ADNAMS
SOUTHWOLD

Company Number
31114

Adnams plc
Annual Report and Accounts 2015

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It was a great honour for Adnams to be identified by the Eastern Daily Press for outstanding achievement over the past 25 years

"At the heart of Adnams' success is a clear purpose, a set of human values and a willingness to work for long-term success This award recognises the tremendous achievement of the Adnams team, past and present, over those 25 years "

Andy Wood OBE

ANOTHER STRONG PERFORMANCE

Adnams saw a further increase in profits in 2015, following a very successful 2014. Our newer businesses, notably the distillery and our shops, did especially well.

We are continuing to invest for the long-term health of our business, with a substantial project well underway in our brewery and a tripling of our distillery capacity already in place.

We are a business underpinned by our values and focused on doing the best for all our stakeholders.

FINANCIAL HIGHLIGHTS

Turnover	**Operating profit**	**Dividend**	**Net bank debt**	**Net pension liability**
£000	£000	£	£000	£000
2015 £65,698 −0 5%	2015 £4,093 +7 3%	2015 £2 16 +5 4%	2015 £8,918 +10 8%	2015 £3,225 −71 9%
2014 £66,032	2014 £3,815	2014 £2 05	2014 £8,048	2014 £11,468
2013 £60,500	2013 £3,325	2013 £1 96	2013 £10,758	2013 £5,755
2012 £56,922	2012 £3,392	2012 £1 94	2012 £13,739	2012 £7,472
2011 £54,570	2011 £3,277	2011 £1 90	2011 £15,421	2011 £5,349
	(before exceptional operating costs)	(per £1 share)		(pre-tax)

2014 and 2015 financial highlights have been prepared using the new accounting standard FRS102, previous years were prepared using accounting standards in force at that time

2015 HIGHLIGHTS

THANK YOU FOR YOUR PENNIES

2015 has been an amazing year for Pennies – the electronic charity box Thousands of you kindly rounded up your purchases in our stores to raise a staggering £40,000!

ADNAMS AT NEWMARKET

We enhanced our partnership with Newmarket Racecourses, with the naming of the Adnams July Course We continue to push our presence at events such as the Suffolk Show, Norfolk Show, Women's Tour and from 2016, The Boat Races

80 KG the weight of the hops donated in 2015 for our Wild Hop beer

11 new beers brewed by Fergus & team

150,000 The number of times people donated through the Pennies scheme

ADNAMS PROP HOP

Matt Hampson visited Southwold to mark the release of Adnams Prop Hop, a limited edition beer brewed in support of the Matt Hampson Foundation It was timed to coincide with the 2015 Rugby World Cup

JONATHAN CELEBRATES 40 YEARS AT ADNAMS!

Huge congratulations to our Chairman, Jonathan Adnams OBE, who celebrated 40 glorious years at Adnams this November Let's all raise a glass to the next 40!

CHAIRMAN'S REPORT

I am pleased to report that the Company made good progress in 2015 with our operating profits rising by 7 3% to £4,093,000 We noted at the half year that turnover was 3% behind 2014, however this improved in the second half of the year, to leave us just 0 5% short of the prior year

On the back of our improved profits we are recommending a 5 9% increase in our final dividend This represents an increase of 8p per 'B' share and is in line with the increase in the final dividend paid in 2014

The economic mood for much of 2015 was reasonably buoyant, though it is clear that consumer spending patterns continue to evolve quickly, and it has been very important for us to keep our finger on the pulse of the market and our eye on future trends The diversity of our business, spanning beer, spirits, shop retail, hotels and pubs also gives us some protection against any downturn in particular markets One of the most notable features of 2015 was the growing regulation of the beer and pubs sectors together with continued changes to the many taxes that the industry pays

In March we were pleased to see, for the third year running, a cut in beer duty rates The penny a pint reduction was welcome, particularly when reflecting on the above inflation duty increases that had preceded these cuts, with duty having risen 42% in the previous five years Shareholders will be aware of the recently proposed changes to safe drinking guidelines in the UK The view that Adnams has held for many years is that we should work towards encouraging safe and responsible drinking We see moderate alcohol consumption as an aid to relaxation and a source of enjoyment

Total UK beer sales fell by 1 5% in 2015, a disappointing result after the modest growth the previous year, though in line with the long-term trends dating back to the later 1970s However, within the beer market we saw the continued growth of beers brewed by smaller producers UK cask ale sales, a subset of the total market, were 0 8% ahead of last year and sales of bottled and canned ales were 6 3% ahead. The continuing switch to the off trade is also a long-term trend, though another of those trends, the growth of lager relative to ale, seems to be turning around, aside from premium and craft lagers The main lagers being sold are still those of the major international brewers, however we are hopeful that consumer tastes will increasingly open the door to products such as Adnams Dry Hopped Lager and the purchase of craft brewers by international brewers may serve to hasten that trend.

I wrote last year about the project that Adnams wished to undertake to ensure that we have the capacity and flexibility to meet the demands of a changing beer market Our investment is now well underway and by the time that the work is completed at the end of 2017, we will have spent around £7 million on extensions and improvements Most notably this project will give us new bottom fermentation, beer conditioning and filtration capacity, much enhanced cooling equipment and an automated kegging line

During 2015 we spent about £0 5 million on extending our distillery We started distilling at the end of 2010 and have been delighted with how well this business has grown and the reputation that our spirits have built The result of this success was that we reached full capacity in the distillery last year and have now trebled what we are able to produce The new equipment, including two new stills, was commissioned in January 2016

Another clear trend of recent years has been the sad reduction in pub numbers We too have seen the impact on our pub estate of changing consumer tastes and increasing competition from home entertainment, casual dining, fast food outlets, coffee shops and others We continued to sell some of our smaller pubs and six more were sold in 2015 We have sold one more pub since the year end and have another still for sale, but as things stand we do not envisage selling many more of our properties We have tried hard to sell pubs as going concerns and to keep them trading as pubs and in nearly all cases we have been able to do this Trading in our continuing tenanted and leased estate, where we have some great pubs and some first-rate operators, was good during the year with like-for-like income up by 3 5%

The other side of our pub business is pubs and hotels that we manage ourselves In the last couple of years we moved the White Horse at Blakeney and the Ship at Levington under our own management We have been seeking to build a business in running managed properties outside the Swan and Crown in Southwold and signs so far are encouraging There are clear advantages in running both a managed and a leased and tenanted estate and being able to move pubs between them as market conditions change In 2015 the Swan was shut for refurbishment for much of the early part of the year, which inevitably affected its performance

Our shops business has continued the success that we have seen in the last few years We have built the retail skills that we require and honed our proposition towards our shops being an integral part of the Adnams brand, selling goods under the Adnams name and promoting that name to wider groups, especially a female audience The take home market has been the strongest part of the beer market for some years and having our own shop outlets means that we are well placed to take advantage of this trend We made a further modest expansion to our shop estate in 2015, opening in Bury St Edmunds and running a pre-Christmas pop-up in the Coes shop in Ipswich

We were delighted to add Guy Heald and Karen Hester to the Adnams Board in April, with Karen becoming our first ever female executive director and our Executive Committee includes five senior female employees We seek to recruit, retain and develop the very best talent based upon merit and contribution We were therefore pleased that by applying these clear principles we have achieved such an effective gender balance The Company is stronger as a result

As from April 2016 a new National Living Wage will apply in the UK In anticipation of this change we applied the new rate in October 2015 and we had already been moving towards the Living Wage Foundation rates We believe that paying better wages is the right approach and may be particularly important in sectors such as leisure and hospitality where pay rates have often been less good

Shareholders will notice a number of changes to the format of the accounts this year The accounting regulators have released a new standard replacing the many previous ones that formerly applied Adnams tries to keep its operations simple and the changes that affect us are for the most part quite modest and we have outlined these in the finance commentary section of the Strategic Report

In 2015 we moved our annual general meeting to Snape Maltings The move from Southwold was a wrench, and we know that there are shareholders who would have preferred that we had not changed However, change was forced upon us by the lack of suitable and available facilities in Southwold and feedback from most at the Snape AGM was very positive The facilities there are far superior to what we previously had in Southwold and we look forward to making Snape the regular home for our general meetings

Outlook

I observed earlier that the economic environment in 2015 was reasonably buoyant Sentiment at the start of 2016 has been less so The uncertainties created by the forthcoming EU referendum may have some role in this, though global economic conditions seem less benign The impact of this on consumer spending and our own sales is always hard to judge, however there seems a fair likelihood that 2016 will be a tougher year for the economy than was 2015 In terms of the alcohol business in particular we saw somewhat lower January sales and it is hard to escape the conclusion that a growing interest in following 'dry January' may have had a role in this January is far from the most important month, however the trend is perhaps indicative of the growing prominence of public health messages

I nearly always conclude my comments with the observation that Adnams is here for the long-term, and that remains the case We are fortunate to have a supportive group of shareholders whose perspective is intergenerational rather than focussed on annual announcements or exit strategies That is a great advantage and we will continue to build a long-term business with that support, for which we thank you

Jonathan Adnams OBE
Chairman

This year Ghosty took part in the Suffolk Show Mascot Race – we won't tell you where he came!

STRATEGIC REPORT

The overall shape of the Adnams business has slowly changed over recent years We have grown a retail business, started producing our own spirits, and expanded our managed pub estate whilst selling a number of smaller pub outlets This is a shift towards being a branded manufacturer and whilst pub property is still very important to us, it is a smaller part of the whole

We are working towards growing a valuable and consistent brand with a modern state of the art manufacturing business that makes drinks of the highest quality, with pubs that benefit from the Adnams brand and which in turn add to that brand, and with shops that provide a key outlet for our products and which attract new customers

Beer Sales

The sales of Adnams own beer in 2015 were almost identical in volume to the amount sold in 2014 At the half year we reported that volumes were 5% behind the previous year, however this was recouped in the second half 2014 volumes had grown by 18%, with a particularly strong performance from our sales to managed pub companies Sales to managed pub companies remained good in 2015, though they were down on 2014 Shareholders may recall that we remarked in last year's accounts that this channel can be quite volatile for suppliers as managed operators can switch large volumes between suppliers at short notice

The vibrant UK craft beer market has continued to see an ever growing number of small new entrants A consumer interest in local produce has undoubtedly played a role in this, but so has the tax system This topic is becoming of increasing concern to many in the industry and discussions are taking place amongst a number of brewers to try to agree on a system that is fairer and more acceptable to all Given the size of the subsidies involved this will not be an easy task and it is our opinion that a review by HM Treasury will be needed

As the shape of the beer market changes, our own volumes change Unlike many others we sell only a small proportion of our beer through our own pubs, now less than 6%, with a similar amount being sold through our shops and online Our shops have become increasingly important in selling our beers and reflect the relative growth of sales in bottles and cans In aggregate however the vast majority of our beer is sold in open competition to the free trade, to national pub companies and to supermarkets and other retailers The growing number of competitors has held down prices in recent years In 2014 and 2015 we made small increases to our free trade prices after five years of price holds and in 2016 we are once again holding our prices

Some of the trends that we discussed last year continued in 2015 Adnams Ghost Ship remained in strong growth, with Adnams Bitter and Broadside volumes lower than in 2014 Our newer range of bottled, canned and kegged beers performed well, tapping into growing consumer interest We continued to brew a range of new and seasonal beers including *Jester*, brewed with the hop of that name, *Prop Hop*, to mark the Rugby World Cup, and a collaboration brew *The Herbalist*, with the Magic Rock brewery

Our direct delivery beer business distributes from Reydon to the wider Anglia region and from Barking to London and the South East We distribute our own beers and other drinks to free trade pubs in these regions This business traded well in 2015, partly on the basis of our strong range of beers, and also because of the service that we offer Having direct contact between Adnams staff and our customers and regular telephone contact

THE BOAT RACES

We're delighted to be the official beer partner of the prestigious Boat Races for the next six years

GHOST SHIP CRISPS

We teamed up with Fairfields Farm Crisps in Essex to bring you some beery good crisps

GHOST SHIP FACEBOOK

Ghost Ship has become so loved and famous in its own right, we've given it a dedicated Facebook page between those customers and our Southwold contact centre staff creates a powerful bond and allows us to differentiate ourselves on the quality of the service being offered

The national sales channel was the most difficult channel for us in 2015, compared to the previous year The relative success of sales to managed house chains in 2014 meant that it would be difficult to do as well in 2015 Sales to the leased and tenanted pub companies and sales through beer wholesalers remained strong

Our take home business, which sells to supermarkets and other retailers, had a strong year, particularly in the second half Ghost Ship has been one of the fastest growing beers in the off trade and we are hopeful that this can continue as its distribution widens Our beers remain better represented in sales to pubs than they do in take home sales, however this balance is changing and the relative growth of the off trade presents a good opportunity, though margins are traditionally tight in this market and the large number of bottled and canned ales offered by retailers means that competition is tough

Our export business is an important focus and also an area where we feel we have been underrepresented and where good opportunities exist Volumes are still relatively small, but we saw strong 26% growth during the year

We have UK distribution rights for the German Pilsner, Bitburger and its associated range of beers including Benediktiner and Konig Web sales and sales of these beers to national accounts performed well, though overall volumes were down on the prior year We also have the UK distribution rights for Lagunitas, a highly regarded US craft beer This performed very strongly

Our marketing focus has remained on sponsorships and events and we have been delighted to sign a six year deal with the Boat Race Company to be the official beer partner of the prestigious University Boat Races This will start with the races taking place on Easter Sunday 2016 We continue to support other sports organisations and occasions including Newmarket Racecourses, and the Diss Rugby Club We have some particularly notable cycling sponsorships including the Tour of Britain and the Women's Tour, the latter will start in Southwold in 2016 and pass through the Adnams brewery Our arts sponsorships at the Playhouse and Theatre Royal in Norwich and at the Soho Theatre in London also continue as do our food and drink sponsorships including the Suffolk Show, Royal Norfolk Show, Norfolk Food & Drink, the Aldeburgh Food & Drink Festival and Jimmy's Farm

Distilling

The opening of our distillery in 2010 has proved to be an important development for Adnams and we have been able to tap into the growing interest in artisan spirits and have managed to build a strong reputation over a short period, particularly for our gin and vodka, and we are hopeful that our whiskies will be equally sought after in future years

Our spirits volumes increased by 39% on 2014, following the 37% increase the year before The volume sold through our own shops has continued to grow well and these shops have been extremely important in launching this business, however it is now the volume sold through third party outlets that is driving our growth Sales to supermarkets and other shops more than doubled last year and sales through non-Adnams pubs were up by well over 50%

Our newly extended distillery is working well and we are hopeful of continuing strong volume growth

MARVELLOUS MAKEOVER

Our Barley Vodka and Copper House Gin received a makeover during the year, making them fresher and more vibrant East Coast Barley Vodka picked up a World Drinks Award for best varietal vodka, and a Gold ISC Medal

PERFECT SERVE

We've been perfecting our G&T recipe, and we think Copper House Gin is best served with a good slice of orange zest and Fever-Tree tonic

PLANNING FOR THE FUTURE

We've been investing in the distillery to enable us to keep up with demand, installing a new gin and a new whisky still

TOM PICKARD

We're delighted to welcome back Tom, Manager at the White Horse, Blakeney Tom is a well known character in North Norfolk, having worked with us previously in Holkham

Pub and Hotel Properties

We are now looking at our pubs and hotels as a combined entity As we extend and enhance our investment in the Adnams brand it is important that it is consistently displayed and is seen in its best light Most of our licensees do this job well and see the advantages that accrue from being Adnams outlets Taking selected pubs under our own management can help to enhance the proposition and further ensure that pubs are presented and run as we would wish

We are seeing the benefits of shrinking our tenanted estate as many of the pubs that found conditions most difficult have been sold As competition changes, new developments occur, and consumer tastes change, pubs need to change too This will inevitably mean that our estate will continue to evolve, however we do not in future envisage anything close to the rate of pub sales that we have seen in recent years and we may, if the opportunity is right, add to our pub estate

Our tenanted and leased estate traded well in 2015 and despite smaller numbers, sales of our own beer through our estate were very similar to the prior year We are under no illusion that trading conditions for small rural and community pubs remain tough and the high profile debate around the Government's new statutory Pubs Code is evidence of the strain As a relatively small operator of pubs, with fewer than 50 outlets under lease or tenancy, we will not be affected by the market rent only option that those owning over 500 such pubs will face The impact of this Code remains to be seen and we hope that it will prove beneficial to the trade as a whole, though past regulations in our industry have been littered with unintended consequences If pubs choose to remain supplied through their existing large pub company owners then we will be able to serve them as we do now, through our 'National' channel If they choose to pay market rents and source their own supply, then our 'Direct' channel can serve them, or if they are outside our delivery areas we can reach them through wholesalers

The pubs that we sold in 2015 were the Bull, Cavendish, the Cock, Clare, the Queen's Head, Long Stratton, the Queen's Head, Bramfield, the Fleece, Bungay and the Ship, Burnham-on-Crouch Since the year end we have sold the Cherry Tree, Harleston The King's Head, Southwold is still for sale and Southwold residents in particular will know that this pub has been closed for some while We have worked hard to try to ensure that it remains a valuable property in Southwold and we spent some while looking at possible community uses Unfortunately this came to nothing and we are seeking to sell the property with planning consent for part retail and part residential use

On the managed side of our estate we saw good performances from the White Horse at Blakeney and the Ship at Levington. These two properties have been taken under management relatively recently and performed well in this capacity The substantial refurbishment of the White Horse at the start of 2015 has received good reports and we believe that we are well on the road to restoring the property's historically strong reputation

Our established managed properties are the Swan and Crown hotels in Southwold As with the White Horse, we reinvested in the Swan at the start of 2015 Our focus at the Swan was less visible than at the White Horse, though equally important from a customer viewpoint, as our investment was mainly in ensuring that the infrastructure of the hotel, notably the bathrooms, was being kept at a good standard Given the closure of the Swan in the first half of 2015, its performance was substantially short of that achieved in 2014, though the Crown performed much in line with the prior year

In recent months we have, in conjunction with outside consultants, been undertaking a reappraisal of the proposition at the Swan hotel We are of the view that the Swan can substantially improve its performance and be better linked to Adnams as a whole This is planned to include the construction of a visitor centre within the under-used Cygnets building behind the hotel The work that we plan for the Swan will probably not take place for a year or so and its practical aspects will need to be considered alongside the development taking place in the adjacent brewery

Strategic report

WELLIE RENTAL

When the coastal path at Blakeney is muddier than our guests expect, we loan them a pair of Hunter Wellies!

THE QUEEN'S HEAD, BLYFORD

Shaun and Lauren have taken a great pub and added their own twists to make it special, winning them Newcomers of the Year at the Adnams Pub Awards

PUB OF THE YEAR – THE BRIDGE HOUSE

Wayne and his team do a fantastic job of being our Adnams ambassadors in central London

Shops

Our shops business has continued to grow well and we have tried to make each outlet an exemplar of the Adnams brand They attract a new and wider group of customers and they have been key channels for new products, notably our spirits Adnams Copper House Gin was the top selling product in our shops in Christmas 2015 The result of this has been strong growth in their profitability and 2015 saw another major step forward with Retail profits increasing from £173,000 in 2014 to £536,000 in 2015

We opened one further shop in early October 2015, this was in a central location in Bury St Edmunds and incorporates a cafe Results so far have been promising There were no units available for a Christmas pop-up this year in the Chapelfields centre in Norwich, however we did have a successful pop-up in the Coes store in Ipswich

We envisage a gradual extension of our shop estate with one or two openings per annum, subject to availability of suitable premises We are evolving the look and feel of the shops and are using 'Adnams' rather than 'Cellar & Kitchen' to describe the stores

Our web sales continued to grow, in 2015 by about 9% The experience for customers online continues to develop and we are hopeful that our site will prove exciting and stimulating to the growing body of online shoppers

Amongst our beers we see Ghost Ship as having particularly good growth prospects and proven consumer appeal The website has been very effective at selling this and obviously has a reach beyond that of our shops Ghost Ship sales, driven by mini casks, were up almost 50% in December 2015 Aside from product sales the website is also an important source of sales of hotel rooms and brewery and distillery tours

We again saw a small decline in our mail order sales as customers move online, however our move away from en primeur wine sales improved margins and grew the bottom line We also improved service levels through longer contact centre hours As with the shops, the best performing products have been Adnams' own products, both our own beer and spirits, and also our own label wines, which have been a particular focus in the last few years and we have increased the range

We have continued to invest in social media and digital developments more generally We are focussing on improving access to our online shop through mobile devices and in building an online base of fans and supporters We have strong followings on Twitter, Facebook and Instagram

WINE RANGE

Our wine range is continuing to evolve and in 2015 we added a new Adnams Provence Rosé and an Adnams Chianti Look out for more new wines in 2016

TOM MEAD, MANAGER, HARLESTON

Forget 'Chinese Year of the Monkey', here at Adnams it has been the 'Year of Tom'! We welcomed back another Tom to the team, former assistant manager of the Holkham Store, who now leads the team in Harleston

COES POP-UP

In the run up to Christmas we took up residence in the independent retailer Coes, in Ipswich

"We're delighted to be in the heart of this busy market town, the local residents have been so welcoming"

Tom Crittenden, Store Manager

Carbon per £'000 revenue
Kg

70 8	63 9	66 3	59 0	58 6	55 9	53 1	56 1
2008	2009	2010	2011	2012	2013	2014	2015

Production
Kg CO_2 per barrel

2015 14 8

2014 14 6

2013 15 1

Distribution
Kg CO_2 per barrel

2015 8 5

2014 8 2

2013 8 8

Retail
Kg CO_2 per £'000 revenue

2015 11 5

2014 13 7

2013 16 1

Hotels
Kg CO_2 per £'000 revenue

2015 144 9

2014 150 7

2013 163 3

Total tonnes

2015 3,684

2014 3,504

2013 3,387

Normalised
Kg per £'000 revenue

2015 56 1

2014 53 1

2013 55 9

Scope 1
Tonnes of fuels used for combustion and owned transport

2015 2,312

2014 2,169

2013 2,190

Scope 2
Tonnes of purchased electricity

2015 1,372

2014 1,335

2013 1,197

The increase in our 2015 emissions was mainly the result of expansion in our shops and in our managed property portfolio, which is relatively carbon intensive, and the temporary closures of the Swan, Southwold and the White Horse, Blakeney There is an underlying like-for-like improvement in total emissions of 0 5%

Energy Production

Adnams Bio Energy, the joint venture in which Adnams plc has a half share, and which runs the anaerobic digester at Reydon, had a mixed year Whilst gas has been injected to the grid for some while, the process has not been smooth, however production difficulties were largely resolved in 2015 and the plant is performing as planned On the other hand, we have taken the view that no dividend is likely to be forthcoming from the joint venture for some while yet and provision should be made against the £5,000 cost of our investment in that venture The debts of the joint venture are not guaranteed by Adnams and we are not recognising any amounts payable by the joint venture to the Company

Environmental Reporting

Adnams has always been clear about being a values-led, community connected business Our environmental responsibility is a significant part of that and it makes proven business sense Our work in this area has generated significant media interest, reduced our cost base and helped make the business more resilient in the face of climate change Changing weather patterns affect everything from farming processes to the buying behaviour of consumers

2015 was a busy year in this field, we expanded our apiary at the Reydon Distribution Centre, which houses over 240,000 honey bees and we received a special commendation in the The Institute of Chartered Accountants in England and Wales and the Prince of Wales's *Accounting for Sustainability 'Finance for the Future'* awards

We made changes to our waste management and are now 'zero to landfill', and we reduced the weight of our glass beer bottles for the second time, reclaiming our industry leading position as the UK's lightest branded 500ml glass ale bottle We remain sponsors of 'Suffolk Creating the Greenest County Awards' and held three very successful beach-cleans for the Marine Conservation Society

Over the last few years, we have established a management framework for our environmental practices based around the four pillars of carbon, water, waste and biodiversity It remains successful and has helped us to understand our fixed base of energy and water use, and to continue to improve the efficiency of our processes

We continuously update our risk register with environmental and climate risks These include changing weather patterns, water availability, energy costs, flooding and so on. This is separate to our daily environmental management and covers the emergency risk measures to apply in such a situation

We do not separately report our environmental expenditure as we see it as integral to the long-term sustainability of our business

0% TO LANDFILL

We send just 0 01% of our waste to landfill (because nobody's perfect), with the rest being recycled, turned into energy, and a whopping 67% going to feed the cattle of East Anglia

LIGHTER WEIGHT BOTTLES

We like to keep lean and green at Adnams, and this applies to our glass beer bottles too! Already lightweight, our Adnams Southwold branded bottles have slimmed down a further 19g, which will save 100 tonnes of carbon annually and remove 115 tonnes of glass from the waste stream That's got to be a good thing!

Finance Commentary

Accounts presentation
Our 2015 accounts are the first full year accounts that we have produced under the new accounting standard FRS102 The new standard seeks to replace the previous standards applying in the UK and align reporting towards the international accounting standards that have been evolving over recent years The alignment is intended to be appropriate and not unduly onerous for the mainly medium sized companies that will be affected Consistency of accounting policy, allowing better comparison between companies, is a worthy aim, even if there is a danger of some feeling that accounts are just consistently wrong Maybe someday the happy position will be reached where a balance sheet gives a view of the value of a company, but we tread the difficult line between recording transactions at overly historic values and giving the opportunity to the less scrupulous to use accounts as a vehicle to introduce inflated values of company assets No one should expect FRS102 to have squared this circle The Adnams accounts are still largely based on historic costs, with the notable exception of pension accounting where we are required to adopt market values for assets and bond market prices for liabilities

The main differences that shareholders will notice in the Adnams accounts as a result of our adopting FRS102 are

- Our segmental reporting has changed to split out our pub property business from other retail business FRS102 does not normally require segmental reporting, however the fact that Adnams has publicly quoted shares means that we fall within the requirements of the international accounting standard on segmental reporting, and we have changed our disclosures in line with this standard

- The notional interest charge on the pension scheme deficit has increased as it is no longer allowable to assume that assets invested in equities will yield a return that exceeds bond yields Being notional this calculation has no cash impact, but it reduces the profit before tax

- The pension scheme deficit has previously been shown in the balance sheet net of the tax relief that becomes due when pension contributions are paid by the Company In the FRS102 balance sheet this tax relief is netted against the deferred tax liability, rather than being netted from the pension deficit If this netting creates a deferred tax asset, that asset is included within debtors

- Tax is due on capital gains made on property sales, but such tax can be deferred if the sale proceeds are reinvested ('rolled over') This deferred tax did not previously need to be recognised if there were no foreseeable circumstances in which it would become payable FRS102 requires this tax to be recognised in the balance sheet, regardless of whether or not it is expected to become payable This obviously increases the deferred tax provision

- FRS102 requires a provision for holiday pay, which is the difference between the value of the holiday entitlements that employees have accrued as at the balance sheet date and the amount of holiday that they have actually taken as at that date

- A new primary statement, dealing with changes in equity, has been added between the balance sheet and cash flow statement This information was previously provided in the notes to the accounts

There are a number of more detailed changes that have been made in compliance with FRS102, however the bulk of our accounts will look similar to its appearance under previous accounting principles This year's accounts show a reconciliation of the profit and loss account and balance sheet between FRS102 rules and those previously applied (page 43)

Financial Highlights

	2011	2012	2013	2014	2015	Variance *
Operating profit (before exceptional operating costs, £000)	3,277	3,392	3,325	3,815	4,093	7 3%
ROCE (percentage) * *	8 7%	9 5%	9 3%	13 0%	10 5%	(19 5%)
Gearing (book value)	69 4%	62 8%	42 7%	37 9%	29 7%	(21 8%)
Net debt (£000)	15,421	13,739	10,758	8,048	8,918	10 8%
Interest cover * * *	9 2	8 2	11 2	12 3	15 3	24 3%
Ord dividend (per £1 share) * * * *	£1 90	£1 94	£1 96	£2 05	£2 16	5 4%

* % variance between 2014 and 2015
* * The return on capital is based on the operating profit line and capital employed, including debt
* * * Excluding exceptional items and interest on pension deficit
* * * * Including proposed final dividend for 2015

2014 and 2015 financial highlights have been prepared using the new accounting standard FRS102, previous years were prepared using accounting standards in force at that time

ADNAMS IN NARVIK, NORWAY ABOVE THE ARCTIC CIRCLE.

ENJOYING EASTER DAY OFF ON THE BEACH IN ANTIGUA @ADNAMS

ADNAMS AROUND THE WORLD

GOT TO LOVE HAVING PROPER BITTER IN THE FRENCH MOUNTAINS!

LOOK WHAT'S JUST MADE PORT IN SYDNEY!

Our fans are now able to find us in more countries around the world If you spot us whilst on your travels, let us know!

EVERYONE LOVES A MINI

This year we added two new mini kegs to the range, Blackshore Stout and Dry Hopped Lager The great news is these don't need any time to settle, so you can enjoy straight away!

Borrowings
Our borrowings increased during 2015 from £8 0 million to £8 9 million, driven mainly by the substantial capital spend during the year, totalling £6 8 million 2014 capital expenditure was only £1 9 million The refurbishments at the Swan and White Horse took place in early 2015, however the largest part of the increase was as a result of the brewery and distillery projects The £1 7 million of pub sale proceeds clearly provided some offset to this increase The year end debt level is 1 3 times EBITDA (earnings before interest, tax, depreciation and amortisation) excluding property profits, which is similar to last year's multiple Interest expense (excluding notional interest on the pension deficit) was covered 15 times by operating profit, an increase from 12 times in 2014 These debt levels are comfortably within the banks' willingness to lend to us

In February 2013 we took a £10 million loan and £7 million overdraft facility The loan facility was for three years and during that period it amortised to £8 million In February 2016 these facilities were renewed We obtained competitive quotes from interested banks ahead of this renewal and were very pleased by the level of interest in providing our facilities and the attractive terms that were offered The outcome was that Barclays were retained as our bankers Whilst cheaper shorter-term facilities have been our choice in most recent years, the Board felt that considerable uncertainties face us at the present time, in particular the EU referendum, and this, combined with ever lower long-term rates, offered the opportunity to take a fixed rate loan and give some certainty to our interest liability As a result we agreed new facilities of £15 million, £5 million of which are at a five year fixed rate, with the balance on overdraft

One of the main changes created by FRS102 is that financial derivatives have to be revalued at period ends potentially creating volatility in the profit and loss account, though 'hedge accounting' is available in some circumstances to smooth this This has not affected us as we have not in recent times bought or sold any financial derivatives The fixed rate loan that we have now taken does not require revaluation under FRS102 as it is a 'basic' financial instrument

The expiry of our previous three year facilities shortly after the year end changed the shape of the 2015 balance sheet, as the loan was at that point no longer an amount falling due within more than one year, with the result that it was reclassified as a short-term creditor The five year loan taken out in February will of course become part of creditors falling due after more than one year in next year's balance sheet

Tax
The effective rate of tax (the tax charge in the accounts as a proportion of the pre-tax accounting profit) for 2015 was 21%, compared to 23% in 2014 The 2014 rate has been slightly restated from 22% as a result of changing to the new accounting standard FRS102

The corporate tax affairs of Adnams are quite straightforward. We are prudent in our tax policies and whilst we will accept such tax reliefs as are provided, we stay clear of anything that would be seen as avoidance of tax

The basic rate of UK corporation tax has for some years been on a downward trend and progressive reductions to 19% and then 18% are now envisaged We have calculated our deferred tax at the more prudent rate of 19%, future rates being inevitably uncertain

Pensions
We noted above that this is the one area of our accounts subject to the vagaries of market valuations and as a result we have seen considerable volatility in our deficit This year is no different and having seen the deficit on our defined benefit pension scheme rise to £11 5 million in 2014, having been £5 8 million in 2013, it fell again sharply in 2015 to £3 2 million Whilst asset values rose by about £0 9 million in the year, most of the deficit reduction was attributable to changes in the actuarial assumptions regarding the calculation of scheme liabilities The volatility of the deficit seems quite hard to comprehend when the scheme was shut to all further accrual in 2005, however whilst it is easy to criticise the use of market values in pension scheme valuations it is less easy to agree an alternative way of assessing the deficit As with most valuation matters it is the cash that counts and the Company's cash contributions stayed at just short of £0 5 million in 2015 This will be reassessed following the triennial scheme valuation which will take place as at 1 April 2016

Treasury policies
We remain of the view that we will not hedge foreign exchange exposures and whilst exchange rate movements create some volatility in our results, the extent of this is not material enough for us to feel that the certainty of a fixed rate is required As purchasers of European wines we have benefited from the strengthening of Sterling against the Euro in the last few years and in 2016 we have seen some reversal of this trend Such movements are never welcome, however nor are they of undue concern

We have chosen not to insure debts owed to us as we have been concerned by an overly prudent attitude from insurers (some higher risk debts may in any case be uninsurable) and we have also been reluctant to tie ourselves to the restrictive procedures required by credit insurance We seek to manage credit risk by setting appropriate customer limits based on payment history and credit references We review limits regularly and actively chase outstanding debt

Further details of financial risk are contained in note 27 of the accounts

Impairment charges
There were no such charges in 2014 and 2015

Dividend Policy
We are recommending an increase in the final 2015 dividend of 8p per £1 'B' share, which is 2p per 25p 'A' share This will raise that dividend from £1 36 per 'B' share (34p per 'A' share) to £1 44 per 'B' share (36p per 'A' share) Given the increase in the interim dividend of 3p per 'B' share (0 75p per 'A' share) this will mean that the full year dividend will be £2 16 per 'B' share (54p per 'A' share), a 5 4% increase on 2014

Whilst we retain discretion to vary our payment in accordance with the circumstances of the time, our normal policy is to pay an interim dividend equal to 35% of the previous full year dividend On this basis we envisage a 4p per 'B' share (1p per 'A' share) increase in our 2016 interim dividend which will make the 'B' share payment 76p and the 'A' share payment 19p, a 5 6% increase on 2015

ADNAMS 10K

We were amazed when the Adnams 10k filled up in 45 minutes – which is faster than most of us can run it!

A DRESS MADE FROM DRIP MATS

Blu Fashion Studios created a stunning dress from Southwold Bitter Drip Mats, which we displayed in our Norwich Store

SPRINGWATCH

Michaela Strachan, Martin Hughes-Games and Chris Packham from the Springwatch team visited the Distillery and gave us a cheeky tweet

Business risks and uncertainties

Amongst those advising on corporate reporting there is much stress placed on the need to avoid 'boilerplate' and repetition when discussing risks and uncertainties This is unobjectionable enough, though the reality of businesses working for the longer term, and which do not seek to radically reengineer themselves on an annual basis, is that what were the risks and uncertainties last year are very much the same as those faced this year Nonetheless, the importance of different risks does evolve over time and we would see the growing public health focus on alcohol and the continuing failure to resolve the inequalities created by the structure of the subsidies given to smaller brewers as being of increasing note

We seek to use this report, and that from our Chairman, to discuss the business in such a way that we properly explain the principal risks and uncertainties that we face and we have also sought to classify the main categories of risks and uncertainties, beyond the environmental and financial risks discussed above, as follows

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

We feel that this classification remains as valid in 2015 as it was in 2014

The future

We were pleased with the improved result that we achieved in 2015 in the face of what is always a tough competitive environment in the beer and pubs industry The consumer group CAMRA (the Campaign for Real Ale) has recently published data suggesting that there were 27 pubs closing every week in the second half of 2015, a small decline from the 29 per week in the previous six months This contrasts strongly with the ever booming number of small brewers, however what both statistics show is the competitive pressure in the beer and pubs markets Our strategy is to build a brand, to concentrate on producing top quality drinks, to expand where the market is strongest and to develop our wider capabilities including our retail, pub and hotel businesses We will continue to invest and we will continue to live our values and support our wider stakeholder group I thank them all for their support and in particular I would like to thank our hard-working Adnams employees

On behalf of the board

Andy Wood OBE
Chief Executive

"We are fortunate to have a supportive group of shareholders and we will continue to build a long-term business with that support, for which we thank you"

Jonathan Adnams OBE

REPORT OF THE DIRECTORS

For the year ended 31 December 2015

The Chairman's Report and the Strategic Report on pages 4 to 20 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

Trading results and dividends

	2015 £000
Company profit on ordinary activities after taxation	3,229
Dividends to ordinary shareholders	
Final 136% (paid 1 May 2015)	(642)
Interim 72% (paid 1 October 2015)	(340)
Retained profit	**2,247**

Proposed final dividend of £679,000 (144%) to be paid 3 May 2016

Financial risks

The financial risk management objectives, policies and exposures of the company are set out in the Strategic Report and in note 27 to the accounts

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 principal existing properties for use in its activities for the foreseeable future

Directors

The directors who held office during the year and their interests in the share capital of the company, at the beginning and end of the financial year, and whilst a director, are shown below

J P A Adnams, B F McIntyre and A C Wood retire by rotation and being eligible offer themselves for re-election

Directors' interests

	'A' Ordinary 25p		'B' Ordinary £1	
	2015	2014	2015	2014
Ordinary shares				
J P A Adnams	186,096	185,976	3,263	3,263
N J Dulieu*	161	161	-	-
M G H Heald* (appointed 23 April 2015)	160,213		46,037	
K Hester (appointed 23 April 2015)	1,693		-	
B F McIntyre*	105	105	-	-
S C Pugh	2,112	1,992	-	-
S M Sharp*	304	304	-	-
A C Wood	4,500	4,380	-	-
	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

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 and 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 Gold 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 Donations to the Adnams Charity during the year amounted to £41,000 (2014 £39,000)

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 2015, the company had an average of 25 days (2014 22 days) purchases outstanding in trade creditors

Directors' qualifying third party indemnity provisions

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

Statement as to disclosure of information to the auditor

The directors confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are 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
16 March 2016

Notice of meeting

Notice is hereby given that the One Hundred and Twenty-Sixth Annual General Meeting will be held at The Britten Studio, Snape Maltings on 28 April 2016 at 11 o'clock for the following purposes

Ordinary Resolutions

1 To consider the Accounts and Directors' report
2 To declare a final dividend
3 To re-appoint J P A Adnams, who retires by rotation
4 To re-appoint B F McIntyre, who retires by rotation
5 To re-appoint A C Wood, who retires by rotation
6 To re-appoint Grant Thornton UK LLP as Auditor
7 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 exercise all or any of his/her rights to attend, speak and vote

By Order of the Board
S C Pugh
Secretary
16 March 2016

Registered Office
Sole Bay Brewery, Southwold, Suffolk, IP18 6JW
Company registered number 31114

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Turnover	5	65,698	66,032
Operating expenses	6	(61,605)	(62,217)
Operating profit		**4,093**	**3,815**
Profit on disposal of properties		625	626
Profit on ordinary activities before interest and taxation		**4,718**	**4,441**
Interest receivable		1	1
Interest payable	9	(269)	(312)
Other finance charge on pension scheme	26	(382)	(240)
Profit on ordinary activities before taxation		**4,068**	**3,890**
Tax on profit on ordinary activities	10	(839)	(907)
Profit for the financial year		**3,229**	**2,983**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Profit for the financial year		**3,229**	**2,983**
Actuarial gain/(loss) on pension scheme	26	8,145	(5,953)
Movement on deferred tax relating to actuarial (gain)/loss	19	(1,548)	1,191
Total comprehensive income/(loss) for the financial year		**9,826**	**(1,779)**

	Notes	2015	2014
Earnings per share basic and diluted	12		
'A' Shares of 25p each		171 1p	158 1p
'B' Shares of £1 each		684 3p	632 2p

The notes form an integral part of the financial statements

BALANCE SHEET

As at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	13	38,545	35,481
Investments	14	-	5
		38,545	**35,486**
Current assets			
Stocks	15	6,377	5,921
Debtors	16	7,587	8,647
Cash at bank and in hand		17	1,202
		13,981	**15,770**
Creditors: amounts falling due within one year	17	(18,024)	(10,085)
Net current (liabilities)/assets		**(4,043)**	**5,685**
Total assets less current liabilities		**34,502**	**41,171**
Creditors amounts falling due after more than one year	18	(223)	(8,483)
Provision for liabilities	19	(990)	-
		(1,213)	**(8,483)**
Net assets excluding pension liability		**33,289**	**32,688**
Pension liability	26	(3,225)	(11,468)
Net assets including pension liability		**30,064**	**21,220**
Capital and reserves			
Called up share capital	20	472	472
Share premium	21	144	144
Profit and loss account	21	29,448	20,604
Equity shareholders' funds		**30,064**	**21,220**

The notes form an integral part of the financial statements

The financial statements were approved by the board of directors on 16 March 2016, authorised for issue and signed on its behalf by

S C Pugh
Director
Company registered number 31114

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2014		**472**	**144**	**23,313**	**23,929**
Profit for the year		-	-	2,983	2,983
Other comprehensive income					
Actuarial loss on pension scheme	26	-	-	(5,953)	(5,953)
Movement on deferred tax relating to pension scheme		-	-	1,191	1,191
Total comprehensive income		**-**	**-**	**(1,779)**	**(1,779)**
Dividends paid	11	-	-	(930)	(930)
At 31 December 2014		**472**	**144**	**20,604**	**21,220**
Profit for the year		-	-	3,229	3,229
Other comprehensive income					
Actuarial gain on pension scheme	26	-	-	8,145	8,145
Movement on deferred tax relating to pension scheme	19	-	-	(1,548)	(1,548)
Total comprehensive income		**-**	**-**	**9,826**	**9,826**
Dividends paid	11	-	-	(982)	(982)
At 31 December 2015		**472**	**144**	**29,448**	**30,064**

The notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the financial year		3,229	2,983
Adjustments for			
Depreciation of tangible assets and write off of investment		2,634	2,604
Profit on sale of fixed asset disposals		(586)	(640)
Interest, and other finance charges on pension scheme		650	551
Tax on profit on ordinary activities		839	907
Difference between pension charge and cash contributions	26	(480)	(480)
Increase in stocks		(456)	(506)
Decrease/(increase) in debtors		242	(406)
Increase in creditors		188	199
Cash from operations		6,260	5,212
Taxation paid		(780)	(681)
Net cash generated from operating activities		**5,480**	**4,531**
Cash flows from investing activities			
Payments to acquire tangible fixed assets	13	(6,791)	(1,915)
Receipts from sales of tangible fixed assets		1,717	1,293
(Payments)/receipts from investments/deposits		(10)	17
Net cash used in investing activities		**(5,084)**	**(605)**
Cash flows from financing activities			
Repayment of bank loans		(1,000)	(750)
Interest paid		(284)	(286)
Dividends paid	11	(982)	(930)
Net cash used in financing activities		**(2,266)**	**(1,966)**
Net (decrease)/increase in cash and cash equivalents		**(1,870)**	**1,960**
Cash and cash equivalents at 1 January		1,202	(758)
Cash and cash equivalents at 31 December		**(668)**	**1,202**
Cash and cash equivalents consist of:			
Cash at bank and in hand		17	1,202
Bank overdraft (included in bank overdraft and loans within creditors amounts falling due within one year)		(685)	-
Cash and cash equivalents		**(668)**	**1,202**
Bank loan		(8,250)	(9,250)
Net debt		**(8,918)**	**(8,048)**
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash		(1,870)	1,960
Cash flow from decrease in loans		1,000	750
Movement in net debt		**(870)**	**2,710**
Net debt at 1 January		(8,048)	(10,758)
Net debt at 31 December		**(8,918)**	**(8,048)**

The notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 Company information

Adnams plc is a Public Limited Company incorporated in England The registered office is Sole Bay Brewery, Southwold, Suffolk, IP18 6JW

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

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006 The financial statements have been prepared on the historical cost basis There are no fair value adjustments other than in recognition of the net defined benefit pension deficit

This is the first year in which the financial statements have been prepared under FRS102 Refer to note 29 for an explanation of the transition

Going concern
The company has considerable property assets and is soundly based A five year £5 million facility, subject to financial covenants, commenced on 2 February 2016 In addition, short-term facilities were renewed at £10 million The directors have reasonable confidence that further facilities will be available to the business when the current facilities mature The directors also have 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

3 Significant judgements and estimates

One notable area of judgement is the assessment of possible impairment of the fixed assets, especially properties, employed by Adnams We use a threshold rate of return for these assets when assessing whether an impairment charge could be required In recent years we have used a pre-tax rate of 7 5% Whilst interest rates vary year-by-year there is a case for constantly adjusting this rate, but we feel that there is merit in using a consistent rate and we have chosen this course and feel that 7 5% remains a sensible threshold

The cost of our closed defined benefit pension plan is determined using actuarial valuations These valuations involve making assumptions, notably about discount rates and mortality rates Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the plan, such estimates are subject to significant uncertainty

Our overall view is that whilst judgements and estimates do need to be made in assessing provisions and asset values, had we made other assumptions within the range of likely outcomes, this would not have produced a materially different result

4 Principal accounting policies

Tangible assets
Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses

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 and equipment	4% to 10% p a.
Fixtures and fittings	15% p a
Motor vehicles	15% p a
Computer equipment	25% p a

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

Impairment reviews
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) the book value of properties is compared to the higher of the realisable value and the value in use The value in use is determined by discounting the cash flows from the assets at a pre-tax rate of 7 5% Any shortfall is recognised as an impairment loss In recent years our policy has been to view each of our properties as being sufficiently distinctive to represent a separate income generating unit

Investments
The investment in the joint venture was stated at historic cost in 2014 and written off in 2015

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 and spirits stocks includes relevant production costs and associated overheads Net realisable value is based on estimated selling price less any further costs expected

Debtors
Short term debtors are measured at transaction price, less any impairment

Creditors
Short term creditors are measured at transaction price

Bank loans
Bank loans are measured initially at fair value then subsequently at amortised cost

Leases
Total rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term Lease incentives are recognised as a reduction to the expense over the lease term on a straight line basis

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 when paid

Taxation
Current tax is charged on the basis of the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date

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

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and are recognised within debtors

The deferred tax assets and liabilities all relate to the same legal entity and being due to or from the same tax authority are offset on the balance sheet

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

Under FRS 102 deferred tax is provided on capital gains which have been rolled over into the acquisition of new fixed assets

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

Turnover
Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch or delivery of the goods, or on provision of services In the Brewing and Brands business turnover is recognised on confirmation of delivery of beer or other physical goods In the Retail businesses stores and web and mail order turnover is recognised on despatch of goods, or physical shop transaction In the Property business managed properties recognise income following provision of accommodation services or provision of food or drinks 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

Employee benefits
Pension costs – defined benefit scheme
For the Adnams defined benefit scheme assets are measured at fair value Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates The net surplus or deficit is presented separately from other net assets on the balance sheet A net surplus is recognised only to the extent that it is recoverable by the company through reduced contributions or through refunds from the plan As the scheme is closed to all accrual there are no current service costs Costs from settlements and curtailments are charged against operating surplus Past service costs are recognised in the current reporting period Interest is calculated on the net defined benefit liability Remeasurements are reported in other comprehensive income Additional information is included in note 26

Pension costs – defined contribution schemes
In respect of the defined contribution pension schemes, the amounts charged to the profit and loss account are the contributions payable in the year

Foreign currency translation
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

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

5 Turnover

Represents sales invoiced (excluding VAT and net of discounts), rents, commissions and royalties Turnover outside the United Kingdom during the year was £761,000 (2014 £576,000)

6 Operating expenses

		2015 £000	2014 £000
Raw materials, consumables and duty		40,452	41,116
Change in stock of finished goods and work in progress		(244)	(338)
Staff costs (note 8)		10,223	9,728
SIP scheme for employees (note 28)		301	429
Depreciation (note 13)		2,629	2,604
Loss/(profit) on disposal of plant and vehicles		39	(14)
Auditor's remuneration	– Audit services	32	32
	– Accounting services	4	–
	– Taxation services	6	6
Operating lease rentals		484	467
Foreign exchange gain		(130)	(124)
Other operating costs		7,809	8,311
		61,605	**62,217**

7 Segmental analysis

	Brewing & Brands 2015 £000	Pubs & Hotels 2015 £000	Retail 2015 £000	Central Management 2015 £000	Total 2015 £000
Total sales	**41,670**	**13,003**	**11,009**	**16**	**65,698**
Operating profit/(loss)	**2,253**	**2,630**	**536**	**(1,326)**	**4,093**
Profit on disposal of properties	–	625	–	–	625
Interest receivable	–	–	–	1	1
Interest payable	–	–	–	(269)	(269)
Other finance charge on pension scheme	–	–	–	(382)	(382)
Profit/(loss) on ordinary activities before taxation	**2,253**	**3,255**	**536**	**(1,976)**	**4,068**
Depreciation	**1,690**	**558**	**217**	**164**	**2,629**

	Brewing & Brands 2014 £000	Pubs & Hotels 2014 £000	Retail 2014 £000	Central Management 2014 £000	Total 2014 £000
Total sales	**41,762**	**13,799**	**10,454**	**17**	**66,032**
Operating profit/(loss)	**2,015**	**2,907**	**173**	**(1,280)**	**3,815**
Profit on disposal of properties	–	626	–	–	626
Interest receivable	–	–	–	1	1
Interest payable	–	–	–	(312)	(312)
Other finance charge on pension scheme	–	–	–	(240)	(240)
Profit/(loss) on ordinary activities before taxation	**2,015**	**3,533**	**173**	**(1,831)**	**3,890**
Depreciation	**1,587**	**543**	**282**	**192**	**2,604**

In adopting FRS102, the operating segment disclosure requirements of IFRS8 are required as the company has publicly traded equity instruments The standard is applied retrospectively The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker This change has resulted in the Adnams Properties division being identified as a separate operating segment from that of Retail

The company's business segments are Adnams Brewing & Brands, which comprises brewing and distribution of beer, spirits and other products, Adnams Properties, which comprises tenanted pubs, hotels and managed inns and Adnams Retail, which comprises our shops together with the mail order and web businesses Each of these operating segments are monitored and managed separately in accordance with the products and services provided and strategic decisions are made on the basis of segment operating results

Transfer prices between operating segments are on an arms length basis

The measurement policies the company uses for segment reporting under IFRS8 are the same as those used in its financial statements

8 Directors and employees

Staff costs during the year were as follows:	2015 £000	2014 £000
Wages and salaries	9,081	8,583
Social security costs	770	745
Other pension costs	372	400
	10,223	**9,728**

The average monthly number of persons employed by the company, including executive directors, was as follows:	2015 Number	2014 Number
Trading	23	22
Customer services	95	101
Production	27	24
Shops	104	91
Hotels	137	148
Corporate services	52	50
	438	**436**
Total number of part-time workers included in above	145	155

Directors' remuneration:	2015 £000	2014 £000
Fees	108	87
Basic salaries	675	567
Benefits	7	4
Car and pension allowances	108	88
Performance related pay	57	33
	955	**779**

	Salaries and fees £000	Benefits £000	Car and pension allowances £000	Performance related pay £000	2015 £000	2014 £000
J P A Adnams	194	1	33	20	248	236
N J Dulieu	29	–	–	–	29	19
M G H Heald	21	–	–	–	21	–
K Hester	98	1	10	4	113	–
S P D Loftus	–	–	–	–	–	10
B F McIntyre	29	–	–	–	29	29
S C Pugh	146	3	28	12	189	178
S M Sharp	29	–	–	–	29	29
A C Wood	237	2	37	21	297	278
	783	**7**	**108**	**57**	**955**	**779**

As a result of regulations governing pension contributions, the company's contributions for J P A Adnams stopped in 2012 and those for A C Wood and S C Pugh in 2014 and an equivalent amount has been paid as a pension allowance which has been included within car and pension allowances above There is a consequent reduction in the pension contributions shown later in this note

The above table shows remuneration only during the period in which a director is a member of the board M G H Heald and K Hester were appointed on 23 April 2015

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:

	2015 £000	2014 £000
J P A Adnams	91	90
A C Wood	26	26

Accumulated total accrued pension normally represents scheme service to retirement, but for 31 December 2014 and 2015 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 £490,643 (2014 £489,533)

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

	2015 £000	2014 £000
K Hester	10	
S C Pugh	–	5
A C Wood	–	8

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

	2015 'A' shares	2014 'A' shares
J P A Adnams	120	154
K Hester	120	
S C Pugh	120	154
A C Wood	120	154

There were no share option arrangements in place

9 Interest payable and similar charges

	2015 £000	2014 £000
Bank loans and overdraft	267	310
Preference share dividends paid 3 85% cumulative £10 shares	1	1
Preference share dividends paid 4 9% non-cumulative £5 shares	1	1
	269	**312**

10 Tax on profit on ordinary activities

	2015 £000	2014 £000
The charge based on the profit for the year comprises		
UK corporation tax @ 20 25% (2014 21 50%)	626	818
Tax (over)/under provided in prior years	(14)	1
Total current tax	**612**	**819**
Deferred taxation (note 19)		
Origination and reversal of timing differences	173	28
Pension cost relief in excess of pension cost charge including effect of rate changes	134	106
Adjustment in respect of prior years	(80)	(46)
Total deferred tax	**227**	**88**
Tax on profit on ordinary activities	**839**	**907**

The tax assessed for the year is higher (2014 higher) than the average rate of corporation tax in the UK of 20 25% (2014 21 50%) The differences are reconciled below

Profit on ordinary activities before tax	4,068	3,890
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20 25% (2014 21 50%)	824	836
Disallowed expenses	157	167
Non-taxable income	(151)	(105)
Adjustment relating to prior years and rate change	9	9
Tax on profit on ordinary activities	**839**	**907**

The aggregate current and deferred tax charge relating to items that are recognised as items of other comprehensive income is £1,548,000 (2014 income of £1,191,000)

During the year the UK corporation tax rate was decreased Following Budget 2015 announcements, there will be further planned reductions in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 We have used 19% in our deferred tax calculations

11 Dividends

	2015 £000	2014 £000
Equity dividends on ordinary shares		
Interim paid 1 October 2015 72% (2014 1 October 69%)	340	326
Final paid 1 May 2015 136% (2014 1 May 128%)	642	604
	982	**930**

The directors propose a final dividend of £1 44 per £1 nominal share (totalling £679,000) for the year ended 31 December 2015 The dividend will be submitted for approval at the Annual General Meeting, to be held on 28 April 2016 This dividend has not been accounted for within the current year financial statements as it has yet to be approved or paid

12 Earnings per share

	2015	2014
Including property disposals		
'A' Ordinary shares	171 1p	158 1p
'B' Ordinary shares	684 3p	632 2p

Basic and diluted earnings per share for 'A' Ordinary shares are calculated by dividing the earnings available for 'A' Ordinary shareholders of £1,273,000 (2014 £1,176,000) by the number of issued 25p 'A' Ordinary shares (note 20) 744,000 (2014 744,000)

Basic and diluted earnings per share for 'B' Ordinary shares are calculated by dividing the earnings available for 'B' Ordinary shareholders of £1,956,000 (2014 £1,807,000) by the number of issued £1 'B' Ordinary shares (note 20) 285,842 (2014 285,842)

Excluding property disposals		
'A' Ordinary shares	138 8p	127 1p
'B' Ordinary shares	555 3p	508 4p

13 Tangible fixed assets

	Freehold and leasehold land and buildings £000	Plant, equipment fixtures & fittings and motor vehicles £000	Total £000
Cost			
At 1 January 2015	31,635	33,819	65,454
Additions	890	5,901	6,791
Disposals	(993)	(649)	(1,642)
At 31 December 2015	**31,532**	**39,071**	**70,603**
Depreciation			
At 1 January 2015	7,236	22,737	29,973
Provided in the year	600	2,029	2,629
Disposals	(46)	(498)	(544)
At 31 December 2015	**7,790**	**24,268**	**32,058**
Net book value at 31 December 2015	**23,742**	**14,803**	**38,545**
Net book value at 31 December 2014	**24,399**	**11,082**	**35,481**

At 31 December 2015 £3,652,000 (2014 £146,000) of assets were in the course of construction

The cost of land and buildings comprises:	2015 £000	2014 £000
Freehold land	2,264	2,427
Freehold buildings	27,945	27,885
Long leasehold	656	656
Short leasehold	667	667
	31,532	**31,635**

The company carried out an annual impairment review of its pub and shop assets, as explained in the accounting policy disclosed on page 29

No impairment losses were recognised during the year (2014 £nil)

14 Investments

	2015 £000	2014 £000
Unlisted investments in joint venture at cost and net book value	-	5

Joint venture undertaking	Class of share	% held	Country of incorporation	Year end	Principal activities
Bio Renewable Projects Limited	'A' Ordinary Shares of £1 each	100 00%	England & Wales	30 April	Holding Company

During 2014 Adnams plc increased its investment in Adnams Bio Energy Ltd from 49 99% to 50% At the same time, Adnams plc's joint venture partner in Adnams Bio Energy Ltd, the Bio Group Ltd, undertook a reorganisation and refinancing As part of this reorganisation Adnams plc's interest in Adnams Bio Energy Ltd was exchanged for 'A' ordinary shares in a holding company, Bio Renewable Projects Ltd (BRPL) BRPL is wholly owned by the Bio Group Ltd The BRPL 'A' ordinary shares, which are wholly owned by Adnams plc, entitle Adnams plc to a 50% interest in Adnams Bio Energy Ltd, which is indirectly owned by BRPL The effect of this is that although the ownership structure of Adnams plc's interest in Adnams Bio Energy Ltd changed as a result of the reorganisation and refinancing, the economic interest that Adnams plc has in Adnams Bio Energy Ltd did not alter beyond the acquisition of a further 0 01% interest in Adnams Bio Energy Ltd

As at their 30 April 2015 year end Adnams Bio Energy Ltd had made a cumulative loss of £1,101,000 (2014 £358,000), no part of which is guaranteed by Adnams plc The value of this investment was fully provided against during 2015

Investments	2015 £000	2014 £000
At 1 January	5	5
Written off in year	(5)	-
At 31 December	**-**	**5**

Trade loans	2015 £000	2014 £000
At 1 January	-	183
Transfer to debtors	-	(128)
Transfer to fixed assets	-	(55)
At 31 December	**-**	**-**

Further details on trade loans are contained in note 27 The £55,000 transfer to fixed assets in 2014 relates to bad debts secured on fixed assets These assets were reclaimed by the company and used within the business

15 Stocks

	2015 £000	2014 £000
Raw materials	640	428
Work in progress	1,160	1,061
Finished goods and goods for resale	4,577	4,432
	6,377	**5,921**

A charge for slow moving and obsolete stock of £53,000 (2014 £69,000) was recognised in profit and loss during the year

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

16 Debtors

	2015 £000	2014 £000
Trade debtors	6,438	6,775
Prepayments	1,149	1,087
Deferred tax asset	-	785
	7,587	**8,647**

Amounts due after more than one year comprised £95,000 (2014 £116,000) included in trade debtors and, in 2014, £785,000 of deferred tax asset

A charge for specific trade debts which are not considered recoverable of £26,000 (2014 £133,000) was recognised in profit and loss during the year

17 Creditors amounts falling due within one year

	2015 £000	2014 £000
Bank overdraft and loans	8,935	1,000
Trade creditors	4,895	4,574
Taxation and social security	1,251	1,571
Corporation tax	283	450
Accruals	2,660	2,490
	18,024	**10,085**

The £7,935,000 increase in Bank overdraft and loans above results from our three year loan facility, agreed in February 2013, maturing in February 2016 As at December 2015 the loan was repayable within one year whereas at 31 December 2014 £8,250,000 was repayable in more than one year A £5,000,000 five year facility was put in place in February 2016

The bank overdraft and loans are secured by a debenture to Barclays Bank plc over the assets of the company

18 Creditors amounts falling due after more than one year

	2015 £000	2014 £000
Tenants' deposits	177	187
Bank loans (repayable in less than 5 years)	-	8,250
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
	223	**8,483**

The £8,250,000 reduction in Bank loans above results from our three year loan facility, agreed in February 2013, maturing in February 2016 As at December 2015 the loan was repayable within one year whereas at 31 December 2014 £8,250,000 was repayable in more than one year A £5,000,000 five year facility was put in place in February 2016

The bank loan is secured by a debenture to Barclays Bank plc over the assets of the company

See note 20 for full details of the preference shares

19 Deferred taxation

	2015 £000	2014 £000
Accelerated capital allowances	558	472
Other timing differences	(2)	(57)
Chargeable gains	1,046	1,094
Deferred tax excluding that relating to pension liability	1,602	1,509
Deferred tax on pension scheme deficit (note 26)	(612)	(2,294)
Total deferred tax liability/(asset)	**990**	**(785)**

Movement in the provision

At 1 January 2015	1,509
Deferred tax charge to the profit and loss account (current year movement at 19%)	173
Adjustment in respect of prior years	(80)
At 31 December 2015	**1,602**

Deferred tax asset relating to pension deficit

At 1 January 2015	(2,294)
Change in brought forward provision arising from change in future tax rates	115
Deferred tax charged in the profit and loss account	19
Deferred tax charged in the statement of comprehensive income	1,548
At 31 December 2015	**(612)**

In 2014 the deferred tax asset of £785,000 is included within debtors on the balance sheet

The amount of the net reversal of deferred tax expected to occur next year is £32,000 (2014 £39,000), relating to the reversal of existing timing differences on fixed assets offset by tax deductions from payments to utilise provisions In addition it includes cash contributions to the pension fund offset by anticipated finance charges relating to the scheme

20 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2015 £000	2014 £000	2015 £000	2014 £000
Ordinary shares				
'A' of 25p each (744,000 shares)	186	186	186	186
'B' of £1 each (285,842 shares)	288	288	286	286
	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 18

21 Reserves

Called-up share capital – represents the nominal value of shares that have been issued

Share premium account – includes any premiums received on issue of share capital

Profit and loss account – includes all current and prior period retained profits and losses

22 Capital commitments

	2015 £000	2014 £000
Contracted for	3,285	623

The amount for 2015 principally reflects capital commitments for plant and building work in respect of the brewery development and capital projects within our pubs and shops (prior year commitment principally relates to the refurbishment of the White Horse Blakeney, The Swan Hotel Southwold and capital projects within our pubs)

23 Operating lease commitments

Operating lease commitments	2015 £000	2014 £000
Future minimum lease payments		
Within one year	567	431
In 2-5 years	1,948	1,566
In over 5 years	3,618	3,112
	6,133	**5,109**

24 Contingent liabilities

At the year end Barclays Bank held a bond guarantee on behalf of Adnams plc with HMRC for £30,000 (2014 £30,000)

25 Transactions with related parties

	2015 £000	2014 £000
Dividends paid to directors	**298**	**114**

The key management of Adnams plc are considered to be the executive directors, the compensation for whom was £971,000 for the year (2014 £794,000) including employers national insurance and pension contributions

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

Mr A C Wood, Chief Executive of Adnams plc, is a director of Adnams Bio Energy Ltd, a subsidiary of the Bio Group Ltd Adnams Bio Energy Ltd rents part of the Adnams site at Reydon to run a bio-digester Adnams plc is a customer of Adnams Bio Energy Ltd, part of its brewery waste is processed by the Adnams Bio Energy Ltd digester During the year Adnams plc paid £40,000 (2014 £115,000) to Adnams Bio Energy Ltd Outstanding balances owed by Adnams Bio Energy Ltd to Adnams plc amounted to £166,000 as at 31 December 2015 (2014 £78,000) These amounts were not recognised in the 2014 or 2015 accounts The cost of the 50% investment in Adnams Bio Energy Ltd by Adnams plc was written down from £5,000 to zero during 2015 This investment was held as 'A' shares in Bio Renewable Projects Ltd

Mr M G H Heald is a director of four companies that are customers of Adnams plc The names of these companies, together with the sales made during the period since Mr Heald joined the Adnams board on 23 April 2015, and debtor balances outstanding at 31 December 2015, are listed below Transactions in each case were on arms length terms and outstanding balances were not overdue

1 TA Hotel Collection Ltd sales of £222,000 and balance of £30,000

2 The Soho Theatre Bar Ltd sales of £113,000 and a balance of £12,000 Adnams signed a three year sponsorship agreement with The Soho Theatre with effect from 1 September 2014 The annual sponsorship fee is £30,000

3 Zakari Wines Ltd sales of £1,400 and a balance of £180

4 Sagittarius Royaume-Uni Ltd sales of £1,100 with no balance outstanding Adnams also bought wines from Sagittarius Royaume-Uni Ltd, since Mr Heald joined the Adnams plc board in April 2015, at a cost of £2,610

Aside from being a director, Mr Heald is also the majority shareholder in the above companies, with the exception of The Soho Theatre Bar Ltd

During the year the company paid £367 (2014 £526) for services to Dream On CIC of which Mrs B F McIntyre is a director and shareholder

The Employee Benefit Trust (EBT) held 5,753 Adnams plc 'A' shares at 31 December 2015 (2014 8,666 'A' shares) During 2015 the EBT received dividends of £4,000 on its Adnams shares (2014 £2,000)

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 2013 The next will be as at 1 April 2016 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 in 2013 that the investment returns both pre and post retirement would be 4 75% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £26,479,000 and that the actuarial value of these assets was sufficient to cover 86% of the benefits that have accrued to members

Some obligations to pay pensions due from the Scheme have been met by the purchase of annuities The value of these annuities, which match exactly the pension obligation, were estimated at the time of the last actuarial valuation to be £3,088,000 No annuity value has been included in the asset and liability valuations shown in the note below

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

Valuation of the scheme has been updated to 31 December 2015 by a qualified actuary

Financial assumptions	2015	2014
Pensionable salary growth	N/A	N/A
Pension escalation in payment		
Benefits accrued prior to 1 October 1999	4 1% pa	4 0% pa
Benefits accrued after 1 October 1999 to 5 April 2005	3 3% pa	3 2% pa
Benefits accrued after 6 April 2005	2 5% pa	2 5% pa
Discount rate for liabilities	4 0% pa	3 4% pa
Inflation assumption	3 3% pa	3 2% pa
Pension revaluation in deferment	2 5% pa	2 4% pa

Demographic assumptions

Assumed life expectancy in years, on retirement at 65	2015	2014
Retiring today		
- Males	22 8	24 4
- Females	25 1	26 6
Retiring in 20 years		
- Males	24 1	27 5
- Females	26 5	29 7

Assets as a percentage of total plan assets	2015	2014
UK equities	21 2%	24 5%
Overseas equities	28 8%	27 2%
Corporate bonds	15 9%	16 2%
Government bonds	20 6%	20 8%
Property	8 7%	7 7%
Cash	4 8%	3 6%
Total assets	**100.0%**	**100.0%**

The assets and liabilities in the scheme	Value at 31 Dec 2015 £000	Value at 31 Dec 2014 £000
Total market value of assets	30,219	29,310
Present value of scheme liabilities	(33,444)	(40,778)
Deficit in the scheme	(3,225)	(11,468)
Related deferred tax asset	613	2,294
Net pension liability	**(2,612)**	**(9,174)**
Actual return on plan assets	**1,216**	**2,043**

Changes in the present value of the defined benefit obligation are as follows	2015 £000
Opening defined benefit obligation	40,778
Interest cost	1,373
Actuarial gains	(7,920)
Benefits paid	(787)
Closing defined benefit obligation	**33,444**

Changes in the fair value of plan assets are as follows	2015 £000
Opening fair value of plan assets	29,310
Interest income	991
Actuarial gains	225
Contributions by employer	480
Benefits paid	(787)
Closing fair value of plan assets	**30,219**

The company expects to contribute £480,000 to the Adnams Pension Fund in the next accounting year Contributions of £40,000 per month are paid

Analysis of other finance (charge)/income recognised in the profit and loss	2015 £000	2014 £000
Interest income	991	1,205
Interest cost	(1,373)	(1,445)
Net interest cost	**(382)**	**(240)**

Analysis of the amount recognised in other comprehensive income	2015 £000	2014 £000
Return on plan assets (excluding amounts included in net interest cost)	225	838
Experience losses arising on the scheme liabilities	229	–
Changes in assumptions underlying the present value of the scheme liabilities	7,691	(6,791)
Actuarial gain/(loss) recognised in other comprehensive income	**8,145**	**(5,953)**

Defined contribution pension schemes
The company also operates defined contribution pension schemes The assets of these schemes are held separately from those of the company in independently administered funds During the year the company contributed £372,000 (2014 £400,000) to the schemes (note 8) There were no amounts outstanding at the year end (2014 £nil)

27 Financial instruments

The company's principal financial instruments comprise a bank loan, 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 are valued at transaction price less any related provision

	2015 £000	2014 £000
Financial assets measured at amortised cost	6,438	6,775
Financial liabilities measured at amortised cost	16,713	16,547

Financial assets
The company has in the past funded certain trade customers with loans, however a decision was taken at the start of 2014 that no further such loans would be granted and all outstanding amounts would be written off For accounting purposes the loan balances were transferred to debtors and the write-off has been phased over 18 months Previous loans are disclosed in note 14 to the accounts The balance not yet written off as at 31 December 2014 amounted to £27,000 and was written off during 2015

Though the loans have been written off, we have continued to trade with most of the customers to whom we had previously granted loans and have continued to benefit from that trade

Borrowing facilities
At the year end borrowing facilities comprise a term loan of £8 25 million and an overdraft of £7 million £6 3 million of these facilities were undrawn at 31 December 2015 (2014 £7 million) This loan was fully repaid on 2 February 2016 and replacement facilities of £15 million, comprising a £5 million fixed rate 5 year loan and a £10 million overdraft facility, were put in place Finance is also provided through preference shares, details of which are included in note 20

Interest rate profile
Bank loans of £8,250,000 (2014 £9,250,000) bear interest at 2 45% at 31 December 2015 (2014 2 50%)

At 31 December 2015 bank overdrafts of £685,000 (2014 nil) bear interest at 1 50% above Barclays Bank base rate which was 0 50%

Credit risk
The company may offer credit terms to trade customers, whilst we have chosen not to insure our debts we seek to manage credit risk by setting appropriate customer limits based on payment history and credit references We review limits regularly and actively chase outstanding debts

Currency risk
The main currency risks of the company relate to the import of wines, the largest value of which is denominated in Euros Annual purchases of Euros amount to about €3 5 million

Fair values of financial assets and liabilities
There is no difference between book value and fair value in respect of the cash, bank loan and bank overdraft

28 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 (SIP) for this purpose The company does not issue shares for such schemes and so has to arrange the purchase of shares It does this through an Employee Benefit Trust The Employee Benefit Trust buys shares as required during the year and passes them annually to the Share Incentive Plan, at a valuation approved by the tax authorities The shares held by the Share Incentive Plan are not consolidated in the company's accounts as they are already allocated to employees Shares held by the Employee Benefit Trust are a mixture of those already earned by employees, which are awaiting transfer to the Share Incentive Plan, and those not yet allocated

As performance reached the requisite level a share transfer to the Share Incentive Plan will occur in relation to 2015 as it did in relation to 2014

The unallocated shares are small in number and accordingly the company does not consolidate the Employee Benefit Trust on grounds of materiality 5,753 shares, all of which were Adnams plc 'A' shares, were held by the Employee Benefit Trust at 31 December 2015 (2014 8,666 shares)

The Adnams Share Incentive Plan 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 £3,600 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 2015 and 2014 share awards vest unconditionally at the balance sheet date and the total value of free shares awarded under the SIP scheme for 2015 and 2014 is disclosed in note 6 to the accounts

29 Transition to FRS102

The company has adopted FRS102 for the year ended 31 December 2015 and has restated the comparative prior year amounts

Restated balance sheet	31 Dec 2014 £000	1 Jan 2014 £000
Original shareholders' funds	**22,514**	**25,181**
Accrual for holiday pay	(200)	(200)
Deferred tax on rolled-over capital gains	(1,094)	(1,052)
	(1,294)	**(1,252)**
Restated shareholders' funds	**21,220**	**23,929**

Restated profit or loss for the year	2014 £000
Original profit on ordinary activities before tax	4,132
Other finance charge on pension scheme	(242)
Restated profit on ordinary activities before tax	**3,890**
Original tax on ordinary activities	(913)
Deferred tax on rolled-over capital gain	(42)
Deferred tax on other finance income/(charge) on pension scheme	48
Restated tax on profit on ordinary activities	**(907)**
Restated profit for the year	**2,983**

The above table shows the impact of the move to the new accounting standard, FRS102, on figures disclosed in these financial statements The changes shown relate to the treatment of pensions, to the treatment of deferred tax on rolled-over capital gains and to the accrual for holiday pay

In relation to pensions, two changes have been made Firstly the calculation of interest on the scheme deficit is different under FRS102 and this has increased the notional interest charge by £242,000 for the year to 31 December 2014 The second change is that the deferred tax asset relating to the pension deficit was, under previous UK GAAP, deducted from the pension deficit shown in the balance sheet Under FRS102 that deferred tax is shown in the deferred tax line and the pension deficit is shown gross, before tax relief This has the effect of increasing the pension deficit disclosed in the balance sheet by £2,294,000 as at 31 December 2014 Corresponding deductions have been made to deferred tax

The second type of adjustment has also been to change deferred tax Under previous UK GAAP, tax deferred by being rolled over into new assets was noted in the accounts, but was not included on the balance sheet FRS102 requires provision for such rolled-over tax and this has increased the deferred tax provision at 31 December 2014 by £1,094,000 This number has been restated downwards by £384,000 following a review of the previously unrecognised deferred tax balance shown in the 2014 statutory accounts Deferred tax assets are included within debtors

A £200,000 holiday pay accrual has been included in creditors amounts falling due within one year, in the year end balance sheet

CORPORATE GOVERNANCE

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

The workings of the Board and its committees
Until the April 2015 AGM the Board comprised three Executive Directors and three Non-Executive Directors Since then it has comprised four Executive Directors and four 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 B F McIntyre chairs this committee 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 and S M Sharp chairs this committee

S M Sharp, the Senior Independent Director, periodically chairs a Nominations Committee when changes to the board are in progress

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

To meet this responsibility, the Board relies upon
- an organisation structure with clearly defined lines of authority and responsibility, limits for authorisation of transactions and segregation of duties
- the production and review of regular monthly management information to agreed timescales
- the identification of key performance indicators with explanations of variances
- a formalised process for reviewing all 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 judgements and accounting 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

The directors confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are 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

INDEPENDENT AUDITOR'S REPORT

to the members of Adnams plc

We have audited the financial statements of Adnams plc for the year ended 31 December 2015 which comprise the balance sheet, the profit and loss account, statement of comprehensive income, the statement of cash flows, the statement of changes in equity, 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), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

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 45, 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 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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on 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 2015 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 Strategic Report and Directors' Report 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, 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

Mark Handley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
NORWICH
16 March 2016

Grant Thornton UK LLP

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Shareholders should note that changes of address, or other details, should be sent to our registrars

Capita IRG at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

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