



A strong six months
of progress.
Our journey continues...

Profit and loss account

For 6 months to 30 June 2009

	Notes	Unaudited 6 months to 30.06.09 £000	Unaudited 6 months to 30.06.08 £000	Year to 31.12.08 £000
Turnover		23,364	21,878	47,065
Operating Expenses		(22,442)	(21,736)	(45,544)
Operating Profit		922	142	1,521
Profit on disposal of properties		38	-	421
Interest		(119)	(384)	(720)
Interest on pension scheme		41	94	105
Profit/(Loss) before Taxation		882	(148)	1,327
Taxation	2	(291)	34	(267)
Profit/(Loss) after Taxation		591	(114)	1,060
Earnings/(Loss) per Share	4			
'A' Shares of 25p each , Inc. property disposals (pence)		31.3	(6.0)	56.2
'B' Shares of £1 each , Inc. property disposals (pence)		125.2	(24.1)	224.7
'A' Shares of 25p each , Exc. property disposals (pence)		29.3	(6.0)	33.9
'B' Shares of £1 each , Exc. property disposals (pence)		117.1	(24.1)	135.4

Notes

1 Basis of Preparation

The interim accounts have been prepared under the accounting policies set out in the company's statutory accounts for the year ended 31 December 2008.

2 Taxation

The tax provision is calculated on operating profit at the estimated effective rate applicable for 2009. Interest is taxed at the basic rate of corporation tax. Property profits are assumed to be reinvested and the tax rolled-over.

3 Dividend

The interim dividend on ordinary shares will be £307,000 (65%) (2008: £302,000 (64%)) and will be paid on 1 October 2009 to those on the register at the close of business on 4 September 2009.

4 Earnings/(Loss) per Share

Earnings/(Loss) per Share is calculated by dividing the earnings/(loss) available to ordinary shareholders by the issued ordinary share capital of £471,842. The earnings per Share calculation is the same for basic and diluted earnings.

Chairman's report



A handwritten signature in black ink that reads "Jonathan Adnams".

Jonathan Adnams Executive Chairman

I am pleased to be able to report a much improved performance from your Company for the first six months of this year. Operating profits at £922,000 are very sharply higher than the £142,000 achieved last year. It is right and proper that companies regularly report their financial performance, but the results of particular periods can sometimes receive more praise or criticism than they properly deserve. They are merely snapshots from what should be a long-term story.

For Adnams 2008 was a very difficult year; we had expanded our operations aiming for substantial growth and we had opened five new Cellar&Kitchen stores which had to be nurtured through their early life. We reacted quickly to the economic downturn, but the costs of retrenching and reskilling contributed to a poor result. Having done this work we are much better placed and confident of seeing an improved performance in 2009. In the event this is what we achieved during the first six months, and in a number of areas we did better than we had expected.

The weather often receives a mention when it comes to performance in our sort of business. Generally it is poor weather that receives a mention. We think that it is worth bearing in mind that, aside from the snows of February, we had unusually favourable weather in much of this half year.

We flagged in our annual report that we might reconsider our policy of paying an interim dividend equal to 35% of the total dividend paid in the previous year. We have however decided to retain this policy and will be paying a dividend of 65p per 'B' share and 16.25p per 'A' share. This is a 1.6% increase on 2008.

The Brewing & Brands Business

It is most gratifying for a company such as Adnams, with a strong cask beer heritage, that this sector of the beer market has shown some revival. Industry statistics show that cask beer volumes were 1.0% higher in the first six months of 2009 than they were in the same period in 2008. However, for on-trade beer as a whole there was a decline of 5.3%. We were pleased to sell 2% more of our own beer in this period.

Those close to the pubs industry will be aware that the beer tie, the requirement for pubs to buy beer from the pub owner, has again been referred to the competition authorities, and a number of other concerns have been raised relating to the activities of pub owning companies. We try hard to be fair in our dealings with our licensees and the fact that some 93% of our beer is sold outside our tied estate makes us less sensitive to the impact of changes to the tie than are many others.

We have enjoyed success this year with beers both old and new. We revived the prize-winning Adnams Extra as a guest ale and we brewed a celebratory beer, William Godell. Our new bottled products, Lighthouse and Gunhill, grew strongly and helped towards a very good six months for our off-trade business, where volumes rose by 19%. Also successful in the off-trade was our mixed case offer, presented in a box modelled on our old beer cases. As well as selling our own beers, we have widened the range of other products that we can offer to customers. Notably, we will be distributing the Greek beer, Mythos, and building on the substantial sales growth that we achieved for Aspalls cider; we will be selling a new cider from Hogans. We are selling these drinks alongside Bitburger lager and the Meantime beers. Bitburger had a strong six months and as with our own beer, sales were ahead of 2008, a particularly good achievement in a premium lager market down by 8.6%.

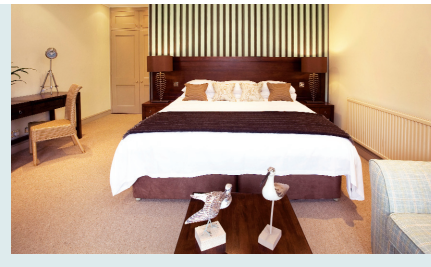
In the very tough circumstances in which the on-trade found itself this spring, we felt that the right policy was to hold our prices. This was well received and has helped us to grow distribution. Notable successes included gaining the custom of Ipswich Town Football Club and completing a three year sponsorship deal at Newmarket racecourse. These fit well with our emphasis on being a strong local brand in our heartland.



Shareholder visits Many of you have come along to one of our Shareholder opendays. Those who have visited tell us they enjoy the brewery and distribution centre tours, but most of all enjoy chatting to Adnams employees over a light lunch. Additional opendays are planned for 15 September and 30 October; please contact corrine.howard@adnams.co.uk if you wish to book a place.



William Godell In 1509 William Godell bequeathed Southwold Common to the Town and has forever since been celebrated as the 'father of Southwold'. To honour the 500th anniversary of his generous gift, we brewed Godell's beer. When he was alive, beer was predominantly brewed by women, so we handed the brewery over to women for the day to brew Godell's. It is available in 750ml bottle-conditioned bottles.



Lighthouse Rooms The Swan Hotel celebrated 350 years of welcoming guests to Southwold with the refurbishment of 16 rooms situated around our garden. We've renamed them The Lighthouse Rooms, because of the views of Southwold's lovely Victorian lighthouse. Well-behaved dogs are welcome to stay in these rooms too. The refurbishment is proving very popular, with guests (2 and 4 legged) giving them excellent reviews.

For some twelve years, London City Bond has distributed our wine range from their base in Barking, East London. Our Reydon distribution centre took over this role during this past half year. This gives us more direct control over customer service and lowers our costs. We have also been pleased to employ more local people. In addition we have taken over the National distribution for Norfolk brewer, Woodforde's.

The Retail Business

In March we made the first new pub acquisitions by Adnams for almost eight years when we bought three of Suffolk's best regarded pubs: The Butt & Oyster at Pin Mill, the Maybush at Waldringfield and the Ship at Levington. All have traded well and sales of our own beer within our tied estate were 6% ahead of the same period in 2008. The move to run the Bell in Walberswick as a managed house has also proved very successful. Building on this, from July we have taken over the management of Fritton House, a very fine property on the Somerleyton Estate, with a restaurant and rooms.

The hotels business had a good six months, despite the impact of reduced trade before Easter as a result of the Garden Rooms at the Swan being closed for refurbishment. They have since been reopened as the Lighthouse Rooms, and customer feedback has been very positive. Also successful has been the letting of the Brewer's House, which was refurbished last year.

The shops and wine business had a tough 2008, but we have seen very good growth in shop turnover in the

first six months, this was up by 45%, assisted by delivery of wines to trade customers. All our new stores improved their return, and our new Southwold store was particularly successful.

Treasury, Tax and Property

Our bank debt stood at £12.1 million at the start of this year, which was high relative to the depressed 2008 profits. We paid around £3m for the new pubs in March and debt at 30 June was £14.3m. Interest cover which was only 2.1 times in 2008 was over 7 times in the last six months, helped by low interest rates and improved profitability. We will pay more interest in the second half of the year, as bank margins have increased, but we feel that current debt levels are sustainable and we are reluctant to miss opportunities to buy valuable assets such as the pubs bought in March. We sold one pub towards the end of the six months: The Steam Packet in Norwich, where we realised a profit of £38,000.

We report again that the final cost of the Reydon distribution centre has not yet been agreed. Such matters, on a complex project, can take some time.

In 2008, the depreciation of Sterling led to a marked increase in the cost of our wine imports, particularly from the Euro area, but we have been pleased to see some strengthening of Sterling since the start of the year.

We continue to fight for capital allowances on the parts of the Reydon distribution centre that contribute towards temperature control.

Readers of our 2008 accounts will be aware that last year we lengthened the period of depreciation for some of our brewery assets. This had the effect of reducing our depreciation charge by £0.6m. We mentioned our review of depreciation in last year's interim accounts, but the financial impact was not reflected at that point. 2008 interim profits would have been about £0.3m higher had the depreciation change been shown in those accounts.

The Future

Adnams has seen many positive signs in the first six months of 2009, our brand remains strong, our reputation grows and we will continue to focus on building a business for the long term. In recent times we have witnessed many businesses and institutions destroy the trust vested in them, and at such times it is particularly important for others to retain trust and confidence. We have worked hard to gain that trust; our integrity is one of our key values.

It is clear that we face a period of considerable economic uncertainty. Whilst we have seen some revival after a gloomy start to 2009, it is quite possible that we will see another downturn in the not too distant future. Nonetheless, Adnams is a business that builds for the long term and whilst we will remain suitably cautious in the face of economic uncertainties we will also endeavour to seize opportunities when we see them.

Jonathan Adnams Executive Chairman