of good corporate governance. We are driven by a set of values, and we seek to build a sustainable future for ourselves and for others. We are delighted to see the strength of this approach being acknowledged and our being voted Brewery of the Year for 2011 by the Good Pub Guide, has been one of many such acknowledgments. Two notable projects completed this year also bear testament to our innovative and forward-looking approach: the microdistillery that we have built in the old brewery copper house and the anaerobic digester that we, together with the Bio Group Ltd, opened on our site at Reydon.

I am pleased to report an operating profit of £3,188,000 which, whilst slightly below 2009's £3,238,000, shows a strong second half given that our operating profit was 10% behind 2009 at the half-year. In contrast to the generally favourable weather conditions in 2009, both halves of 2010 suffered from poor weather, with heavy snows at the start of the first half and the end of the second. Pubs and hotels in East Anglia are vulnerable to such weather. In shop retail it is possible that a visit missed due to bad weather will be recovered at a later date but with pubs and hotels, visits missed are much less likely to be recouped.

Our cash inflow for the year was £496,000, leaving us with a strong balance sheet, and profits that cover our interest expense seven times.

We are recommending that on our largely unchanged profits we will pay an unchanged final dividend. We have kept our dividend going through the tough recent years and have been increasing our interim dividend until 2010. We remain optimistic about the future, but feel that an unchanged payment is right in the continuing climate of economic uncertainty.

Over many years Adnams has been building its brand and reputation and extending it beyond our core business in brewing and pubs but these markets remain key and again it has been very tough in 2010. 20% less beer is consumed in the UK than was consumed six years ago and the reduction is 30% when looking just at drinking in pubs. Pubs continue to close at very high rates, currently around 25 per week. Good well-run pubs remain strong, but the smoking ban, the recession, duty increases far above inflation and the ever-rising price differential between beer in the pub and beer in the supermarket have helped to sound the death knell for many.

"WE MAY SEE TOUGHER TIMES IN 2011"

There's little doubt that the beer and pubs market will continue to be very difficult with increasing numbers of small brewers entering the market and declining per capita consumption. Our strategy is to build our brand, which is underpinned by our values and by our reputation for the highest quality beers and pubs and for first-rate service, which ensures that we attract and retain our customers.

On the pubs side, our estate now comprises 70 pubs, following the sale of three smaller pubs during the year. Our strategy is to own pubs that benefit from Adnams' ownership and in turn benefit Adnams by being part of our estate. Some pubs by their nature and location possess a natural attraction, but the key to success for any pub lies in those who run it. We are privileged to have a hard working, committed and talented group of licensees. They appreciate the opportunity to run an Adnams pub and we appreciate their skills and values in doing so.

The reputation and expertise that we have developed over many years in the beer and pubs business has helped us to develop other activities: management of hotels under contract, retailing and distilling. These other activities are important for our future.

Our hotels had a difficult time in 2010, particularly in the periods of poor weather. Though the Swan and Crown operate well-established and robust businesses, they were not immune to the tougher trading. In May we entered into a contract with the Holkham Estate under which we have assumed the management of the Victoria Hotel at Holkham and the Globe Inn at Wells.

As long-established brewers of high quality beers, it felt to us like a natural development to build a microdistillery within our new brewery. Small scale distillation of high quality spirits is not uncommon in mainland Europe, but we believe that we are the first UK brewery to do this. We were fortunate in having available the beautiful old Copper House, vacated when we built our new brewstream in 2007. Aside from its convenient position within our brewery, this is one of the best locations in Southwold, with wonderful views across rooftops towards the lighthouse and out to sea. It was the ideal place to build

something really special and we hope that we have succeeded. We are now offering distillery tours as well as brewery tours and we think that these will prove to be very successful.

We started distilling gins and vodkas in October for sale in November and in November 2013 our first whiskey will be on sale too. There is clearly a trend towards localism in food and drink and we believe that small scale distilling will prove very attractive.

We are proud of the reputation that Adnams has gained as a business, and the respect that it has been accorded. In business terms we want to make the most of this and in our shops business our long-term aim has been to use our brand and widen the group of consumers who discover us, and trade with us. Our brand tracking research has been showing us that our brand is strongly masculine and we have been trying for some while to attract a higher proportion of female customers. This has always been central to the Cellar & Kitchen concept which combines our respected wine range with an interesting selection of kitchenware but we have increasingly improved the offer to include food and gifts and to provide greater focus on our own beers. The first Cellar & Kitchen in Southwold was established nearly 25 years ago, but in 2005 we extended this by opening in Holkham and by early 2008 we had grown our store numbers to ten (nine Cellar & Kitchen outlets and the smaller wine shop in Southwold).

As is ever the case with new ventures, some of these stores worked better than others and, with the recession beginning to bite, we called a halt to further stores after opening in Richmond in 2008, and focussed on improving the performance of each outlet. Whilst that was a necessary part of our evolution, it was not sufficient. A range of ten stores finds it hard to justify the required central overhead. This left us with a choice of closing most of our stores or expanding further and recognising our strategic aim. We determined on the latter course and recruited a new head of Retail to realise this strategy with encouraging results.

Of particular note in 2010 is the work that we've done with the community and the environment. The tangible evidence for this is the construction of an anaerobic digester on the land adjacent to our distribution site at Reydon. The skills and expertise in the technology have been provided by the Bio Group Ltd who also built and owned the project when it first started, the land being leased from Adnams. Adnams agreed to supply brewery waste as one of the inputs to the digester and to become a joint venture partner once the project was established. We believe that this venture enhances our position as leading advocates of business sustainability and further grows our reputation. We are proud to be associated with it and believe that it will also be a valuable asset for the future. In more tangible terms, the digester will allow us the option of fuelling our delivery vehicles with biogas and it has inspired the construction of an array of photovoltaic panels on the same site, which will provide free daytime electricity to our distribution centre – when the sun shines!

Outlook

A year ago I sounded a note of caution looking forward to the prospect of a general election and tax increases. As it turned out, 2010 was a steady year for the economy as a whole, but it looks as though we may see tougher times in 2011, starting with the VAT increase to 20% at the beginning of the year and with the prospect of substantial public sector cutbacks. Nonetheless, Adnams believes itself to be well placed. Our balance sheet and brand reputation are strong and we have the team in place to grow, develop and innovate. Thank you for your continued support.

Jonathan Adnams OBE
Chairman

KEEPING AN EYE ON OUR CARBON FOOTPRINT

Building a sustainable business is central to everything we do at Adnams. It's important that we monitor our carbon usage and two years ago we decided to include the results in the report and accounts, rather than issue a separate report. The nature of this type of monitoring means that results may sometimes go 'in the wrong direction'. It's not that we're making excuses, but the reality of longer opening hours in our stores, the installation of the distillery, significantly colder weather at the beginning and end of the year and a decision to make direct deliveries into Kent, will all result in a deeper carbon footprint. When this happens, we need to be even more innovative to come up with ways to achieve greater efficiency elsewhere. We are heartened by the fact that when fully operational, the output from Adnams Bio Energy will eventually result in Adnams being carbon neutral.

Carbon resulting from fuels used for combustion, owned transport, process emissions (Tonnes of CO ₂)		Carbon emissions from purchased electricity (Tonnes of CO ₂)		Total carbon emissions for company (Tonnes of CO ₂)	
2008	2,373	2008	1,308	2008	3,681
2009	2,187	2009	1,314	2009	3,501
2010	2,283	2010	1,181	2010	3,464

Emission attributable to specific areas of the business

Production (Tonnes of CO ₂ per barrel delivered)		Retail (Tonnes of CO ₂ per £1,000 of sales)		Hotels and managed houses (Tonnes of CO ₂ per £1,000 of sales)	
2008	0.0180	2008	0.0244	2008	0.0615
2009	0.0178	2009	0.0143	2009	0.0422
2010	0.0190	2010	0.0163	2010	0.0583

Our new beer mats

We wanted to let more people know about our environmental and community initiatives and what better way than over (or in this case under) a pint in the pub. Our new series of posters and beer mats highlight some of the stories that people tell us they love to hear. This one about the anaerobic digester being likened to the workings of a cow's stomach is proving particularly popular.

Green hotels

We've come a long way since the days of saying "these buildings are old and drafty – there's nothing we can do to make them more energy efficient". These days, Adnams hotels are winning awards for sustainability and last year achieved the Silver standard for Green Tourism. Let's hope we can report on Gold for 2012!

10 10

Adnams was one of the first companies to sign up to the 10 10 environmental campaign. For 12 months from 10 10 10 we are donating 10p from every bottle of East Green we sell.

Adnams Bio Energy

Brewery, distillery and local food waste goes in at one end and gas comes out and is injected into the national grid at the other. That's magic! Actually it's not magic at all, but ground-breaking anaerobic digestion technology and the first project of its kind in the UK. When fully up-and-running later this year, Adnams Bio Energy will generate enough green gas to fuel our brewery & distillery, heat 235 family homes and have enough left over to supply the fuel for our lorries.

BUSINESS REVIEW

We have characterised the Adnams approach to business as doing the right thing. We believe that we lived up to that ambition in 2010. We worked hard to improve our businesses in some difficult markets, we developed our brand, we reached more customers and we grew our reputation for innovation and for working to help the environment. All this stands us in very good stead in building the sustainable business to which we aspire.

Adnams has a group of closely related and integrated businesses. Our beer business supplies our pubs, not only with our own beer but with a full range of drinks. Our wine range is sold in our shops, but also in pubs and restaurants where it is delivered by us, and our hotels also stock our range of beers and wines and now spirits too. All these businesses trade under the Adnams brand and we seek to ensure the quality and consistency that is demanded from that brand.

We continue to invest time and resources in developing our senior management team and from time to time we change the management structure of our business to reflect priorities and available talent. In 2010 we were delighted to promote Max Bond to be sales director in the brewing & brands business to work alongside Karen Hester, who is also managing our pubs business. In May this year we recruited Martin Wilkinson to run our Wine & Shops business. Francis Guildea has continued to run our business in Hotels & Managed Houses.

In the attached notes to the accounts we provide segmental financial information, splitting our results between Brewing & Brands operations which supply business customers, and Retail operations, which encompass pubs, shops and hotels. In relatively small businesses such as Adnams, segmenting results meaningfully can be quite difficult. The close integration of our businesses means that many costs are shared and small changes in cost allocation principles can create noticeable changes in outcome for particular parts of our operations, but we believe that our method of segmenting our results between business-to-business operations and retail operations is the most meaningful.

Brewing & Brands

The three key channels through which this business sells are 'direct' (delivered by us directly to free-trade pubs), 'national' (sales to large pub companies and wholesalers) and 'take home' (bottled and canned sales to supermarkets and the off-trade).

Adnams has enjoyed considerable success in previous years selling to the large tenanted pub companies, but these companies had a torrid time in 2010 which meant that our own beer sales had a correspondingly difficult time. To some extent this was offset by improved business with the managed pub companies, but nonetheless the decline in national sales business was the main driver of an overall decline in Adnams own beer volumes of 8%, which is in line with the decline in the market for cask beer. It is disappointing to see this market decline reassert itself after volumes held steady during 2009.

In contrast to the performance in the national trade, our directly delivered volumes showed good growth. This is an area of the business where we believe that Adnams has great strength and it has been a conscious focus during 2010. Our decision to hold our beer prices for a second year gained us considerable goodwill and our strong customer service offering, allied to our overall reputation, helped to secure this growth. Our investment in our distribution capabilities has allowed us to extend our geographic reach, notably we have now started direct deliveries into Kent and have been very pleased with the customer response.

Our take home business lost a little momentum during the year, having enjoyed a very strong 2009, we did however see an increase of almost 50% in beer sold by our own shops. In all parts of the beer business we focussed on cost control, a vital aspect in a declining market.

AND THE WINNERS ARE

2010 was the third year of the Adnams pub awards. It's a great opportunity to celebrate the success of our hardworking licensees. For the first time this year we included an Eco Pub category and were delighted that Geoff & Sheila at the Cherry Tree Woodbridge were the winners. We also celebrated David and Donna Smith from the Randolph, Reydon winning Community Pub of the Year, Steve McMinn & Wayne Seddon at The Bridge House, London receiving Dining Pub of the Year and Michael Hodges from the World's End Mulbarton winning Best Garden. Congratulations to them all.

A chat with Bob & Linda

Licensees of The King's Head
Laxfield, winners of Adnams Pub
of the Year 2010

Visitors to the 16th century King's Head in Laxfield will be greeted by a beautiful old thatched Suffolk pub full of charm and character. Stepping inside you'll be met by a high backed U-shaped settle, an ancient fireplace and a collection of bygone pictures adorning the walls in a labyrinth of rooms. You won't find a bar as in most pubs, but instead a genuine tap room, from where the extensive range of Adnams beers are served straight from the cask. The present tenants, Bob and Linda are experienced licensees, full of wisdom and humour with an immense passion and commitment for running this superb rural pub, whose place at the heart of the community made them such a deserved choice to win the Adnams Pub of the Year. Over to Bob "We were extremely chuffed to win the Pub of the Year Award. The King's Head (or The Low House as it is known to locals) has been dear to our hearts for many years. Linda's family heritage is firmly set in the pub's history as her Great Grandparents and then her Great Uncle and Aunt ran the pub for over 60 years. We feel really proud and privileged to be part of this fine old pub which plays such an important part in village life. It is very much a social pub and we work very closely with the various groups and organisations of our community. Our traditional food offering is famous for its quality and our monthly 'Gourmet Night' is proving very popular. I must admit to nearly falling off my chair when it was announced that we'd won the Award. I've been involved with Adnams, on and off, for over 25 years and it's fair to say we've had the odd 'battle' with them over the years. However, I can honestly say that great credit is now due to Karen Hester and her dedicated team who have the Adnams Tied Estate in great shape and Fergus's beers are better than ever. Despite everybody having to suffer the present economic times we still feel encouraged and optimistic that this is a great time to run an Adnams pub. They have succeeded in starting me to use Twitter so they must be doing something right."

A (QUICK) COFFEE BREAK

With some of the talent team

Our talent programme is all about developing the leaders of the future. The Diversity programme has identified the need to support and encourage women throughout Adnams, whilst the Leadership Programme is an initiative developed in partnership with University College Suffolk. Not only do our stars of tomorrow learn about their own development, but they form strong working relationships with colleagues throughout the business. All this we believe leads to more effective decision-making – today and in the future.

"Working with UCS gave us the opportunity to improve our leadership skills. Not only did we learn the theory, but we were able to bring that back and put it into practice with our teams."
Lizzy Cantwell, Finance Accountant

"The course which I attended at the UCS was extremely valuable to me and my working day. I was also given the opportunity to work with other managers from Adnams and share experience and best practice. All in all, well worth the time." Martin Edwards,
Swan Hotel Manager

"I found the UCS course very useful as it made me look at the wider picture and think of other people's perspectives rather than just my own. It also gave me an insight into the wider business and allowed me to meet other managers within the company who I probably wouldn't usually get to know so well.
Adele Spindler, Contact Centre Manager

'We're all very busy in our day-to-day working lives, but this programme allows us time to understand other parts of the business and also allows us to learn more and solve problems together. It was really worthwhile working with UCS, taking ourselves away gave us the opportunity to focus on our own development plans.' Rachael Mewse
Supply Chain Planner

Adnams is the UK distributor for the premium German pilsner, Bitburger. Whilst there are far fewer premium lagers than there are cask ales, it is nonetheless a very competitive market, with many suppliers spending large amounts of money to promote their brands. Our Bitburger sales were pleasingly robust and we were able to achieve a modest growth in volumes over the year. Again our direct distribution was key to this success.

We continued our successful sponsorship of Newmarket Racecourse and drinks supply to Ipswich Town Football Club, alongside various smaller, but locally important, sponsorship deals.

Distilling

We opened our new distillery in November, and we believe that we are the first UK brewer to be given a license to distil on the same site. The alcohol that we distil is an unhopped Adnams beer which gives us a unique 'grain to glass' spirit of the highest quality. We produced our first batches of gin and vodka in 2010 and we have also laid down whiskey, which will be available in three years' time.

Pubs

2010 was not an easy year for our pubs business. We have a high proportion of rural pubs. This group is particularly vulnerable to the poor weather that plagued each end of the year. The closure of other pubs occasionally provides an opportunity for those remaining, but more often it just illustrates the challenge that faces the pub trade in competing with other ways that customers can spend time and money. We were pleased with the way in which our pubs navigated a difficult year. We enjoyed the loyalty of our tenants and avoided suffering from the frequent empty properties that have dogged some estates. We continued the financial support to our estate and were also able to reduce our costs of operation.

Whilst relationships between landlords and tenants are never famed for being easy, we believe that the relationship between Adnams and its pub tenants has been as good as almost any. To tighten-up on industry practices generally, there is now a new code of conduct that has to be approved for each pub-owning group. Our code has now been approved and formalises many of the practices that were already in place.

Hotels

It would have been nice to have written our report on the hotels business at the end of November. The snows in the early weeks of December were most unhelpful, but nonetheless the Swan and the Crown enjoyed solid performances in 2010, a little behind their very strong 2009 results. The Swan benefited from recent refurbishment work, the completion of the work on the Lighthouse Rooms in 2009 and further work on the bar, lounge and toilets since then.

Aside from running the Swan and Crown hotels, during 2010 we also managed our former tenancy the Bell at Walberswick and we had the lease for Fritton House, a boutique hotel and restaurant on the Somerleyton Estate in Norfolk. Towards the middle of the year we added a contract to manage the Victoria Hotel at Holkham and the Globe Inn at Wells. Under this arrangement we provide management expertise in return for a fee linked to sales and profits. Later in the year we launched a review of our hotels business. Our conclusions were that we would focus on two types of operation. Firstly, the running of our two Southwold Hotels, the Swan and Crown, and secondly, the management for a fee of properties owned by others. This conclusion led us to sign a new agreement with the Somerleyton Estate to manage Fritton House on a similar basis to that applying at Holkham. It also led to a decision to return the Bell at Walberswick to a tenancy. The Bell, having had a very good first year as a managed house in 2009, had a much less satisfactory second year. The poor weather certainly played a part in this.

A SELECTION OF SNIPPETS

There's always so much happening at Adnams and we know you enjoy reading about the wide range of projects we get involved in. Here are just a few of the highlights.

New kitchenware

Kitchenware has always been hugely popular in our stores and never more so than with our new enamel range. The jugs, jars, mugs and buckets have been a big hit amongst Adnams employees too!

Let's talk beer

We've teamed up with the creator of our Beer from the Coast campaign to design a new set of Adnams beer posters. 'Let's talk beer' is a collection of sketched posters and doodle-inspired beer mats with the aim of telling our stories in the pub.

There's an app for that

At the end of last year we launched an Adnams Pub Quiz iPhone app so that avid pub quizzers could test their general and Adnams knowledge whenever they choose. In its first week, the Adnams Pub Quiz became the most popular app in the Trivia category and had 15 000 downloads in its first month. Have you tested your knowledge yet?

13

Made with a complex and masculine blend of 13 botanicals to complement the strength of this spirit, Adnams First Rate Gin delivers aromatic spices mingled with juniper and soft hints of citrus. This became our top selling product in our stores over Christmas. Have you tried it with a slice of cucumber rather than the usual lemon or lime?

3,868
3,869
3,870

The importance of social media continues to grow. All of our Cellar & Kitchen stores are regular Tweeters and it's a great place to find out about forthcoming events and which wines are open on the tasting bar at your nearest store.

24,350

Our Boat Bar and Beach Hut Roadshow rolls on

That's the number of pints we served from the Adnams Boat Bar last year. Attending events puts us right at the heart of our community and gives us an opportunity to share our stories and get feedback from Adnams fans.

A new look for an old friend

Broadside has been a firm favourite among Adnams beers for many years. Originally brewed to commemorate the Battle of Sole Bay fought off the coast of Southwold over 300 years ago, it has since earned a special place in the heart of many an Adnams fan. It was time to give our trusty old friend a make-over, nothing radical, just a refresh to make it look even brighter and more welcoming at the bar and on the shelf.

Grain to glass

We use the same local ingredients to make our Copper House Spirits as we use to brew our famous beers. In many cases we can identify the exact field that our grain has come from.

Tour guides wanted!

Brewery, and now distillery, tours have proved so popular that we've had to recruit more guides to show people round. All our guides are either past or present Adnams employees, so they certainly know their stuff on all things Adnams.

University Challenge

We have strong partnerships with a number of Universities. Most recently we have been working with Imperial College on a project to encourage our supply chain to be even more sustainable.

Shops

The shops had something of a year of two halves. A relatively weak first half, and a much improved second. Martin Wilkinson joined us to lead this business in May and has brought energy and expertise to the role. We have improved retail disciplines, increased staff training and sharpened our focus on objectives and on the future. Whilst experience inevitably demonstrates that not every store is ideally sized and located, we believe that we have a good range of outlets and one on which we can build. Our first new shop opening since we opened in Richmond in 2008 took place in November when we opened in the Chapelfield Shopping Centre in Norwich. This site was a new type of location for a Cellar & Kitchen store and it performed very strongly in the pre-Christmas period, indeed it was a little too small for all the customers who wanted to visit. We plan to open a small number of new stores over the next year or so to move this business into profit and to make the returns of which we believe it capable.

Aside from the shops we also saw good steps forward by our home delivery and online businesses.

Adnams Bio Energy

In October the anaerobic digester at Reydon made its first transfer of gas into the National Grid. It will come fully on-stream during 2011 and will be consuming 12,500 tonnes of organic waste per annum. The digester was built by Bio Group Ltd, and it trades under the name Adnams Bio Energy Ltd. Shortly before the end of the year Adnams took a stake of just less than 50% in this business.

Our involvement in the building of this digester received considerable media coverage and has been widely quoted as an inspiring example. We will be processing food waste from our pubs and hotels, together with waste from a wide range of other local commercial businesses, saving valuable landfill and producing gas too. The digester makes money from its output of gas, but more particularly from what it charges to process waste. Customers find these processing charges more attractive than the alternative of paying to dispose of the waste elsewhere, particularly as landfill charges are raised ever higher.

A focus for Adnams has always been its wider stakeholder group. We have continued to work with our customers and suppliers and of course our own staff whom, once again, I'd like to thank for their hard work and dedication. We held two shareholder open days in 2010 and plan to hold another in 2011. This time we will be able to show you around the new distillery, a sight well worth seeing, we hope you'll all agree. We look forward to your visits.

Andy Wood
Chief Executive

FOLLOWING FRANCIS 'UP NORTH'

Visit The Victoria in Holkham and you are greeted with warm smiles and warmer open fires. Over the last six months we've been providing management expertise. Francis Guilda is the General Manager for all Adnams Hotels and on one of his regular visits to The Victoria to meet manager Ivan Holroyd and his team, we caught up with him to see how things are coming along.

"Our first Cellar & Kitchen store outside Southwold was in the grounds of the Holkham Estate back in 2005. Since then we have developed a terrific relationship and it seemed a very natural step for Adnams to take on the management of the Victoria and Globe hotels.

"This is a beautiful part of the world and a place where Adnams feels very much at home. Ivan and his team have settled in well and have combined the very best of what both the Holkham Estate and Adnams have to offer.

"Local food is a big hit with our customers. Cromer crab, mussels from Brancaster and venison, beef and game from the Estate are never far from the menu depending on the season. We've even developed a supper club where members are offered exclusive monthly events to indulge in great food and of course Adnams wine and beer. Our partnership with Holkham and indeed with the Somerleyton Estate at Fritton show that Adnams hotels are able to take what we have made special in Southwold and replicate it elsewhere."

A WALK THROUGH THE STORE

2010 saw the arrival of Martin Wilkinson to head up Adnams Retail. From day one Martin brought with him a wealth of knowledge, energy and expertise. "Let's play to our strengths" is one of his favourite phrases and that's exactly what we've done. With an extended range of bottled beers we're making Adnams beer a prominent feature in all stores. Customers won't fail to notice it as soon as they walk through the door.

Opening up the Norwich Store in the lead up to Christmas gave us the opportunity to take Adnams Retail right in to the heart of a city-centre environment. The store was an instant success and we had the fortunate 'problem' of coping with more customers than the shop could hold.

All of our stores have a tasting counter and our knowledgeable team is always on hand to suggest great wine/beer food matches. Each of our stores held a 'Bake Off' where customers were invited to bring in their homemade cakes to be matched with dessert wines at the tasting counter. What a treat for a Friday evening! The Beer and Chocolate events are also very popular and the research for these events by Fergus was taken extremely seriously!

FINANCE COMMENTARY

Property

In 2010 we continued our policy of selling a small number of pubs which are not well aligned with the Adnams strategy. The Blois Arms, Yoxford and Steam Packet, Norwich were sold in 2009. Three more The Horse & Dray, Norwich the Butcher's Arms, Knodishall and the Oddfellows, Gorleston, were sold in 2010. The Dragoon Colchester is currently being held for sale. Our profit on disposal of properties was £98,000 (2009: £224,000). We envisage that a few more pubs will continue to be sold for similar reasons.

The largest capital asset acquired in 2010 was our new distillery, built at a cost of £773,000. We also spent money on refurbishments at the Swan and we started a cask replacement programme.

Borrowings

Our borrowings fell by £496,000 over the year, with year-end net debt being £12.4m. Our fixed asset expenditure was £3.0m, compared to £5.4m in 2009, £3m of which related to acquiring three new pubs.

Our balance sheet gearing (debt/equity) improved slightly over the year, falling from 53.4% in 2009 to 49.4% in 2010. Interest cover remains strong at seven times. Net interest expense was up slightly on 2009 at £457,000 as higher bank margins were being paid throughout the year. 2009 benefited from the general fall in interest rates and also lower bank margins in the early part of the year.

We have continued to keep our borrowings short-term. This creates the risk of requiring us to seek regular refinancing, but we believe that our borrowings are not at a level where this is likely to be difficult. We retain sufficient bank facilities to ensure that we have funds available for our operations and planned expansions.

Friday farmers markets

We're incredibly lucky to have such a fantastic supply of food producers right on our doorstep. The courtyard at the back of our Southwold store lends itself perfectly to a weekly farmers market. Just the thing for topping up on provisions for the weekend.

FINANCIAL HIGHLIGHTS

	2006	2007	2008	2009	2010	Variance**
Operating profit (before exceptionals, £000)	4,101	4,206	1,521	3,238	3,188	-1.5%
ROCE (percentage)*	12.4%	11.8%	4.1%	8.7%	8.5%	-2.7%
Gearing (book value)	97.3%	44.1%	48.2%	53.4%	49.4%	-7.4%
Net debt (£000)	16,301	10,909	12,082	12,882	12,386	-3.9%
Interest cover****	53	51	21	90	70	-22.4%
Ord dividend (per £1 share)***	£1.75	£1.83	£1.86	£1.87	£1.87	0.0%

* The return on capital is based on the operating line and capital employed, including debt.

** % variance between 2009 and 2010.

*** Including proposed final dividend for 2010.

**** Excluding exceptional items and interest on pension deficit.

Tax

Our effective tax rate in 2010 was 23.6%, compared to 24.2% in 2009. The main drivers of this were a release of unused tax provisions made in earlier years and the non-taxable rollover of gains from property disposals. The basic rate of corporation tax in 2009 and 2010 was 28%. This rate will fall to 27% in the 2011/12 tax year and the government appears to intend to cut it further. When estimating our future tax liabilities we have used a rate of 27%.

Pensions

The most important assumption that we make in valuing our pension liabilities for accounting purposes is the rate at which future liabilities are discounted to a current value. This rate depends on long-term market interest rates prevailing at the year-end date. In 2010 these rates were low by recent historic standards, giving us a discount rate of 5.3%, 0.5% lower than in 2009 and 1.2% below 2008. This meant that our future liabilities are reduced by less when discounting them to their current value and overall liabilities rose from £24.2m to £26.4m. However, asset values also grew strongly over the year and the net effect was a small increase in our accounting deficit from £2,506,000 to £2,559,000.

In parallel to the accounting valuation the trustees of our defined benefit pension scheme undertake a triennial actuarial valuation. The latest valuation took place with effect from 1 April 2010. The final actuarial report is currently with the pension trustees for approval. Our expectation is that it will show our scheme to be slightly, though not materially, less well funded than was the case as at 1 April 2007. Our annual cash contributions to the scheme following the 2007 valuation were £240,000. We increased this to £420,000 in April 2009 and we expect to continue to contribute at this rate over the next year.

Treasury Policies

Our policy remains not to hedge interest rate and foreign exchange exposures, on the basis that we can predict neither. Our view is that regular hedging does not add value to shareholders as in a continuing business its impact is to change the point in time at which different rates apply, rather than changing what those rates will be. Nonetheless, we keep this policy under review.

Our principal credit risk relates to the recovery of amounts owed by trade debtors. In order to manage credit risk we set limits for customers based on a combination of payment history and third party credit references. These limits are reviewed on a regular basis and outstanding debts are actively chased. Further details of financial risks are contained in note 27 of the accounts.

Dividend Policy

We are recommending an unchanged final dividend for 2010 of £1.22 per £1 'B' share and 30.5p per 25p 'A' share. Our interim dividend which is set at 35% of the previous full year dividend, was also unchanged, meaning that the 2010 full year dividend will be unchanged at £1.87 per 'B' share and 46.75p per 'A' share.

Stephen Pugh
Finance Director

Adnams 10k

What started life as a 'one-off' has become something of a fixture on our events calendar. The Adnams 10k run attracted 600 entrants – amongst them Olympic medallist Steve Cram.

"I really enjoyed taking part in the Adnams 10k. There was a terrific atmosphere on the day and I loved the Adnams running shirts made from recycled plastic bottles. There was a real mix of talented local club runners and those who were competing for the first time. I congratulate Adnams on raising over £9,000 from this event which they divided between Suffolk SportsAid and the Adnams Charity. Despite it taking place on a chilly November morning, I might even be tempted to come back again this year!"
Steve

GETTING INVOLVED

Putting something back into the community has been an important part of our business for many, many years. We've put together a snapshot of some of our recent activities.

Destination Gold

Supporting triathlete Abbie Thornington and hand-cyclist Brian Aldis in their bid to take part in the 2012 London Olympics has taken on greater excitement as the tickets for the Games start to go on sale. London 2012 is a fantastic opportunity for tourism in East Anglia and to think that we may have played even a tiny part in supporting these Suffolk athletes to reach their goal makes the event even more special.

"It's great to be supported by a local company like Adnams. My dad is particularly pleased and now, when he enjoys a pint of Adnams Beer, he feels he is also helping me!" Abbie

Pub is the Hub

We are proud to Chair the Eastern Region Pub is the Hub advisory board. This fantastic organisation brings together pub owners, local authorities and other bodies such as the Post Office to look at ways to support innovative projects in successful rural pubs. The Adnams White Hart at Blythburgh was the first ever Pub is the Hub initiative back in 2001.

Kirkley High

You may recall that we have worked with groups of Entrepreneurial Spirit students from Kirkley High School for a number of years. This year Sarah Groves from our web team worked with them to encourage the students to write and produce their own blog. After a thoroughly entertaining afternoon, the blog was posted on the Adnams website. You can catch-up with their news at Adnams.co.uk.

Report of the Directors

For the year ended 31 December 2010

Business activities and development

The Chairman's Report, Business Review and Finance Commentary on pages 2 to 16 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	2,154
Dividends to ordinary shareholders	
Final 122% (paid 28 April 2010)	576
Interim 65% (paid 1 October 2010)	307
Retained profits	1,271

Proposed final dividend of £576,000 (122%) to be paid 9 May 2011

Principal risks and uncertainties

It is our objective that our Chairman's Report and Business Review discuss the business in such a way that we properly explain the principal risks and uncertainties that we face. However, for clarity's sake and in line with the practice adopted by most others, we note below a description of these principal risks and uncertainties, beyond those explained in the Finance Commentary. We believe that they fall into four main categories:

Firstly the state of the economy, notably the level of consumer confidence and changes in alcohol consumption patterns are key to us. We try to ensure that we are sensitive to changes so that we can rapidly adapt.

Secondly the regulation of our industry affects the ways in which we compete. The alcohol industry is, unsurprisingly, highly regulated. We seek to ensure that we adopt a consistently responsible attitude towards alcohol consumption, that we are well informed on regulatory developments and engage with the development of these regulations.

Thirdly we face operational risks in ensuring the continuing functioning of our brewery, computer systems and other key processes. We deal with these by attracting and retaining staff with the right abilities and by establishing wider risk management processes.

Fourthly our brand and reputation are key to all our business activities and we seek to be constantly vigilant in ensuring that we stand by our values and live up to the name that we have built.

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 2010 and their beneficial interests in the share capital of the company, at the beginning and end of the financial year, are shown below.

S C Pugh and S P D Loftus retire by rotation and being eligible offer themselves for re-election.

Directors' interests	'A' Ordinary 25p		'B' Ordinary £1	
	2010	2009	2010	2009
Ordinary shares				
J P A Adnams	182,657	174,093	3,263	3,263
W B Kendall*	2,644	2,644	—	—
S P D Loftus*	36,339	41,339	—	—
S C Pugh	1,464	1,370	—	—
S M Sharp*	304	304	—	—
A C Wood	4,352	4,258	—	—
	10,670**	10,670**	3,800**	3,800**

* Denotes non-executive director ** Shares held as Trustee

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.

Report of the Directors

For the year ended 31 December 2010

Employee matters

Involvement

Adnams is committed to involving employees in the performance and development of the company by encouraging them to discuss with 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 £32,000 (2009: £34,000).

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 2010, the company had an average of 19 days (2009: 20 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 each of the directors is 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

21 March 2011



Notice of meeting

Notice is hereby given that the One Hundred and Twenty-First Annual General Meeting will be held at St Edmunds Hall, Southwold on 6 May 2011 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 S C Pugh, who retires by rotation
- 4 To re-elect S P D Loftus, 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

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

21 March 2011

Registered Office

Sole Bay Brewery, Southwold, Suffolk, IP18 6JW

Registered Number 31114

Profit and loss account

For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	1	50,912	51,321
Operating expenses	2	(47,724)	(48,083)
Operating profit		3,188	3,238
Profit on disposal of properties	5	98	224
Interest receivable	7	1	3
Interest payable	8	(458)	(363)
Other finance (charge)/income on pension scheme	26	(11)	8
Profit on ordinary activities before taxation		2,818	3,110
Tax on profit on ordinary activities	9	(664)	(754)
Profit for the financial year	20	2,154	2,356
Earnings per share basic and diluted	11		
'A' Shares of 25p each		114 1p	124 8p
'B' Shares of £1 each		456 5p	499 3p

All amounts relate to continuing activities

Statement of total recognised gains and losses

For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Profit for the financial year		2,154	2,356
Actuarial loss on pension scheme	26	(462)	(3,298)
Movement on deferred tax relating to actuarial loss	18	125	923
Total recognised gains and losses relating to the year		1,817	(19)

Balance sheet

As at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	12	37,334	37,092
Investments	13	136	166
		37,470	37,258
Current assets			
Stocks	14	4,230	3,993
Debtors	15	5,957	6,387
Cash at bank and in hand		19	18
		10,206	10,398
Creditors: amounts falling due within one year	16	(19,545)	(20,627)
Net current liabilities		(9,339)	(10,229)
Total assets less current liabilities		28,131	27,029
Creditors: amounts falling due after more than one year	17	(288)	(271)
Provision for liabilities	18	(898)	(811)
		(1,186)	(1,082)
Net assets excluding pension liability		26,945	25,947
Pension liability	26	(1,868)	(1,804)
Net assets including pension liability		25,077	24,143
Capital and reserves			
Called up share capital	19	472	472
Share premium	20	144	144
Profit and loss account	20	24,461	23,527
Equity shareholders' funds	21	25,077	24,143

The financial statements were approved by the board of directors on 21 March 2011, authorised for issue and signed on its behalf by:

S C Pugh

Director

Company registered number 31114



Cash flow statement

For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	22	5,269	4,465
Returns on investments and servicing of finance			
Interest received		1	3
Interest paid		(402)	(459)
		(401)	(456)
Taxation			
Corporation tax (paid)/received		(1,142)	1,061
		(1,142)	1,061
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,986)	(5,371)
Receipts from sales of tangible fixed assets		592	456
Payments to acquire investments		(29)	(122)
Receipts from investments/deposits		76	50
		(2,347)	(4,987)
Equity dividends paid		(883)	(883)
Net cash inflow/(outflow) before financing		496	(800)
Financing - new loans		-	10,000
Increase in cash		496	9,200
Reconciliation of net cash flow to movement in net debt			
Increase in cash	23	496	9,200
Cash flow from increase in loans		-	(10,000)
Movement in net debt	23	496	(800)
Net debt at 1 January		(12,882)	(12,082)
Net debt at 31 December	23	(12,386)	(12,882)

Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and under the historical cost convention. The policies remain unchanged from the prior year.

Going concern

The company has considerable property assets and whilst it has chosen to keep its borrowings short-term, and therefore has net current liabilities, the business projections demonstrate the company's ongoing profitability and future adherence to borrowing facilities. 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.

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, or on provision of services. Rental income received from the tied estate properties is recognised in the period to which it relates. Turnover is measured at the fair value of the consideration receivable.

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 costs and associated overheads. 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 substantially 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.

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 current bid price of scheme assets at the start of the financial year is included within other finance (charge)/income on pension scheme. 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 gains/losses arising on scheme liabilities and 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.

Statement of accounting policies continued

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. The company currently uses 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 and any share based payment element is not considered to be material. 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.

As performance reached the requisite level a share transfer to the Share Incentive Plan will occur in relation to 2010 as it did in relation to 2009. The unallocated shares are small in number and accordingly the company does not consolidate the Employee Benefit Trust on grounds of materiality. 3,216 such shares, all of which were Adnams plc 'A' shares, were held at 31 December 2010 (2009: 7,358 shares).

Notes to the accounts

For the year ended 31 December 2010

1. Turnover

Represents sales invoiced (excluding VAT and net of discounts) rents, commissions and royalties in the United Kingdom

	2010 £000	2009 £000
2. Operating expenses		
Raw materials, consumables and duty	27,213	26,952
Change in stock of finished goods and work in progress	(337)	(76)
Staff costs (note 4)	9,585	9,074
SIP Scheme for employees (note 28)	135	134
Depreciation (note 12)	2,252	2,236
(Profit)/loss on disposal of plant and vehicles	(2)	5
Profit on disposal of investments	-	(6)
Auditor's remuneration	31	31
- Audit services	5	6
- Audit of pension schemes	5	29
- Taxation services	415	351
Operating lease rentals	(144)	(137)
Foreign exchange gain	8,566	9,484
Other operating costs		
	47,724	48,083

3. Segmental analysis

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

	Brewing & Brands		Retail		Central Management		Total	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Total sales	28,344	28,878	22,514	22,674	54	68	50,912	51,620
Inter-segment sales	-	(299)	-	-	-	-	-	(299)
Sales to third parties	28,344	28,579	22,514	22,674	54	68	50,912	51,321
Operating expenses	26,555	26,804	19,968	19,995	1,201	1,284	47,724	48,083
Operating profit/(loss)	1,789	1,775	2,546	2,679	(1,147)	(1,216)	3,188	3,238
Profit on disposal of properties					98	224	98	224
Interest receivable					1	3	1	3
Interest payable					(458)	(363)	(458)	(363)
Other finance (charge)/income on pension scheme					(11)	8	(11)	8
Profit/(loss) on ordinary activities before taxation	1,789	1,775	2,546	2,679	(1,517)	(1,344)	2,818	3,110
Net assets employed	19,922	19,557	22,089	22,427	(16,934)	(17,841)	25,077	24,143

	2010 £000	2009 £000
4. Staff costs		
Wages and salaries	8,424	7,940
Social security costs	768	730
Other pension costs (note 26)	393	404
	9,585	9,074

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

	Number	Number
Trading	26	28
Customer Services	85	79
Production	20	19
Wine/Shops	64	52
Hotels	170	145
Corporate Services	45	45
	410	368

Total number of part-time workers included in above	88	56
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	2010 £000	2009 £000
5. Profit on disposal of properties		
Profit on sale of properties	98	224

Profit on disposal of properties includes profits/(losses) on properties sold and held for sale at the year end
The effect on the current tax charge for the year of the above items is nil

	2010 £000	2009 £000
6. Directors' remuneration		
Fees	81	81
Basic salaries	487	479
Benefits	5	4
Car allowance	42	42
Performance related pay	31	11
	646	617

	Salaries and fees £000	Benefits £000	Car allowance £000	Performance related bonus £000	2010 £000	2009 £000
J P A Adnams	178	1	14	12	205	197
W B Kendall	27	—	—	—	27	27
S P D Loftus	27	—	—	—	27	27
S C Pugh	132	2	14	8	156	150
S M Sharp	27	—	—	—	27	27
A C Wood	177	2	14	11	204	189
	568	5	42	31	646	617

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 2010	31 Dec 2009
J P A Adnams	81,690	78,048
A C Wood	24,056	22,983

Accumulated total accrued pension normally represents scheme service to retirement, but for 31 December 2009 and 2010 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 £1,441,861 (2009 £1,225,612)

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

	2010 £	2009 £
J P A Adnams	17,845	17,760
S C Pugh	13,249	13,132
A C Wood	17,670	16,979

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

	2010 'A' shares	2009 'A' shares
J P A Adnams	94	—
S C Pugh	94	—
A C Wood	94	—

There were no shares allocated in 2009

There were no share option arrangements in place

	2010 £000	2009 £000
7. Interest receivable		
Trade loans	1	3
	1	3

	2010 £000	2009 £000
8. Interest payable & similar charges		
Bank loans and overdraft	409	353
Other	47	8
Preference share dividends paid 3.85% cumulative £10 shares	1	1
Preference share dividends paid 4.9% non-cumulative £5 shares	1	1
	458	363

	2010 £000	2009 £000
9. Taxation		
The charge based on the profit for the year comprises		
UK corporation tax @ 28% (2009 28%)	706	784
Tax (over) provided in prior years	(265)	(152)

Total current tax	441	632
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Deferred taxation (note 18)

Origination and reversal of timing differences (ACA and other)	102	105
Pension cost relief in excess of pension cost charge	136	106
Adjustment in respect of prior years	(15)	(89)
	223	122

Tax on profit on ordinary activities	664	754
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Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are reconciled below

Profit on ordinary activities before tax	2,818	3,110
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	789	871
Disallowed expenses and non-taxable income	91	115
IBAs received with no balancing charge	(20)	(35)
Capital allowances in excess of depreciation	(111)	(105)
Rollover relief claimed on property disposal	(49)	(62)
Other timing differences	6	—
Adjustment relating to prior years	(265)	(152)
Current tax charge for the year	441	632

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 is £1,438,000 (2009 £1,463,000).

At present it is not envisaged that any tax will become payable in the foreseeable future.

	2010 £000	2009 £000
10. Dividends		
Equity dividends on ordinary shares		
Interim paid 1 October 2010 65% (2009 1 October 2009 65%)	307	307
Final paid 28 April 2010 122% (2009 30 April 2009 122%)	576	576
	883	883

The directors propose a final dividend of £1.22 per £1 nominal share (totalling £576,000) for the year ended 31 December 2010. The dividend will be submitted for formal approval at the Annual General Meeting, to be held on 6 May 2011. This dividend has not been accounted for within the current year financial statements as it has yet to be approved.

	2010	2009
11. Earnings per share		
Including property disposals		
'A' Ordinary shares	114.1p	124.8p
'B' Ordinary shares	456.5p	499.3p

Basic and diluted earnings per share for 'A' Ordinary shares are calculated by dividing the earnings available for 'A' Ordinary shareholders of £849,000 (2009 £929,000) by the number of issued 25p 'A' Ordinary shares (note 19) 744,000 (2009 744,000).

Basic and diluted earnings per share for 'B' Ordinary shares are calculated by dividing the earnings available for 'B' Ordinary shareholders of £1,305,000 (2009 £1,427,000) by the number of issued £1 'B' Ordinary shares (note 19) 285,842 (2009 285,842).

Excluding property disposals		
'A' Ordinary shares	108.9p	113.0p
'B' Ordinary shares	435.7p	451.8p

	Freehold and leasehold land and buildings £000	Plant, equipment fixtures and fittings and motor vehicles £000	Total £000
12. Tangible fixed assets			
Cost			
At 1 January 2010	29,952	26,231	56,183
Additions	464	2,522	2,986
Disposals at cost	(307)	(289)	(596)
At 31 December 2010	30,109	28,464	58,573
Depreciation			
At 1 January 2010	3,859	15,232	19,091
Provided in the year	532	1,720	2,252
Disposals	(8)	(167)	(175)
Provision for asset held for disposal	71	—	71
At 31 December 2010	4,454	16,785	21,239
Net book value at 31 December 2010	25,655	11,679	37,334
Net book value at 31 December 2009	26,093	10,999	37,092
At 31 December 2010 £15,000 (2009 £107,000) of assets were in the course of construction			
		2010 £000	2009 £000
The cost of land and buildings comprises			
Freehold land		2,445	2,552
Freehold buildings		26,508	26,277
Long leasehold		489	456
Short leasehold		667	667
		30,109	29,952

The company carries out an annual impairment review of its pub and shop assets. This is assessed by comparing the carrying value of these assets to the value in use or if necessary fair value. As at 31 December 2010 and 31 December 2009, no impairment losses were recognised in line with the accounting policy disclosed on page 23.

	2010 £000	2009 £000
13. Fixed asset investment		
Unlisted investments at cost and net book value	5	—
Trade loans	131	166
Total investments	136	166

Unlisted investments		
At 1 January	—	101
Additions	5	—
Disposals and provisions	—	(101)
At 31 December	5	—

Joint venture undertaking	Class of share	% held	Country of incorporation	Year end	Principal activities
Adnams Bio Energy Limited	£1 ordinary	49.99%	England & Wales	30 April	Conversion of organic waste into biogas

In the opinion of the Directors the value of this investment is not less than book value

	2010 £000	2009 £000
Trade loans		
At 1 January	166	110
Loans advanced during the year	43	106
Repayments	(78)	(50)
At 31 December	131	166

Further details on trade loans are contained in note 27

	2010 £000	2009 £000
14. Stocks		
Raw materials	136	236
Work in progress	93	75
Finished goods and goods for resale	4,001	3,682
	4,230	3,993

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

	2010 £000	2009 £000
15. Debtors		
Trade debtors	5,075	5,612
Prepayments	882	775
	5,957	6,387

	2010 £000	2009 £000
16. Creditors: amounts falling due within one year		
Bank overdraft and loans	12,405	12,900
Trade creditors	3,173	3,256
Taxation and social security	1,002	883
Corporation tax	648	1,350
Accruals	2,317	2,238
	19,545	20,627

The bank overdraft and loan are secured by a debenture to Barclays Bank Plc

	2010 £000	2009 £000
17. Creditors: amounts falling due after more than one year		
Tenants' deposits	242	225
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	271

See note 19 for full details of these preference shares

	2010 Provided £000	2010 Full potential liability £000	2009 Provided £000	2009 Full potential liability £000
18. Provision for liabilities				
Deferred taxation				
Accelerated capital allowances	945	945	826	826
Other timing differences	(47)	(47)	(15)	(15)
Chargeable gains	—	1,438	—	1,463
Deferred tax excluding that relating to pension liability	898	2,336	811	2,274
Deferred tax on pension scheme deficit (note 26)	(691)	(691)	(702)	(702)
Total provision for deferred tax	207	1,645	109	1,572
Movement in the provision				
At 1 January 2010	811			
Deferred tax charge to the profit and loss account (current year movement at 27%)	102			
Adjustment in respect of prior years	(15)			
31 December 2010	898			
Deferred tax asset relating to pension deficit				
At 1 January 2010	702			
Change in brought forward provision arising from change in future tax rates	(26)			
Deferred tax charged in the profit and loss account	(110)			
Deferred tax credited to the STRGL	125			
31 December 2010	691			

On the balance sheet, the deferred tax liability of £898,000 (2009 £811,000) is shown before deferred tax on the pension scheme deficit of £691,000 (2009 £702,000)

	Authorised		Allotted, called up and fully paid	
	2010 £000	2009 £000	2010 £000	2009 £000
19. Share capital				
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 & loss account £000	Total £000
20. Reserves				
1 January 2010	472	144	23,527	24,143
Profit for the year	—	—	2,154	2,154
Actuarial loss on pension scheme (note 26)	—	—	(462)	(462)
Movement on deferred tax relating to pension scheme (note 18)	—	—	125	125
Dividends paid (note 10)	—	—	(883)	(883)
31 December 2010	472	144	24,461	25,077
Pension deficit (note 26)			1,868	
Profit and loss reserve excluding pension liability			26,329	

All reserves relate to equity

	2010 £000	2009 £000
21. Reconciliation of shareholders' funds		
Profit for the year	2,154	2,356
Dividends paid (note 10)	(883)	(883)
Actuarial loss on pension scheme (note 26)	(462)	(3,298)
Movement on deferred tax relating to pension scheme (note 18)	125	923
Net addition/(reduction) to shareholders' funds	934	(902)
Opening shareholders' funds	24,143	25,045
Closing shareholders' funds	25,077	24,143

	2010 £000	2009 £000
22. Net cash inflow from operating activities		
Operating profit	3,188	3,238
Depreciation charges	2,252	2,236
(Profit)/loss on sale of routine fixed asset disposals	(2)	5
Difference between pension charge and cash contributions	(420)	(375)
(Increase) in stock	(237)	(87)
Decrease/(increase) in debtors	430	(677)
Increase in creditors	58	25
Increase in provisions	—	100
	5,269	4,465

	At 1 Jan 2010 £000	Cash flow £000	At 31 Dec 2010 £000
23. Analysis of net debt			
Cash at bank and in hand	18	1	19
Bank overdraft	(2,900)	495	(2,405)
Increase in cash		496	
Bank loan	(10,000)	—	(10,000)
Net debt	(12,882)	496	(12,386)

	2010 £000	2009 £000
24. Capital commitments & contingent liabilities		
Contracted for	49	137

The amount for 2010 reflects capital commitments for the refurbishment of the Crown Hotel kitchen and restaurant, and one of our tied estate pubs (prior year commitment relates to the Cellar & Kitchen EPOS system, refurbishment of the Swan Hotel bar and drawing room and the refurbishment of the bathrooms at the Bell Managed House, Walberswick)

The final settlement for the construction of the Reydon Distribution Centre has not yet been agreed

	2010 Land & buildings £000	2009 Land & buildings £000
Operating lease commitments		
On leases expiring:		
Within one year	49	14
In 2 - 5 years	28	—
In over 5 years	329	337
	406	351

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 (2009 £720,000)

A bank guarantee for £935,000 was provided by Adnams plc to the Royal Bank of Scotland in respect of the obligations of Adnams Bio Energy Ltd to that bank.

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.

Mr W B Kendall £21,000 (2009 £21,000) for consultancy services. These amounts are included within salaries and fees in note 6. No amount was outstanding at 31 December 2010 (2009 £nil)

	'A' Ordinary 25p		'B' Ordinary £1	
	2010	2009	2010	2009
Dividends paid to directors in the year				
J P A Adnams	83,968	80,883	6,102	6,102
W B Kendall*	1,236	1,236	—	—
S P D Loftus*	16,988	19,326	—	—
S C Pugh	647	640	—	—
S M Sharp*	142	142	—	—
A C Wood	1,997	2,123	—	—
	4,988 **	4,988 **	7,106 **	7,106 **

* Denotes non-executive director **Dividends received as Trustee

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

During 2010, Mr A C Wood, Chief Executive of Adnams plc, joined the board of Adnams Bio Energy Ltd, a subsidiary of the Bio Group Ltd. At the year end £36,000 was owed by Adnams Bio Energy Ltd to Adnams plc

The Employee Benefit Trust (EBT) held 3,216 Adnams plc 'A' shares at 31 December 2010 (2009 7,358 'A' shares). During 2010 the EBT received dividends of £3,000 on its Adnams shares (2009 £4,000)

There is no overall controlling party of Adnams plc

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. The initial results from the valuation at 1 April 2010 are now available to the trustees and the final report is close to completion. The expectation is that these results will show a funding level slightly, but not substantially worse than the position at 1 April 2007.

Defined benefit pension scheme continued

The disclosures required by FRS17 are set out below. Valuation of the scheme has been updated to 31 December 2010 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 2010	Valuation at 31 Dec 2009	Valuation at 31 Dec 2008
Pension 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	3.6%pa	3.6%pa	2.7%pa
Discount rate for liabilities	5.3%pa	5.8%pa	6.5%pa
Inflation assumption	3.6%pa	3.6%pa	2.7%pa
Pension revaluation in deferment	3.6%pa	3.6%pa	2.7%pa

Demographic assumptions

Assumed life expectancy in years, on retirement at 65

		31 Dec 2010	31 Dec 2009
Retiring today			
	Males	23.8	23.5
	Females	25.9	26.5
Retiring in 20 years			
	Males	25.9	23.5
	Females	27.1	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 2011	Value at 31 Dec 2010 £000	Expected return for 2010	Value at 31 Dec 2009 £000	Expected return for 2009	Value at 31 Dec 2008 £000
Equities	8.0%	11,531	8.0%	11,536	8.0%	9,253
Bonds	5.0%	8,356	5.5%	7,611	5.5%	7,752
Property	7.0%	1,790	7.0%	1,388	7.0%	995
Cash	3.5%	2,196	3.5%	1,150	5.0%	769
Total market value of assets		23,873		21,685		18,769
Present value of scheme liabilities		(26,432)		(24,191)		(18,360)
(Deficit)/surplus in the scheme		(2,559)		(2,506)		409
Related deferred tax asset/(liability)		691		702		(115)
Net pension (liability)/asset		(1,868)		(1,804)		294

	For year to 31 Dec 2010 £000	For year to 31 Dec 2009 £000
Analysis of the amount included as other finance (charge)/income		
Expected return on pension scheme assets	1,380	1,190
Interest on pension scheme liabilities	(1,391)	(1,182)
Other finance (charge)/income	(11)	8
Actual return on plan assets	2,493	3,165

Defined benefit pension scheme continued

	For year to 31 Dec 2010 £000	For year to 31 Dec 2009 £000
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	24,191	18,360
Interest cost	1,391	1,182
Actuarial losses	1,575	5,273
Benefits paid	(725)	(624)
Closing defined benefit obligation	26,432	24,191

	For year to 31 Dec 2010 £000	For year to 31 Dec 2009 £000
Changes in the fair value of plan assets are as follows		
Opening fair value of plan assets	21,685	18,769
Expected return	1,380	1,190
Actuarial gains	1,113	1,975
Contributions by employer	420	375
Benefits paid	(725)	(624)
Closing fair value of plan assets	23,873	21,685

The company expects to contribute £420,000 to the Adnams Pension Fund in the next accounting year

	For year to 31 Dec 2010 £000	For year to 31 Dec 2009 £000
Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension assets	1,113	1,975
Experience gains arising on the scheme liabilities	1,549	28
Changes in assumptions underlying the present value of the scheme liabilities	(3,124)	(5,301)
Actuarial loss recognised in STRGL	(462)	(3,298)
Movement in deficit during the year		
(Deficit)/surplus in scheme at beginning of the year	(2,506)	409
Movements in year:		
- Contributions paid by the employer	420	375
- Other finance (charge)/income	(11)	8
- Actuarial loss	(462)	(3,298)
Deficit in scheme at the end of the year	(2,559)	(2,506)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2010 was a net loss of £9,466,000 (2009 £9,004,000)

History of experience gains and losses	2010	2009	2008	2007	2006
Defined benefit obligations £000	26,432	24,191	18,360	21,514	23,219
Plan assets £000	23,873	21,685	18,769	21,415	19,993
(Deficit)/surplus £000	(2,559)	(2,506)	409	(99)	(3,226)
Difference between the expected and actual return on scheme assets					
amount £000	1,113	1,975	(3,795)	67	349
% of scheme assets	5%	9%	(20%)	<1%	2%
Experience gains and losses on scheme liabilities					
amount £000	1,549	28	(44)	25	(41)
% of present value of scheme liabilities	6%	<1%	<1%	<1%	<1%
Total amount recognised in STRGL					
amount £000	(462)	(3,298)	163	2,802	75
% of present value of scheme liabilities	(2%)	(14%)	<1%	13%	<1%

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 £393,000 (2009 £404,000) to the scheme. There were no amounts outstanding at the year end (2009 £51,000). This amount was included within accruals in note 16 for 2009.

27. Financial instruments

The company's financial instruments comprise a bank loan, trade loans to customers, cash and bank overdraft. The purpose of the financial instruments is to raise finance for the company's operations. 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 finance commentary.

Financial assets

The company funds certain 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 £54,000 (2009 £54,000) recoverable within one year and £73,000 (2009 £107,000) recoverable within one to five years. The balance is due after five years.

Of these loans £67,000 (2009 £104,000) is expected to be repaid in cash and 64,000 (2009 £62,000) 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 loans of £10,000,000 (2009 £10,000,000) bear interest at 2.08% at 31 December 2010 (2009 2.33%).

Bank overdrafts of £2,405,000 (2009 £2,900,000) bear interest at 2.00% above Barclays Bank base rate which was 0.50% at 31 December 2010 (2009 2.25% above Barclays Bank base rate of 0.5%).

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 2010 and 2009 share awards vest unconditionally at the balance sheet date and the total value of free shares awarded under the SIP scheme for 2010 and 2009 is disclosed in note 2 to the accounts.

These amounts also represent the year end liability and are included within accruals 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 2010 the Board comprised three 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
- a formalised process for reviewing all company activities during the year
- detailed annual operating budgets for all businesses
- formal authorisation procedures for all investment and capital expenditure

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

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments 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
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as each of the directors is 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.

The directors are responsible for the maintenance and integrity 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 of Adnams plc for the year ended 31 December 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

James Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
NORWICH
21 March 2011

Grant Thornton UK LLP

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