

Company Number: 31114

ADNAMS.
SOUTHWOLD

The story
**behind our year
of achievements**

Adnams plc Annual Report
and Accounts 2013

MONDAY



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COMPANIES HOUSE

2013 was a year of achievement throughout our business.

We claimed numerous awards for our Copper House spirits, we launched our first whiskies and our first lager within our new Jack Brand beer range, whilst our overall beer sales were up.

Our hotels claimed gold in the green tourism awards which reaffirm our green business credentials. Whilst The Crown also claimed a hat-trick of awards - recognition for its food and hotel offering.

Behind all these achievements is our long-term business strategy and our people, who, through their talent, hard work and ideas make these outstanding achievements possible.

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Financial highlights

Turnover £000

£60,500 +6.3%

2012: £56,922
2011: £54,570
2010: £50,912
2009: £51,321

Operating profit £000

£3,325 -2.0%

2012: £3,392
2011: £3,277
2010: £3,188
2009: £3,238

(before exceptional operating costs)

Dividend

£1.96 +1.0%

2012: £1.94
2011: £1.90
2010: £1.87
2009: £1.87
(per £1 share)

Debt levels £000

£15,304 -21.5%

2012: £19,492
2011: £19,432
2010: £14,254
2009: £14,686

(including pension liability)

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Chairman's report

2013 was a successful year for Adnams. Shareholders may recall that at the half year our operating profit was down 22% compared to 2012. However, I am pleased to report a much improved second half and we have finished the year with profits at £3,325,000, just 2% behind 2012. Our turnover increased 6.3% to £60.5 million, our debt fell £3.0 million to £10.8 million and the quantity of Adnams beer sold rose by 1.2%. We are recommending an unchanged final dividend in relation to 2013.



Jonathan Adnams OBE,
Chairman

It was pleasing to see what was a relatively unexpected revival in the UK's economic fortunes in the second half of 2013. We obviously hope that this progress will be maintained, though some caution must be inevitable with unresolved challenges in the Eurozone and debt levels remaining high. The beer, pubs, hotels and retail markets that are key to Adnams all remain very challenging. Beer consumption continues to decline and pubs continue to close.

We did nonetheless see a pleasing about turn in Government policy on alcohol duty. The 'beer duty escalator' under which each successive year had seen an increase in excise duties at a rate ahead of inflation, was abolished in the 2013 budget and indeed there was a modest cut in duty. We trust that this change will presage a more positive approach for the future and is not just a one-off event. It remains the case that beer duty has risen 40% since 2008. Unfortunately the changed policy in relation to the overall rate of beer duty was not accompanied by a changed policy regarding the rate of relief given to small brewers. This relief remains many times higher than in most of the rest of Europe and we are seeing sizeable job losses amongst mid-sized brewers. We are however starting to see a wider appreciation of this problem and we note that a motion to support change has been proposed to the annual general meeting of the Society of Independent Brewers.

Industry data suggests that the cask beer market fell by 1.9% in 2013 whilst the overall on-trade (mainly pub) market for beer declined by 3.6%. Our brewing and brands business, including distilling, made a profit of £1.9 million in 2013. This was 8% up on the previous year, as volume rose, costs were saved and the distillery made a stronger performance. The take home trade was again our strongest growth market for beer and industry data for the year shows a reassertion of the long-term trend towards home consumption, which was up by 3.2%. In overall volume terms, beer consumption in pubs remains just above home consumption.

Despite the challenges of the UK beer market, we have continued to take a long-term view and invest in our brewery to ensure that we have industry-leading equipment and capability. As bottled and canned beers become a larger proportion of our business we will need to invest further in new tanks and filtration capacity. This is currently in the planning stage and we will provide further details as these plans develop.

A particular highlight for us in 2013 was the performance of our distillery which has now been open for a little over three years. Two particular successes are of note. Firstly the fact that our Copper House Gin won the International Wine & Spirit Competition's Gin Guild Trophy, in competition with numerous gins from all over the world. This is a huge accolade for a young business and one of which we are duly proud. We believe that it augers well for the continuing growth of our gin sales. The second success was the launch of our first whiskies in December which were very well received by customers.

After two strong years, our pubs business had a tough 2013. Economic pressure remains very strong on pubs with twenty-eight outlets closing each week. Much of our estate traded well, but we had a number of pubs that ran into difficulties in the first half of the year and some were moved into temporary management.

We sold four pubs in the year and another pub shortly after the year end. We also sold a former pub property more recently used as accommodation for our hotel staff. All the pubs that we have sold have been sold as going concerns, but we noted last year that there are inevitably some circumstances in which a pub is genuinely unviable and it would run counter to our values to encourage licensees to invest in a pub which offers no realistic chance of a profitable livelihood.

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“Adnams was again proud to receive a number of external awards in 2013, but particular mention should be made of the awards to three individuals, Fergus Fitzgerald, Karen Hester and our Chief Executive, Andy Wood”

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“It is perhaps notable in 2013 that we saw the greatest improvements from our more recent diversifications into shops and our distillery”

The market for regional hotels has been a difficult one and 2013 was another tough year for the Swan and Crown hotels in Southwold. The poor weather in the first half of the year was undoubtedly a contributing factor, but consumer trends in relation to hotel visits are also a challenge and the cost of such visits is a relatively easy saving in harder economic times.

Our shops business enjoyed a strong 2013. Whilst some stores have always done well we have started to see improvements in most of the estate. We believe that a focus on operations, cost savings and a good offer of Adnams products bodes well for the future. The store estate remained unchanged during the year except for the fact that we opened a pop-up shop in the Chapelfield shopping centre in Norwich. This shop was open from September until the end of the year and traded very well. We will look at other such opportunities as and when they arise.

The 2014 AGM will mark a notable change in our board as Simon Loftus will be stepping down. Simon has been with Adnams since 1968, was Chairman from 1995 until 2006 and has been a non-executive director since then. He was at the heart of many of the changes seen at Adnams in recent years. He is well known to very many of our shareholders and also to many outside the Company and he will be particularly remembered for his leadership of the Adnams wine business. We are extremely pleased that Nicky Dulieu will join our board on 1st May 2014, and a resolution to appoint her is included in the AGM Notice. Nicky is in the process of standing down as Chief Executive of the fashion retailer, Hobbs where she has worked for eight years. Her previous career was at Marks & Spencer where she had a variety of roles, notably within finance. She lives in Norfolk and knows Adnams well. We are confident that she will be a most valuable addition to the board.

Adnams was again proud to receive a number of external awards in 2013, but particular mention should be made of the awards to three individuals. Our Head Brewer, Fergus Fitzgerald, was the 2013 All Party Parliamentary Beer Group Brewer of the Year, being praised for developing exciting new products and brands in tune with the emerging trends in the beer market. Secondly our Operations Director, Karen Hester, won the 2013 First Women Business of the Year, recognising our success in helping women to reach their full potential. Thirdly and perhaps most notably, our Chief Executive, Andy Wood, was made an OBE in the Queen's Birthday Honours.

Outlook

It is pleasing to see economic circumstances that are starting to look up after a number of years of squeezed living standards. I think, nonetheless, we need to temper that pleasure with caution regarding difficulties that may lie ahead and caution too regarding the specific challenges of the markets in which Adnams operates. The beer market, especially the free market in cask ale, and the pubs market have been particularly tough. It is perhaps notable in 2013 that we saw the greatest improvements from our more recent diversifications into shops and our distillery.

2014 has started reasonably well for us and we believe that our long-term focus will help us to surmount the challenges that we will undoubtedly face. I am very grateful for the continued support of our shareholders.

Jonathan Adnams OBE
Chairman

Strategic report

Whilst we have not quite matched our 2012 operating profit it is pleasing to be able to talk about an improved financial result in the second half of 2013 and another increase in our beer volumes. In 2012 we restructured to bring our different businesses closer together and made some management savings. This new structure worked well in 2013 and brought the hoped for consistency and better communication.

Andy Wood OBE,
Chief Executive

Brewing & Brands

This is the third year of growth for the Adnams beer volumes. Given the shrinkage of the market and the ever growing competitor numbers (UK brewer numbers are now well over one thousand) this is a significant achievement, especially for a company that has not been adding to its pub estate. Our beer sales were up by 1.2% compared to 2012, though cask beer sales were lower. 2013 was the fifth year in which the Adnams beer business held the price of its own beer. Whilst margin pressures will continue we believe that a price increase is now justified and one is planned for 2014.

The fast growing competition within the brewing industry has been a big spur to innovation and we have seen a proliferation of new styles of beer and a growth in 'craft' beer (definitions are very contentious in this area, but high quality and not mass produced would generally figure in any attempt to define 'craft'). We believe that Adnams has been amongst the leaders in developing the market and this has been a big factor in our being able to continue our volume growth. A major focus of our beer business this year has been the launch of our 'Jack Brand' beers. These beers aim to appeal to different sectors of the beer market and use branding that is a mixture of traditional (Southwold Jack) and modern. The third of this series was the Adnams Dry Hopped Lager which was our first ever lager and has attracted considerable interest and sales have been growing quickly.

New beer trends have put particular pressure on many established beers and Adnams Bitter has been amongst these. We have put considerable focus behind defending sales of this, our largest selling beer, but market conditions are such that there will inevitably be some decline. However, we have had considerable success with Adnams Ghost Ship which has demonstrated great consumer appeal and continued to grow strongly in 2013, and another beer success of the year was our best ever seasonal beer launch, Adnams Fat Sprat. These beers offer us every opportunity to compensate for the challenges facing Adnams Bitter.

Aside from a focus on a diverse, interesting and high quality offer to appeal to today's consumer we have continued to work to provide the excellent service that customers properly expect.

The Adnams Direct business won the primary supply to the Norwich Inns group during the year, a major credit to the quality of our customer service as well as to our beer offering. Overall the direct delivery business grew volumes in 2013, though margins remained under pressure.

The National business was tough in 2013 with the leased and tenanted pub sector remaining under a lot of pressure, and whilst managed pubs grew well, this was more from food sales than from beer. Fortunately there was no repeat of last year's insolvency of the large wholesaler, Waverley The Beer Seller, though we have to be wary of the risks, with a number of the large pub companies being highly geared.

+1.2%

Our beer sales were up by 1.2% compared to 2012.

We have had considerable success with Adnams Ghost Ship which has demonstrated great consumer appeal and continued to grow strongly in 2013.

Fat Sprat became our most successful ever seasonal beer launch, donating a proportion of its sales to the Marine Conservation Society.

Behind the

**“darn
tasty
beer...”**

(our first lager!)

Big
head?

Not our Fergus, he could never be accused of being a big head. But the rest of us were incredibly proud when he was crowned Brewer of the Year by the All Party Parliamentary Beer Group at their annual dinner in July. The judges chose Fergus because of 'his ability to produce exciting new products and ability to read the emerging trends in the beer sector'. We'll drink to that!

...is Fergus & his team.

New
beers

The beer industry has seen rapid changes in the past few years. One such change is the huge increase in the number of beer styles. Fergus and his team need no excuse to come up with a new brew and take every opportunity to introduce current trends in new malts and hops. The launch of Adnams Jack Brand beers has been popular. With their firm nod to our brewing heritage whilst introducing new contemporary flavours, they appeal to Adnams fans and those new to our beers alike. In 2013 the team brewed over 25,000,000 pints of beer, introduced 14 new beers, used 25 different malts and 27 different varieties of hops.

The take home business saw another year of good volume growth in 2013, up by about 20% on the previous year as our attractive beer range has been increasingly stocked by the major supermarkets. Whilst there has been a switch towards bottles and away from cans in the take home beer market, there is a smaller trend towards interesting canned offerings and we saw a good reaction to our decision to offer Ghost Ship in cans as well as bottles.

We invested considerable time in 2013 in exploring and developing export opportunities. Volumes are still small, but we think that this investment will produce good future returns.

We have UK distribution for the German Pilsner, Bitburger which had a good year. Oktoberfest sales, as well as those in December were particularly strong.

We have continued to focus our marketing on local sponsorships and distribution agreements including Newmarket Racecourses, Ipswich Town Football Club, Diss Rugby Club and high profile cycling events. This was extended in 2013 to sponsorship and distribution through Jimmy's Farm.

Distilling

We had been particularly looking forward to 2013 as the distillery would have been open for over three years and we would release our first whiskies: Adnams Single Malt and Adnams Triple Grain. This duly happened in December and we were pleased with the reception of the products, of their innovative packaging, and of the rate of sale. What was less anticipated, but if anything, even more pleasing, was being awarded the Gin Guild Trophy in July 2013. This Trophy is awarded at the International Wine and Spirits Competition, in competition with spirits from all around the world. Adnams Copper House Gin, like our other spirits, but unlike most other gins, is a true 'grain to glass' product where we distil alcohol that we make ourselves. This means that we control quality throughout the process.

We have had a long-term relationship with London City Bond and they are now providing storage facilities for our whiskies as we have outgrown the capacity of our Southwold warehousing. Our spirits business is still small in relation to the Company as a whole, but we see it as an important diversification and one that holds good future growth prospects in markets that are a little less overcrowded than is the case for beer. We believe that our brand comfortably stretches into the spirits market and customers have been happy to buy spirits made by Adnams.

Play time

It seems that there is nothing brewers like more than to get together to 'play' in each others breweries. A tie-up with JD Wetherspoon's International Beer Festival meant that we welcomed brewers from around the world to join our team for collaboration brews. Fergus, Belinda and Dan did their fair share of visiting other breweries too.

+20%

The take home business saw another year of good volume growth in 2013.

Working with our maltsters, we introduced the Adnams Growers Club which put in place long-term contracts for East Anglian farmers.

We have continued our focus on local sponsorships and distribution agreements, most recently with Jimmy's Farm which also includes a small Adnams Cellar in their shop.

Retail Businesses

Pubs

Our pubs business has done very well in the last few years, but 2013 was more of a challenge. Market conditions continued to be very tough for pubs and the very poor weather in the first half of 2013 saw an increase in tenant turnover and as tenants leave it has become much harder to find good replacements, particularly in smaller rural pubs. This led us to take a few pubs into our own management on a temporary basis in order to avoid pub closures. There was a particular problem when the business of the lessee who was running both the Ship at Levington and the King's Head at Orford went into administration and both pubs were closed for an extended period over the summer whilst legal issues were resolved. Later in the year four of our pubs were closed as a result of flooding, one for an extended period.

We sold four pubs during the year: The British Grenadier, Colchester, The Oyster, Butley, The Railway, Framlingham and The White Horse, Badingham. Just after the end of the year we sold the Queen's Head, Brandeston. We also have the Engineer's Arms, Leiston for sale, but in this case the local community used the recent legislation on Assets of Community Interest to register the property. This gives them the right to forestall a sale for six months whilst they have time to assemble their own offer. We will learn whether such an offer will be forthcoming shortly after these accounts are finalised. We expect that some further pub sales will be made, and we are currently undertaking a review of our estate.

Though 2013 has been harder than most recent years for our estate, we still own many excellent outlets that continue to trade well under first class licensees that are a credit to our name and reputation.

Hotels

For the past few years we have been reporting that economic conditions have been tough for the hotels and that remained the case in 2013. The Crown, with its food focus, had a better year than did the Swan, but both found that visitors are not easy to attract and competition from elsewhere kept room rates under pressure.

The quality of the Crown's offering was recognised in June when the AA awarded a 3-star rating for the hotel and two rosettes for culinary excellence, and also in August when it retained its title as Suffolk Dining Pub of the Year.

We have continued to focus on our cost base and on ensuring that we retain the high standards that our hotels set themselves.

Shareholders will recall that for the past few years we have been managing the Victoria Hotel at Holkham and the Globe Inn at Wells on behalf of the Holkham Estate. The Estate has now sold the Globe Inn and decided to resume its own management of the Victoria Hotel so this contract ended in May 2013.

Pubs are so often at the heart of their community. Three great examples from our own pubs are the Randolph, Reydon, Half Moon, Walton and the King's Head, Laxfield which have all raised a terrific amount for local charities.

Behind the
**WORLD'S
BEST GIN...**

award winning Barley Vodka, First Rate Gin,
Absinthe Verte & Rouge, Spirit of Broadside,
and our No1 & No2 Whisky (pew!).

...IS THE COPPER HOUSE DISTILLERY TEAM & THEIR IDEAS.

Since the Copper House distillery began making small-batch spirits back in 2010 we have been delighted with the number of awards that we have achieved. 2013 was no exception when in July we were honoured with six medals at the International Wine & Spirits Competition including the much coveted Gin Trophy.

Three years and one day seems like an awfully long wait when you are nurturing fine spirit in new oak casks to reach maturity. But that's exactly what we had to do with our first Adnams whiskies. The launch party in December saw a lively queue outside the Southwold Cellar & Kitchen Store eager to pick up bottles from the first ever release. With over 500 bottles sold in the first hour and half, it wasn't long before someone had the great idea to ask Jonathan and John to sign their bottle. Inevitably that started a trend and many more wanted theirs signed too. We are looking forward to the 2014 release.

Shops

We are pleased to report a much improved result from our shops in 2013. We noted last year the gains that the Company makes from this business, it has helped our marketing, attracted new customers, boosted new product launches and helped to defray our central costs. Whilst the business has not yet made a profit, after allowing for a full allocation of central costs, we are substantially better off with the business than without it and we made a large step forward in 2013.

This was a quiet year in terms of changes to the store portfolio, with just the Norwich pop-up shop being new in the year. This shop was opened in the Chapelfield centre from September through to the end of December and traded very well. We will look for other such opportunities as they arise. The small concession that we had been running in the House of Fraser store in Chapelfield closed at the start of the year.

The lack of change in our store numbers helped a focus on store operations and the drivers of profit. The integrated management structure that we now have also helped the shops and beer businesses to work together more effectively.

Overall sales were up by 3.5%, and were up by 6.0% on a like-for-like basis, and all but two stores improved their profits.

The shops have become a very important outlet for Adnams beers and have provided access to the growing take home market. In volume terms our shops now sell about 60% of the amount sold through our tied estate. They have also been of great value in launching new products from our distillery. They, along with our website, were the only source for our new whiskies. This meant that we were able to retain the margin in-house. The whiskies were a major contributor to particularly strong trading in December 2013.

On-line and Mail Order

Web sales were up by 26% in 2013 and our site continues to draw more visitors as a rich source of information on all our various activities as well as being a transactional site for our shops and hotels. We should make especial reference to the blogs from our Head Brewer, Fergus Fitzgerald, that have achieved their own substantial following. We now have around 26,000 followers on Twitter and over 6,000 friends on Facebook.

Our mail order business had a very good year in 2013, en primeur deliveries and cases sold through our Seasonal Cellar wine club were again strong and beer and spirits continued to be good growth areas.

Adnams Bio Energy

The Reydon-based anaerobic digester facility run by the joint venture Adnams Bio Energy Ltd maintained a steady flow of feedstock inputs in 2013, pending the installation of a new gas upgrade system. The facility has new contracts for additional feedstock for 2014, for delivery following commissioning of the new gas upgrade plant. Liquid wastes from the brewery continue to be processed by the plant. Gas injection was interrupted by a technical decision to install new gas processing equipment. The design and refit took a number of months but will result in enhanced revenue during the course of 2014. A new laboratory was also installed in 2013 to help to optimise the anaerobic digestion process and gas production.

+3.5%

Cellar & Kitchen overall sales were up by 3.5%, and were up by 6.0% on a like-for-like basis, and all but two stores improved their profits.

We now have around 26,000 followers on Twitter and over 6,000 friends on Facebook.

Environmental reporting

In 2013, we appointed a full-time sustainability manager. Both our hotels won the coveted Green Tourism Business Scheme gold award and we became the first UK brewery to calculate carbon footprints for our bottled beers. For the fourth consecutive year, we have been audited as compliant with both ISO14001:2004 and ISO9001:2008.

In monitoring our environmental impact, we track performance in three key areas: carbon emissions, water use, and waste management. We report on the following areas of the business; Production, Distribution, Retail, and Hotels. We do not include our pub estate as it is run by independent businesses. The parts of the business that we include for financial reporting correspond to the parts that are captured for environmental reporting, so for instance supplier and customer environmental impacts are excluded.

Carbon

Our carbon emissions have decreased since 2008, when we began recording data.

From 2013, UK listed companies are required to comply with Defra's new reporting guidelines. Whilst this requirement does not apply to us we have chosen to adopt the new guidelines and to restate our figures accordingly.

Our total carbon emissions for 2013 were 3,386 tonnes: 2,193 in fuels used for combustion and owned transport (Scope 1), and 1,193 in emissions from purchased electricity (Scope 2).

Water

There is considerable scientific consensus that increasing levels of greenhouse gases in the atmosphere will cause more frequent and intense climatic events. For East Anglia this is likely to mean less frequent, more intense rainfall which could simultaneously lead to floods and droughts. Any alteration in the quantity or quality of water will have a direct impact on Adnams and our suppliers. A high demand for water in times of water scarcity could lead to increased operating costs as well as local reputational and ecological issues.

Our water use is dominated by production. In order not to skew reported results, we normalise our usage against that production to show the water used to produce one pint of beer. Our ratio for 2013 remains at 3.3 pints of water for every pint of beer produced. Our absolute usage for all purposes was 63.6 million litres in 2013 (60.9 million in 2012).

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55.9kg
CO₂ per £k revenue
↓ 4.6% on 2012

.....

3.3 : 1
ratio of water used to
beer produced

.....

0.9%
of our total waste to
landfill

Notes

Carbon: we collect primary data for Scope 1 (direct) and Scope 2 (indirect; eg purchased electricity) emissions and use the published DEFRA emission factors to calculate carbon dioxide equivalent. Emissions associated with the biological fermentation of our beer are reported separately (556.18 kg in 2013, 546.77kg in 2012). Scope 3 (upstream and downstream) emissions are excluded from the totals. Total emissions are normalised against turnover so that increases in product output and overall growth of the business do not mask changes in our carbon emissions. For the divisional reporting, we have selected normalisations that reflect key operations per area.

Water: Since the installation of our distillery on site in October 2010, production of our spirits range has been rapidly growing. The production of spirits is a much more water intense process so has increased our water use over the last 3 years. In addition the market in beer has moved towards a larger proportion of 'craft' style brews. These tend to be smaller batch more frequent brews therefore increasing the water use, as cleaning and other processes use a set amount of water regardless of the production.

DOING THE RIGHT THING

At Adnams, we believe in doing the right thing. We want to ensure that our impact on the environment and local community is a positive one, and we know that it also makes good business sense.

Behind our

BUSINESS STRATEGY...

SEIZING OPPORTUNITIES

Our continual innovation and investment in technology enables us to have a 'fleet of foot' nature, ensuring we can move with trends and respond to opportunities.

...WE ARE DRIVING DOWN CARBON AND POPPING UP SHOPS

529

Southwold Bitter

537

541

576

544

Ghost Ship

Gunhill

Broadside

Explorer

562

652

592

535

532

Spindrift

Tally-Ho

Innovation

Lighthouse

Sole Star

Note: Numbers given are grammes of CO₂ per 500ml of beer

Popping up at Chapelfield Shopping Centre With so many changes taking place on the High Street, it's increasingly common to find pop-up shops and restaurants, which move into an empty shop for just a short period of time. That's exactly what we did when we were offered a unit in Norwich's Shopping Centre in the lead up to Christmas. Key to getting the store ready in time was the support of the intu Chapelfield Custody and Community Project, which is designed to help break the cycle of reoffending. Three serving prisoners from HMP Wayland worked hard, with tasks ranging from deep cleaning to redecorating and installing shop fittings. We thank them hugely for their support as they were central to us opening the store.

Waste

In 2013 we conducted our first full waste audit across the business to identify all waste streams, quantify their volumes and ascertain their ultimate destination.

These waste streams accumulate to a total of 6,521 tonnes in 2013, with less than 1.0% of that total going to landfill. That proportion will be reduced further during the course of 2014 as we send a greater absolute volume of waste to be recycled or to create energy from waste.

Risk and expenditure

We are mindful of both direct and indirect environmental risks and we adapt our business to try to mitigate or avoid these risks. We maintain a risk register and consider risks to our operations as well as any risks that may arise from what we do.

We do not track environmental expenditure as an incremental cost to the business as it is embedded in our normal operations. Every business case considers the environmental impact it may have. Economic return and environmental sustainability often coincide so that they can both be realised.

.....
**Kg CO₂ emissions per
 £'000 turnover**



Strategic report

Pennies Customers at our Cellar & Kitchen Stores have been incredibly generous in supporting Pennies. The scheme, which was rolled out to all our stores at the beginning of the year, is best described as an electronic charity box. When customers pay by card, they are given the opportunity to 'round up' to the nearest pound. Our chosen charity for the first year was Prostate Cancer UK and simply through the donation of small change, we raised over £30,000. We would like to thank our customers for their generous and continued support.

Adnams Charity The Adnams Charity gives to local groups and organisations within 25 miles of Southwold. Adnams plc donates not less than 1% of annual profits to the charity. Together with other kind donations from a growing number of our shareholders in 2013 we supported 63 groups with grants totalling £53,110.

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Production

15.1 kg

CO₂ per barrel
 produced

2012: 14.9kg

2011: 14.9kg

.....
Retail

16.1kg

CO₂ per £k revenue

2012: 17.1kg

2011: 16.7kg

.....
Distribution

8.8kg

CO₂ per barrel
 delivered

2012: 9.0kg

2011: 8.9kg

.....
Hotels

163.3kg

CO₂ per £k revenue

2012: 163.5kg

2011: 137.8kg

Finance commentary

Property

Four pubs, and the former pub, the Southwold Arms, were sold in 2013, proceeds were £1.5 million and profit of £1.1 million was achieved on these sales. We are likely to see some further sales in 2014, with one pub already having been sold. No pubs were bought in the year.

Borrowings

Borrowings continued the downward trend that we saw in 2012, with a further £3.0 million reduction in 2013 to £10.8 million. The trend was helped by the pub disposals and lack of acquisitions. In addition there were no major new capital projects in the year. We are however currently looking at further brewery investments to cope with the continuing switch of our business towards bottled and canned beers. Any expenditure of this sort is unlikely to start until the second half of 2014.

Year end borrowings were 1.8 times EBITDA (earnings before interest, tax, depreciation and amortisation and excluding property disposals) and interest expense was covered eleven times by our operating profits. We believe these levels to be comfortably sustainable.

We are now in the second year of the three year loan that Barclays provided supported by the Bank of England's Funding for Lending Scheme. Our anticipated borrowing needs (subject to major pub purchases or unenvisaged changes) are well covered by our available facilities.

We have continued our policy of not fixing the underlying rate of interest for our borrowings as we have no reason to believe that we would be better off by doing so.

Tax

The effective rate of tax (the tax charge in the accounts as a proportion of the pre-tax profit) for 2013 was 21%, compared to 23% in 2012. The larger amount of property profits in 2013, for which we envisage rolling over the capital gains, has reduced the rate for that year.

The basic UK rate of corporation tax has continued downwards and was cut from 24% to 23% in 2013/14. When estimating our future tax liabilities we have assumed a rate of 21%.

Pensions

2013 saw some respite in what seemed like an endless series of increases in the pension deficit of our defined benefit scheme. As the scheme was closed to all accrual over eight years ago, the main driver of these changes is not a change in the underlying obligations, but changes in the assumptions used in the valuation, notably the discount rate, the mortality rate, the inflation rate, and the market values ruling at the year end date. The increase in the value of the scheme assets was £2.3 million and the deficit fell from £7.5 million to £5.8 million. Though the discount rate rose in the year, which has the effect of reducing the liabilities, this was offset by an increase in the inflation assumption and in anticipated longevity.

1st April 2013 marked the date of the scheme's triennial valuation. As with the accounting (FRS 17) valuation the triennial valuation produces an estimate of the scheme deficit. As the FRS 17 values are as at 31st December and the triennial valuation is at 1st April, they are highly unlikely to be the same, but they also differ because the methodology used by the actuary (and agreed by the trustees) is also different. The discount rate/yield agreed for the triennial valuation was 4.75% and the resulting deficit was £4.4 million.

The trustees agreed that a fifteen year period should be allowed for clearance of this deficit and as a result annual contributions by the Company have risen from £420,000 to £480,000.

Financial highlights

	2009	2010	2011	2012	2013	Variance**
Operating profit (before exceptional operating costs, £000)	3,238	3,188	3,277	3,392	3,325	(2.0%)
ROCE (percentage)*	8.7%	8.5%	8.7%	9.5%	9.3%	(2.9%)
Gearing (book value)	53.4%	49.4%	69.4%	62.8%	42.7%	(32.0%)
Net debt (£000)	12,882	12,386	15,421	13,739	10,758	(21.7%)
Interest cover****	9.0	7.0	9.2	8.2	11.2	36.2%
Ord dividend (per £1 share)***	£1.87	£1.87	£1.90	£1.94	£1.96	1.0%

Suffolk Dinning
Pub of the Year

The All Party
Parliamentary
Beer Group
**Brewer of
the Year**

* The return on capital is based on the operating profit line and capital employed, including debt
** % variance between 2012 and 2013
*** Including proposed final dividend for 2013
**** Excluding exceptional items and interest on pension deficit

Behind the
**plethora
of awards...**

**CHAMPION
BEER
OF EAST
ANGLIA**

Sarah, Cheryl
& Rach,
PAs

Nick,
Tenant

Philip,
Driver

Richard & Ben,
Environmental
champions

Second row, left to right

Philip is one of our drivers; many of our loyal customers tell us that along with great beer, it's our customer service and our brilliant draymen that make the real difference. Richard is one of our management accountants and Ben is our environmental guru. Together they lead our Environmental Action Group.

Sarah, Sarah
& Jess,
Marketing

Garry &
Andrew,
Engineers

...is our
hard working,
talented
& brilliant
team.

Bob & Sam,
Tour Guides

Karen,
Operations
Director

Jenny, Trevor
& Colleen,
Hotels team

Top row, left to right

As PA's to the directors, Sarah, Cheryl, and Rach do an incredible job in making sure that the right people are in the right place at the right time. Nick is the licensee at Adnams' Pub of the Year, The Harbour Inn and also at the Bell, Walberswick.

Andy,
Chief Executive

Treasury policies

During 2013, the board has continued its policy of not hedging interest rate and foreign exchange exposures. We are not in a position that annual fluctuations in rates are so important to our results that we feel the need to hedge them. Not having an active hedging policy saves us money both in terms of time that would have been spent on such an activity and margins that would have been given away to the providers of the relevant financial instruments.

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 to the accounts.

Impairment charges

There were no such charges in 2013. In 2012 we had charges of £55,000, none of which was treated as exceptional.

Dividend policy

We are recommending an unchanged final dividend of £1.28 per £1 'B' share (32p per 25p 'A' share). This will mean that the full year dividend will be £1.96 per 'B' share (49p per 'A' share), a 1.0% increase on 2012.

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 1p per 'B' share (0.25p per 'A' share) increase in our 2014 interim dividend which will make the 'B' share payment 69p and the 'A' share payment 17.25p, a 1.5% increase on 2013.

Business risks and uncertainties

It is our objective that this report, together with our Chairman's Report, discusses the business in such a way that we properly explain the principal risks and uncertainties that we face. However, for clarity's sake we note below a description of these principal risks and uncertainties, beyond those explained in the finance commentary above. We believe that they fall into four main categories.

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

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

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

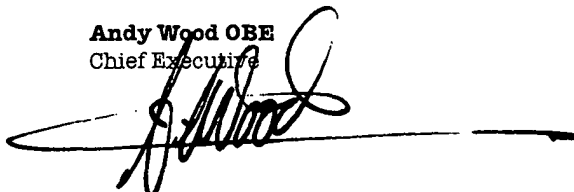
Fourthly our brand and reputation are key to all our business activities and we seek to be constantly vigilant in ensuring that we stand by our values and live up to the name that we have built.

The future

By the end of 2013 the economy was starting to see some growth. We do not expect an easy ride, but we believe that we have been doing the right thing in difficult markets and we feel properly positive about the future. The board would like to conclude with particular thanks to our hard working and committed staff.

On behalf of the board

Andy Wood OBE
Chief Executive


Third row, left to right

Sarah, Sarah and Jess are part of our marketing team and look after our website, social media and design. Oh and lots, lots more besides. Garry and Andrew are two of our fabulous Engineers - seriously, you wouldn't want to mess with them!

Fourth row, left to right

Bob & Sam are two of our Brewery Tours guides - as either past or current employees, all our guides have lots of Adnams stories to tell. Karen, Operations Director - there's not nearly enough space here to detail what she does. Best summed up as: 'just about everything'! Jenny, Trevor and Colleen are members of our award-winning hotels team.

Report of the Directors

For the year ended 31 December 2013

The Chairman's Report and the Strategic Report on pages 2 to 19 include information about the company's business and financial performance during the year and indications of likely future developments and should be read in conjunction with this report.

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

Trading results and dividends	£000
Company profit on ordinary activities after taxation	3,246
Dividends to ordinary shareholders	
Final 128% (paid 2 May 2013)	(604)
Interim 68% (paid 1 October 2013)	(321)
Retained profit	2,321

Proposed final dividend of £604,000 (128%) to be paid 1 May 2014.

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 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 and A C Wood retire by rotation and being eligible offer themselves for re-election.

Directors' interests	'A' Ordinary 25p		'B' Ordinary £1	
	2013	2012	2013	2012
Ordinary shares				
J P A Adnams	184,190	184,061	3,263	3,263
W B Kendall* (resigned 29 April 2013)		2,644		-
S P D Loftus*	34,339	36,339	-	-
B F McIntyre* (appointed 1 May 2013)	-		-	-
S C Pugh	1,838	1,709	-	-
S M Sharp*	304	304	-	-
A C Wood	4,226	4,097	-	-
	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.

B F McIntyre bought 105 'A' Ordinary shares in the December 2013 'A' share auction, settlement being after the year-end.

Report of the Directors

For the year ended 31 December 2013

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 £34,000 (2012: £34,000).

Supplier payment

It is the company's policy to make every effort to agree terms of payment with suppliers in advance, to ensure that suppliers are made aware of the terms and to abide by them. At 31 December 2013, the company had an average of 23 days (2012: 23 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
19 March 2014



Notice of meeting

Notice is hereby given that the One Hundred and Twenty-Fourth Annual General Meeting will be held at St Edmund's Hall, Southwold on 28 April 2014 at 12 o'clock noon for the following purposes:

Ordinary Resolutions

- 1 To consider the Accounts and Directors' report
- 2 To declare a final dividend
- 3 To re-appoint J P A Adnams, who retires by rotation
- 4 To re-appoint A C Wood, who retires by rotation
- 5 To appoint N J Dulieu as a director of the company with effect from 1 May 2014
- 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
19 March 2014

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

Profit and loss account

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	1	60,500	56,922
Operating expenses	2	(57,175)	(53,530)
Operating profit		3,325	3,392
Profit on disposal of properties	5	1,100	267
Interest receivable	7	1	1
Interest payable	8	(299)	(415)
Other finance income/(charge) on pension scheme	26	1	(61)
Profit on ordinary activities before taxation		4,128	3,184
Tax on profit on ordinary activities	9	(882)	(729)
Profit for the financial year	20	3,246	2,455
Earnings per share basic and diluted	11		
'A' Shares of 25p each		172.0p	130.1p
'B' Shares of £1 each		687.9p	520.3p

All amounts relate to continuing activities.

Statement of total recognised gains and losses

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Profit for the financial year		3,246	2,455
Actuarial gain/(loss) on pension scheme	26	1,251	(2,482)
Movement on deferred tax relating to actuarial (gain)/loss	18	(263)	571
Total recognised gains and losses relating to the year		4,234	544

Balance sheet

As at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	12	36,886	38,129
Investments	13	188	247
		37,074	38,376
Current assets			
Stocks	14	5,415	4,803
Debtors	15	7,227	7,072
Cash at bank and in hand		15	12
		12,657	11,887
Creditors: amounts falling due within one year	16	(10,046)	(21,814)
Net current assets/ (liabilities)		2,611	(9,927)
Total assets less current liabilities		39,685	28,449
Creditors: amounts falling due after more than one year	17	(9,483)	(299)
Provision for liabilities	18	(475)	(525)
		(9,958)	(824)
Net assets excluding pension liability		29,727	27,625
Pension liability	26	(4,546)	(5,753)
Net assets including pension liability		25,181	21,872
Capital and reserves			
Called up share capital	19	472	472
Share premium	20	144	144
Profit and loss account	20	24,565	21,256
Equity shareholders' funds	21	25,181	21,872

The financial statements were approved by the board of directors on 19 March 2014, authorised for issue and signed on its behalf by:

S C Pugh

Director

Company registered number 31114



Cash flow statement

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	22	5,218	5,668
Returns on investment and servicing of finance			
Interest received		1	1
Interest paid		(349)	(417)
		(348)	(416)
Taxation			
Corporation tax paid		(771)	(595)
		(771)	(595)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,935)	(2,608)
Receipts from sales of tangible fixed assets		1,749	539
Payments to acquire investments		(99)	(86)
Receipts from investments/deposits		92	82
		(193)	(2,073)
Equity dividends paid		(925)	(902)
Net cash inflow before financing		2,981	1,682
Financing			
Repayment of existing loan		(9,000)	(1,800)
Receipt from new loan		10,000	-
		1,000	(1,800)
Increase/(decrease) in cash		3,981	(118)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash	23	3,981	(118)
Cash flow from (increase)/decrease in loans	23	(1,000)	1,800
Movement in net debt	23	2,981	1,682
Net debt at 1 January		(13,739)	(15,421)
Net debt at 31 December	23	(10,758)	(13,739)

Statement of accounting policies

Basis of preparation

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

Going concern

The company has considerable property assets and is soundly based. During 2013 £10 million of borrowings were moved to a three year maturity, subject to financial covenants. The short-term facilities were renewed at £7 million. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Turnover

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch 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 the position is as follows. Hotels recognise income following provision of accommodation services or provision of food or drinks. Retail stores and web and mail order turnover is recognised on despatch of goods, or physical shop transactions. Rental income received from the tied estate properties is recognised in the period to which it relates. Turnover is measured at the fair value of the consideration receivable.

Tangible fixed assets

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

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

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

Impairment reviews

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

Stocks

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

Deferred taxation

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

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

Foreign currencies

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

Statement of accounting policies continued

Pension costs - defined benefit scheme

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

Pension costs - defined contribution scheme

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

Leasing

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

Fixed asset investments

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

Dividends

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

Financial instruments

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

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

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

Share Incentive Plan and Employee Benefit Trust

For many years the company has encouraged employee participation through incentive schemes under which shares are allocated to employees. The company currently uses a tax-approved Share Incentive Plan for this purpose. The company does not issue shares for such schemes and so has to arrange the purchase of shares. It does this through an Employee Benefit Trust. The Employee Benefit Trust buys shares as required during the year and passes them annually to the Share Incentive Plan, at a valuation approved by the tax authorities. The shares held by the Share Incentive Plan are not consolidated in the company's accounts as they are already allocated to employees. 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 2013 as it did in relation to 2012.

The unallocated shares are small in number and accordingly the company does not consolidate the Employee Benefit Trust on grounds of materiality. 1,873 shares, all of which were Adnams plc 'A' shares, were held by the Employee Benefit Trust at 31 December 2013 (2012: 1,830 shares).

Notes to the accounts

For the year ended 31 December 2013

1. Turnover

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

	2013 £000	2012 £000
2. Operating expenses		
Raw materials, consumables and duty	37,924	33,575
Change in stock of finished goods and work in progress	(576)	337
Staff costs (note 4)	9,475	9,418
SIP scheme for employees (note 28)	181	176
Depreciation (note 12)	2,592	2,631
Profit on disposal of plant and vehicles	(63)	(33)
Auditor's remuneration	32	31
- Audit services	5	6
- Audit of pension schemes	7	5
- Taxation services	436	488
Operating lease rentals	(97)	(112)
Foreign exchange gain	7,259	7,008
Other operating costs		
	57,175	53,530

Potential impairments are assessed by comparing the book value of properties against 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 real rate of 7.5%. In the current year there were no impairment charges (2012: £55,000).

3. Segmental analysis

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

	Brewing & Brands		Retail		Central Management		Total	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Total sales	37,886	33,511	22,573	23,386	41	25	60,500	56,922
Operating expenses	(35,950)	(31,719)	(19,969)	(20,425)	(1,256)	(1,386)	(57,175)	(53,530)
Operating profit/(loss)	1,936	1,792	2,604	2,961	(1,215)	(1,361)	3,325	3,392
Profit on disposal of properties	-	-	1,100	267	-	-	1,100	267
Interest receivable	-	-	-	-	1	1	1	1
Interest payable	-	-	-	-	(299)	(415)	(299)	(415)
Other finance income/(charge) on pension scheme	-	-	-	-	1	(61)	1	(61)
Profit/(loss) on ordinary activities before taxation	1,936	1,792	3,704	3,228	(1,512)	(1,836)	4,128	3,184
Net assets employed	22,001	21,549	20,760	22,387	(17,580)	(22,064)	25,181	21,872

	2013 £000	2012 £000
4. Staff costs		
Wages and salaries	8,337	8,268
Social security costs	746	763
Other pension costs (note 26)	392	387
	9,475	9,418

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

	Number	Number
Trading	22	24
Customer services	97	91
Production	25	26
Wine/Shops	90	87
Hotels	144	122
Corporate services	50	54
	428	404

Total number of part-time workers included in above:	164	117
------------------------------------------------------	-----	-----

The 2012 employee numbers have been restated as the basis of the calculation has been revisited during the year.

	2013 £000	2012 £000
5. Profit on disposal of properties		
Profit on sale of properties	1,100	267

Profit on disposal of properties includes profits on properties sold during the year.

There is no effect on the current tax charge for the year from the above items.

	2013 £000	2012 £000
6. Directors' remuneration		
Fees	86	84
Basic salaries	559	550
Benefits	5	4
Car and pension allowances	60	56
Performance related pay	39	40
	749	734

	Salaries and fees £000	Benefits £000	Car and pension allowances £000	Performance related pay £000	2013 £000	2012 £000
J P A Adnams	188	1	32	13	234	228
W B Kendall	9	-	-	-	9	28
S P D Loftus	29	-	-	-	29	28
B F McIntyre	19	-	-	-	19	-
S C Pugh	141	2	14	9	166	165
S M Sharp	29	-	-	-	29	28
A C Wood	230	2	14	17	263	257
	645	5	60	39	749	734

As a result of regulations governing pension contributions, the company's contributions for J P A Adnams stopped in 2012 and an equivalent amount has been paid as a pension allowance which has been included within car and pension allowances above.

.....
Directors' remuneration continued

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

	Accumulated total accrued pension at	
	31 Dec 2013	31 Dec 2012
	£	£
J P A Adnams	88,757	86,447
A C Wood	26,137	25,457

Accumulated total accrued pension normally represents scheme service to retirement, but for 31 December 2012 and 2013 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 £437,239 (2012: £411,376).

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

	2013	2012
	£	£
J P A Adnams	-	4,615
S C Pugh	14,133	13,924
A C Wood	22,966	22,626

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:

	2013	2012
	'A' shares	'A' shares
J P A Adnams	129	137
S C Pugh	129	137
A C Wood	129	137

There were no share option arrangements in place.

	2013	2012
	£000	£000
7. Interest receivable		
Trade loans	1	1
	1	1

	2013	2012
	£000	£000
8. Interest payable and similar charges		
Bank loans and overdraft	297	413
Preference share dividends paid: 3.85% cumulative £10 shares	1	1
Preference share dividends paid: 4.9% non-cumulative £5 shares	1	1
	299	415

	2013	2012
	£000	£000
9. Taxation		
The charge based on the profit for the year comprises:		
UK corporation tax @ 23.25% (2012: 24.5%)	717	820
Tax over provided in prior years	(32)	(196)
Total current tax	685	624
Deferred taxation (note 18)		
Origination and reversal of timing differences	10	(34)
Pension cost relief in excess of pension cost charge	247	191
Adjustment in respect of prior years	(60)	(52)
	197	105
Tax on profit on ordinary activities	882	729
Factors affecting the current tax charge		
The tax assessed on the profit on ordinary activities for the year is lower (2012: lower) than the average rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are reconciled below:		
Profit on ordinary activities before tax	4,128	3,184
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	960	780
Disallowed expenses and non-taxable income	56	82
Capital allowances less than depreciation	14	29
Rollover relief claimed on property disposal	(288)	(79)
Other timing differences	(25)	8
Adjustment relating to prior years	(32)	(196)
Current tax charge for the year	685	624
Factors that may affect future tax charges		
No provision has been made for deferred tax on gains recognised on the sale of properties where potential gains will be rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £1,417,000 (2012: £1,299,000). At present it is not envisaged that any tax will become payable in the foreseeable future.		
	2013	2012
	£000	£000
10. Dividends		
Equity dividends on ordinary shares		
Interim paid 1 October 2013 68% (2012: 1 October 66%)	321	312
Final paid 2 May 2013 128% (2012: 1 May 125%)	604	590
	925	902
The directors propose a final dividend of £1.28 per £1 nominal share (totalling £604,000) for the year ended 31 December 2013. The dividend will be submitted for formal approval at the Annual General Meeting, to be held on 28 April 2014. This dividend has not been accounted for within the current year financial statements as it has yet to be approved.		
11. Earnings per share	2013	2012
Including property disposals:		
'A' Ordinary shares	172.0p	130.1p
'B' Ordinary shares	687.9p	520.3p
Basic and diluted earnings per share for 'A' Ordinary shares are calculated by dividing the earnings available for 'A' Ordinary shareholders of £1,280,000 (2012: £968,000) by the number of issued 25p 'A' Ordinary shares (note 19): 744,000 (2012: 744,000).		
Basic and diluted earnings per share for 'B' Ordinary shares are calculated by dividing the earnings available for 'B' Ordinary shareholders of £1,966,000 (2012: £1,487,000) by the number of issued £1 'B' Ordinary shares (note 19): 285,842 (2012: 285,842).		
Excluding property disposals:		
'A' Ordinary shares	113.7p	115.9p
'B' Ordinary shares	454.8p	463.7p

	Freehold and leasehold land and buildings £000	Plant, equipment fixtures and fittings and motor vehicles £000	Total £000
12. Tangible fixed assets			
Cost			
At 1 January 2013	32,374	31,535	63,909
Additions	326	1,609	1,935
Disposals at cost	(528)	(359)	(887)
At 31 December 2013	32,172	32,785	64,957
Depreciation			
At 1 January 2013	6,076	19,704	25,780
Provided in the year	612	1,980	2,592
Disposals	(70)	(231)	(301)
At 31 December 2013	6,618	21,453	28,071
Net book value at 31 December 2013	25,554	11,332	36,886
Net book value at 31 December 2012	26,298	11,831	38,129

At 31 December 2013 £28,000 (2012: £18,000) of assets were in the course of construction.

	2013 £000	2012 £000
The cost of land and buildings comprises:		
Freehold land	2,529	2,556
Freehold buildings	28,341	28,576
Long leasehold	635	575
Short leasehold	667	667
	32,172	32,374

Where there is an indication of impairment, the company carries out an annual impairment review of its pub and shop assets. As explained in the accounting policy disclosed on page 25 this is assessed by comparing the carrying value of these assets to the recoverable amount which is the higher of value in use and net realisable value.

No impairment losses were recognised during the year (2012: £55,000).

	2013 £000	2012 £000
13. Fixed asset investment		
Unlisted investments at cost and net book value	5	5
Trade loans	183	242
Total investments	188	247

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

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

	2013 £000	2012 £000
Trade loans		
At 1 January	242	293
Loans advanced during the year	33	81
Repayments	(92)	(132)
At 31 December	183	242

Further details on trade loans are contained in note 27.

	2013 £000	2012 £000
14. Stocks		
Raw materials	260	224
Work in progress	884	397
Finished goods and goods for resale	4,271	4,182
	5,415	4,803

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

	2013 £000	2012 £000
15. Debtors		
Trade debtors	5,921	5,795
Prepayments	1,306	1,277
	7,227	7,072

	2013 £000	2012 £000
16. Creditors: amounts falling due within one year		
Bank overdraft and loans	1,523	13,751
Trade creditors	4,090	3,697
Taxation and social security	1,638	1,488
Corporation tax	312	398
Accruals	2,483	2,480
	10,046	21,814

The bank overdraft and loan are secured by a debenture to Barclays Bank Plc over the assets of the company.

	2013 £000	2012 £000
17. Creditors: amounts falling due after more than one year		
Tenants' deposits	187	253
Bank loans (repayable in less than 5 years)	9,250	-
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
	9,483	299

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

See note 19 for full details of the preference shares.

	2013 Provided £000	2013 Full potential liability £000	2012 Provided £000	2012 Full potential liability £000
18. Provision for liabilities				
Deferred taxation				
Accelerated capital allowances	488	488	589	589
Other timing differences	(13)	(13)	(64)	(64)
Chargeable gains	-	1,417	-	1,299
Deferred tax excluding that relating to pension liability	475	1,892	525	1,824
Deferred tax on pension scheme deficit (note 26)	(1,209)	(1,209)	(1,719)	(1,719)
Total provision for deferred tax	(734)	683	(1,194)	105
Movement in the provision				
At 1 January 2013	525			
Deferred tax charge to the profit and loss account (current year movement at 21%)	10			
Adjustment in respect of prior years	(60)			
31 December 2013	475			
Deferred tax asset relating to pension deficit				
At 1 January 2013	1,719			
Change in brought forward provision arising from change in future tax rates	(149)			
Deferred tax charged in the profit and loss account	(98)			
Deferred tax charged in the STRGL	(263)			
31 December 2013	1,209			

On the balance sheet, the deferred tax liability of £475,000 (2012: £525,000) is shown before deferred tax on the pension scheme deficit of £1,209,000 (2012: £1,719,000).

	Authorised		Allotted, called up and fully paid	
	2013 £000	2012 £000	2013 £000	2012 £000
19. Share capital				
Ordinary shares				
'A' of 25p each (744,000 shares)	186	186	186	186
'B' of £1 each (285,842 shares)	288	288	286	286
Called up share capital	474	474	472	472

Statutory accounts

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

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
20. Reserves				
1 January 2013	472	144	21,256	21,872
Profit for the year	-	-	3,246	3,246
Actuarial gain on pension scheme (note 26)	-	-	1,251	1,251
Movement on deferred tax relating to pension scheme (note 18)	-	-	(263)	(263)
Dividends paid (note 10)	-	-	(925)	(925)
31 December 2013	472	144	24,565	25,181
Pension deficit (note 26)			4,546	
Profit and loss reserve excluding pension liability			29,111	

All reserves relate to equity.

	2013 £000	2012 £000
21. Reconciliation of shareholders' funds		
Profit for the year	3,246	2,455
Dividends paid (note 10)	(925)	(902)
Actuarial gain/(loss) on pension scheme (note 26)	1,251	(2,482)
Movement on deferred tax relating to pension scheme (note 18)	(263)	571
Net increase/(reduction) in shareholders' funds	3,309	(358)
Opening shareholders' funds	21,872	22,230
Closing shareholders' funds	25,181	21,872

	2013 £000	2012 £000
22. Net cash inflow from operating activities		
Operating profit	3,325	3,392
Depreciation charges	2,592	2,631
Profit on sale of routine fixed asset disposals	(63)	(33)
Difference between pension charge and cash contributions	(465)	(420)
(Increase)/decrease in stock	(612)	344
(Increase)/decrease in debtors	(155)	60
Increase/(decrease) in creditors	596	(306)
	5,218	5,668

	At 1 Jan 2013 £000	Cash flow £000	At 31 Dec 2013 £000
23. Analysis of net debt			
Cash at bank and in hand	12	3	15
Bank overdraft	(4,751)	3,978	(773)
Increase in cash		3,981	
Bank loan	(9,000)	(1,000)	(10,000)
Net debt	(13,739)	2,981	(10,758)

	2013	2012
24. Capital commitments and contingent liabilities	£000	£000
Contracted for	357	551

The amount for 2013 principally reflects capital commitments for new casks and capital projects within our tied estate (prior year commitment principally relates to new casks).

	2013 Land & buildings £000	2012 Land & buildings £000
Operating lease commitments		
On leases expiring:		
Within one year	-	-
In 2 - 5 years	66	23
In over 5 years	370	413
	436	436

At the year-end Barclays Bank held a bond guarantee on behalf of Adnams plc with Her Majesty's Revenue and Customs for £30,000 (2012: £30,000).

A bank guarantee for £935,000 (2012: £935,000) was provided by Adnams plc to the Royal Bank of Scotland in respect of the obligations of Adnams Bio Energy Ltd to that bank.

25. Related party transactions

During the year the company paid £8,000 (2012: £22,000) for consultancy services to W B Kendall, included within salaries and fees in note 6, and £4,000 for a gritting vehicle from Elms Farm Partners of which J P A Adnams is a partner.

	'A' Ordinary 25p		'B' Ordinary £1	
Dividends paid to directors in the year	2013	2012	2013	2012
J P A Adnams	89,722	87,369	6,395	6,232
W B Kendall*	1,296	1,263	-	-
S P D Loftus*	17,466	17,352	-	-
S C Pugh	859	773	-	-
S M Sharp*	149	145	-	-
A C Wood	2,029	1,914	-	-
	5,228**	5,095**	7,448**	7,258**

*Denotes non-executive Director. **Dividends paid on shares held as Trustee.

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

Dr A C Wood, Chief Executive of Adnams plc is a director of Adnams Bio Energy Ltd, a subsidiary of the Bio Group Ltd. During the year the company paid £38,000 (2012: £12,000) to Adnams Bio Energy Ltd in respect of waste disposal costs. At the year end £36,000 (2012: £36,000) was owed by Adnams Bio Energy Ltd to Adnams plc.

The Employee Benefit Trust (EBT) held 1,873 Adnams plc 'A' shares at 31 December 2013 (2012: 1,830 'A' shares). During 2013 the EBT received dividends of £1,000 on its Adnams shares (2012: £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. The contributions of the company and employees have been at least equal to the rates recommended by the actuary.

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Defined benefit pension scheme continued

The disclosures required by FRS17 are set out below.

Valuation of the scheme has been updated to 31 December 2013 by a qualified actuary in order to assess the following:

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

Financial assumptions

	Valuation at 31 Dec 2013	Valuation at 31 Dec 2012	Valuation at 31 Dec 2011
Pensionable salary growth	N/A	N/A	N/A
Pension escalation in payment:			
Benefits accrued prior to 1 October 1999	4.0%pa	4.0%pa	4.0%pa
Benefits accrued after 1 October 1999 to 5 April 2005	3.5%pa	3.1%pa	3.2%pa
Benefits accrued after 6 April 2005	2.5%pa	2.5%pa	2.5%pa
Discount rate for liabilities	4.4%pa	4.1%pa	4.7%pa
Inflation assumption	3.5%pa	3.1%pa	3.2%pa
Pension revaluation in deferment	2.7%pa	2.3%pa	2.7%pa

Demographic assumptions

Assumed life expectancy in years, on retirement at 65

		31 Dec 2013	31 Dec 2012
Retiring today			
	Males	24.3	24.1
	Females	26.4	26.0
Retiring in 20 years			
	Males	27.4	26.1
	Females	29.5	27.2

Pre-retirement mortality rates

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

	Age	Males	Females
	30	0.0003	0.0002
	40	0.0005	0.0003
	50	0.0011	0.0009
	60	0.0033	0.0024

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

	Expected return for 2014	Value at 31 Dec 2013 £000	Expected return for 2013	Value at 31 Dec 2012 £000	Expected return for 2012	Value at 31 Dec 2011 £000
Equities	7.0%	15,021	8.0%	11,430	8.0%	9,317
Bonds	4.0%	8,799	3.5%	10,553	4.5%	8,500
Property	6.3%	2,165	6.3%	2,080	6.3%	2,265
Cash	1.5%	1,425	1.5%	1,003	3.5%	3,269
Total market value of assets		27,410		25,066		23,351
Present value of scheme liabilities		(33,165)		(32,538)		(28,700)
Deficit in the scheme		(5,755)		(7,472)		(5,349)
Related deferred tax asset		1,209		1,719		1,338
Net pension liability		(4,546)		(5,753)		(4,011)

	For year to 31 Dec 2013 £000	For year to 31 Dec 2012 £000
Analysis of the amount included as other finance income/ (charge)		
Expected return on pension scheme assets	1,322	1,284
Interest on pension scheme liabilities	(1,321)	(1,345)
Other finance income/ (charge)	1	(61)
Actual return on plan assets	2,520	1,878

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Defined benefit pension scheme continued

	For year to 31 Dec 2013	For year to 31 Dec 2012
	£000	£000
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	32,538	28,700
Interest cost	1,321	1,345
Actuarial (gains)/losses	(53)	3,076
Benefits paid	(641)	(583)
Closing defined benefit obligation	33,165	32,538

	For year to 31 Dec 2013	For year to 31 Dec 2012
	£000	£000
Changes in the fair value of plan assets are as follows		
Opening fair value of plan assets	25,066	23,351
Expected return	1,322	1,284
Actuarial gains	1,198	594
Contributions by employer	465	420
Benefits paid	(641)	(583)
Closing fair value of plan assets	27,410	25,066

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.

	For year to 31 Dec 2013	For year to 31 Dec 2012
	£000	£000
Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension assets	1,198	594
Experience losses arising on the scheme liabilities	(53)	(62)
Changes in assumptions underlying the present value of the scheme liabilities	106	(3,014)
Actuarial gain/(loss) recognised in STRGL	1,251	(2,482)
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(7,472)	(5,349)
Movements in year:		
- Contributions paid by the employer	465	420
- Other finance income/(charge)	1	(61)
- Actuarial gain/(loss)	1,251	(2,482)
Deficit in scheme at the end of the year	(5,755)	(7,472)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2013 was a net loss of £13,987,000 (2012: £15,238,000).

	2013	2012	2011	2010	2009
History of experience gains and losses					
Defined benefit obligations £000	33,165	32,538	28,700	26,432	24,191
Plan assets £000	27,410	25,066	23,351	23,873	21,685
Deficit £000	(5,755)	(7,472)	(5,349)	(2,559)	(2,506)
Difference between the expected and actual return on scheme assets					
amount £000	1,198	594	(1,796)	1,113	1,975
% of scheme assets	4%	2%	(8%)	5%	9%
Experience gains and losses on scheme liabilities					
amount £000	(53)	(62)	(52)	1,549	28
% of present value of scheme liabilities	<1%	<1%	<1%	6%	<1%
Total amount recognised in STRGL					
amount £000	1,251	(2,482)	(3,290)	(462)	(3,298)
% of present value of scheme liabilities	4%	(8%)	(11%)	(2%)	(14%)

Defined contribution scheme

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. During the year the company contributed £392,000 (2012: £387,000) to the scheme (note 4). There was £67,000 outstanding at the year end (2012: £nil).

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27. Financial instruments

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

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

Financial assets

The company funds certain trade customers with loans. Amounts at the balance sheet date are disclosed in note 13 to the accounts. The maturity profile of these assets is £105,000 (2012: £95,000) recoverable within one year and £73,000 (2012: £123,000) recoverable within one to five years. The balance is due after five years.

Of these loans £126,000 (2012: £182,000) is expected to be repaid in cash and £57,000 (2012: £60,000) is expected to be repaid by discounts. The level of discounts awarded and the interest charged depends on the trading performance of each customer against set targets.

Borrowing facilities

Borrowing facilities comprise a term loan of £10 million and an overdraft of £7 million. £6.2 million of these facilities were undrawn at 31 December 2013. Finance is also provided through preference shares, details of which are included in note 19.

Interest rate profile

Bank loans of £10,000,000 (2012: £9,000,000) bear interest at 2.47% at 31 December 2013 (2012: 2.02%).

Bank overdrafts of £773,000 (2012: £4,751,000) bear interest at 1.50% above Barclays Bank base rate which was 0.50% at 31 December 2013 (2012: 1.50% above Barclays Bank base rate of 0.5%).

Fair values of financial assets and liabilities

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

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

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 million.

28. Share Incentive Plan

The Adnams Share Incentive Plan (SIP) is open to all employees with 18 months service at the award date. A free award of shares based upon profitability of the company is made based upon employees' salary and capped at a maximum of £3,000 per person. The awarded shares are held in trust for five years with dividends accruing to employees during this period. Leavers before this time do not necessarily lose their right to these shares.

In the opinion of the directors the 2013 and 2012 share awards vest unconditionally at the balance sheet date and the total value of free shares awarded under the SIP scheme for 2013 and 2012 is disclosed in note 2 to the accounts.

These amounts also represent the year end liability and are included within accruals in note 16.

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

Corporate governance

Standards

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

The workings of the Board and its committees

During 2013 the Board comprised three Executive Directors and three Non-Executive Directors. The Board is responsible to shareholders for the proper management of the company. It meets monthly, setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, examining acquisition possibilities, formulating policy on key issues and reporting to shareholders.

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

In anticipation of changes to the Board during 2014, a Nominations Committee was convened in 2013. This comprised SM Sharp (Chairman), JPA Adnams and BF McIntyre.

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 judgments 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 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2013 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 the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Mark Handley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
NORWICH
19 March 2014

Grant Thornton UK LLP

Contact information

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Sole Bay Brewery
Southwold
Suffolk
IP18 6JW
T: 01502 727200
W: adnams.co.uk

Hotels
The Swan
Market Place
Southwold
Suffolk
IP18 6EG
T: 01502 722186

The Crown
High Street
Southwold
Suffolk
IP18 6DP
T: 01502 722275

Cellar & Kitchen stores
Southwold
4 Drayman Square
Southwold
Suffolk
IP18 6GB
T: 01502 727244

Holkham
The Old School House
Park Road
Holkham
Wells-next-the-Sea
Norfolk
NR23 1AB
T: 01328 711714

Woodbridge
Quay Point
Station Road
Woodbridge
Suffolk
IP12 4AU
T: 01394 386594

Stamford
Bath Row Warehouse
St Mary's Passage
Stamford
Lincolnshire
PE9 2HG
T: 01780 753127

Harleston
The Cardinal's Hat
23 The Thoroughfare
Harleston
Norfolk
IP20 9AS
T: 01379 854788

Saffron Walden
Old Auction Rooms
1 Market Street
Saffron Walden
Essex
CB10 1HZ
T: 01799 527281

Holt
8 White Lion Street
Holt
Norfolk
NR25 6BA
T: 01263 715558

Hadleigh
73/75 High Street
Hadleigh
Suffolk
IP7 5DY
T: 01473 827796

Bloomsbury
30/31 Store Street
Bloomsbury
London
WC1E 7QE
T: 020 7580 2443

Waterside Waterside Garden Centre
King Street
Baston
Peterborough
PE6 9NY
T: 01778 561510

Norwich
109 Unthank Road
Norwich
Norfolk
NR2 2PE
T: 01603 613243

The Wine Shop and
Adnams Tour Booking Office
Pinkney's Lane
Southwold
Suffolk
IP18 6EW
T: 01502 722138

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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Adnams plc
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