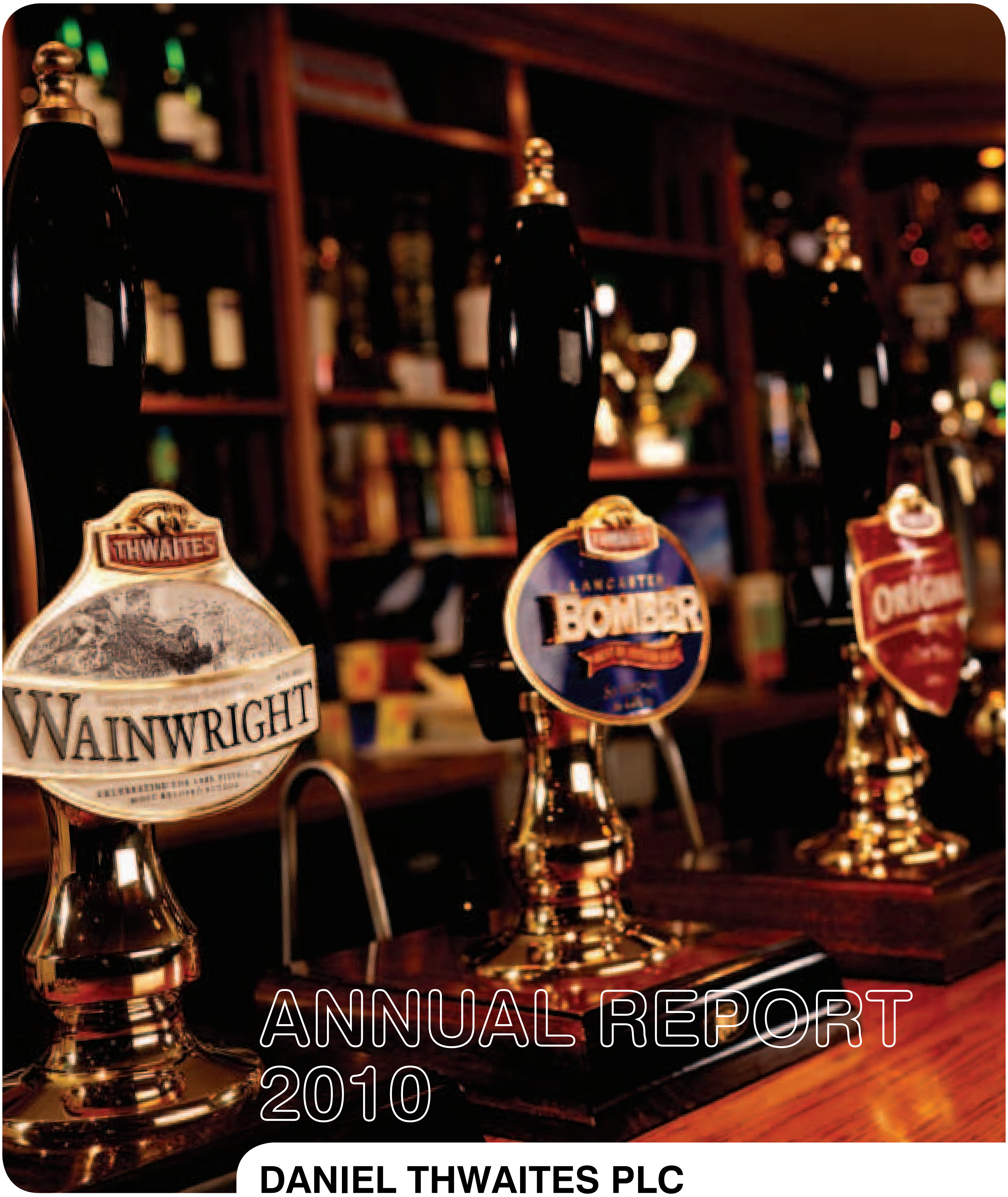
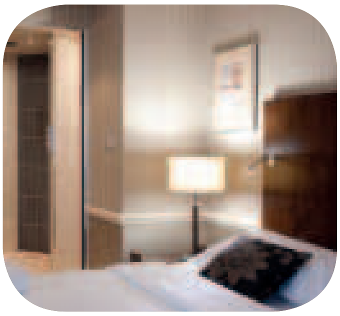


ANNUAL REPORT 2010

DANIEL THWAITES PLC

DANIEL THWAITES PLC

Annual Report and Accounts for the Year Ended 31st March 2010

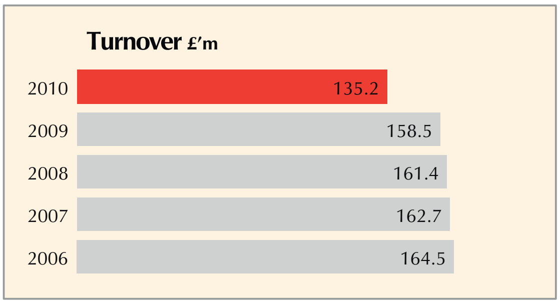
Contents

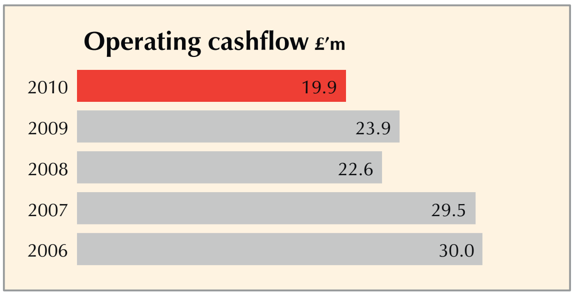
Financial Highlights

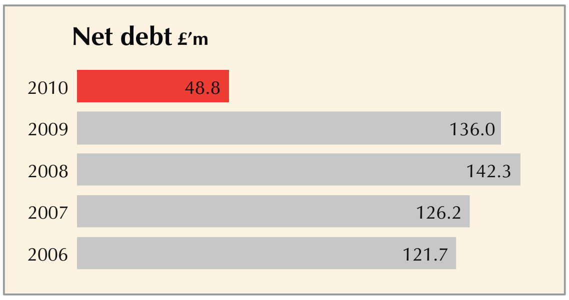
Daniel Thwaites PLC is an integrated brewer, pub retailer and hotelier.

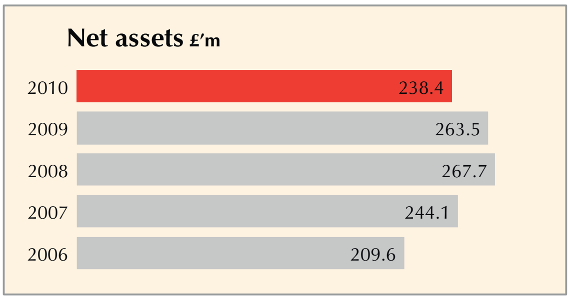
In difficult trading conditions we have acted decisively to put the business in a strong position for its future growth and development. We have:

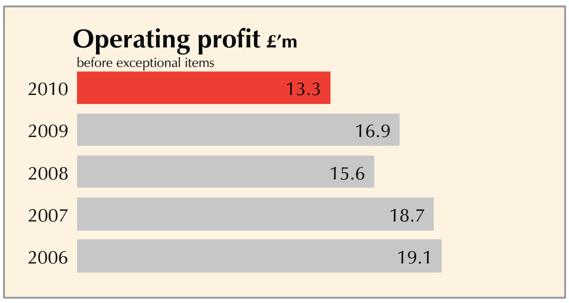
- Sold the Stafford Hotel, London in September 2009 for £77.5m
- Reduced our net debt from £136.0m at March 2009 to £48.8m at March 2010
- Closed the final salary pension scheme to further accrual
- Undertaken an extensive review and revaluation of our property portfolio
- Sold 15 pubs where we are not best placed to make future returns
- Withdrawn from marginal third party brewing contracts
- Increased focus on the development of our ale brands

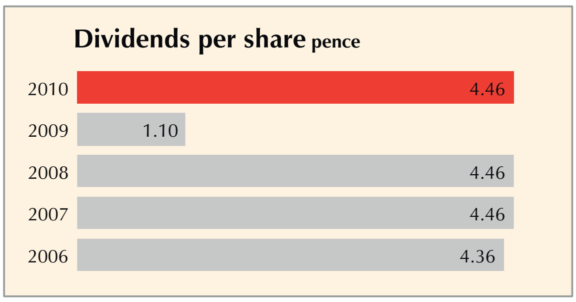












Chairman's Statement

Overview
Over the past few years we have received comments from a number of shareholders that they believe that our accounts do not provide as much information as those of some of our peer group.

We value greatly the loyal support of our broad shareholder base and their views and opinions. This year we have taken the first step to modernise the accounts and provide a more detailed insight into the business and its future direction. We hope that you find the new format informative.

We have placed many demands on our employees over the last few years as we have repositioned the business to underpin its future and provide it with sustainable growth prospects. We believe that our strategy of being an integrated brewer, owning well-invested pubs, developing fine ales under our own brands as well as operating a portfolio of regional hotels is sound and will provide us with long term earnings growth and a level of diversity to our income. I would like to thank our employees for their continued dedication and hard work.

The results for the year ended 31 March 2010 have been achieved against extremely difficult trading conditions in the north-west of England.

In our brewery and pub business beer volumes in the on-trade continued to be put under severe pressure as the effects of the recession impacted disposable incomes and consumer confidence, the government continued to increase duty by amounts far in excess of inflation and discounting by low priced operators and the supermarkets exacerbated on-trade declines. The business then suffered the impact of the coldest winter for 30 years.

In our hotel business profits and trade also suffered due to falling corporate demand which reduced both occupancy levels and room rates.

Results
Turnover for the Group dropped by 14.7% to £135.2m partly as a result of declining beer volumes and hotel occupancy, but also as a consequence of the decisions that we made to sell the Stafford Hotel, to withdraw from some marginal third party brewing contracts and to transfer the majority of our managed houses to tenancies.

Operating profit before exceptional items fell by 21.3% to £13.3m. Despite the difficult on-trade environment our brewery and pubs made an operating profit of £7.4m (2009 £7.6m), which was a creditable performance in the circumstances. As signalled in my interim report, the majority of the reduction in contribution was in our hotel business, where profits declined by £3.0m, £1.6m of which was due to the sale in September of the Stafford Hotel and the balance was the impact of reduced occupancy and room rates in our provincial business.

Sale of the Stafford and property valuation
The Stafford Hotel was sold for £77.5m in September 2009, a price that represented 28.7 times 2009 operating profits and which crystallised a gain on cost of £32.4m. Of this gain £14.3m is shown as an exceptional profit on the sale of subsidiary with the remaining £18.1m having been previously recognised through revaluations. The sale of the Stafford Hotel was concluded at what the Board believes was an excellent price. There was little synergy between this asset and the rest of our hotel interests and having divested of it, management time is now able to be more readily focused on re-establishing growth in our core provincial hotels.

In response to the challenges in the property market we carried out a thorough review of the valuations of our property portfolio and have accounted for a reduction in value of £34.2m, equal to approximately 10.3% of the total fixed asset value. Within this balance £18.2m represents a reduction against original cost and is charged to the profit and loss account and the balance of £16.0m is a reduction against previous upward revaluations.

Chairman's Statement
– continued

Financing
The combination of the sale of the Stafford Hotel and other actions we have taken to improve cash flow have led to a reduction in net debt of £87.2m, from £136.0m at 31 March 2009 down to £48.8m at 31 March 2010. We renegotiated our banking facilities during the year and put new facilities in place, which expire in 2012.

Whilst we substantially reduced our net debt during the year, interest costs reduced by only 12.3%, to £6.4m as a result of the impact of fixed interest rate swaps. The cost of these swaps will continue until interest rates increase above the fixed rates, however the cost will ease as interest rates climb.

Dividend
In my statement last year I said that your Board hoped to be able to reinstate the final dividend. An interim dividend of 1.10p (2009 1.10p) was paid in January 2010 and the Board recommends a final dividend of 3.36p (2009 £Nil), the same as that paid in 2008. This would make total dividends for the year of £2.8m.

Board changes
Richard Bailey, who has been a non-executive director for nine years, joined the executive management team as Business Development and Strategy Director on 1 November 2009.

Kevin Wood joined the Board as Group Finance Director on 25 March 2010.

Future prospects
The last few years have been very difficult ones. However, we have taken decisive action in each of them to address our costs, restructure the business, manage our cash flow carefully, reduce our net debt and put ourselves in a position to grow into markets where we are best placed to increase our profits and also future dividends.

We are currently undertaking a programme of investment into our pubs that will lift the overall quality of the estate and meet the demands of our customers. Furthermore, we will seek to acquire new properties selectively as attractive opportunities present themselves, both in the pub and hotel markets and our banking facilities put us in a strong position to do so.

Since the start of the year we have undertaken a review of our hotel business which has focused our management team to look for further efficiency gains and increase sales, both of which will help to recover profits.

We are committed to continuing to grow our business outside our pub and hotel estates, and our fine ales are increasingly finding resonance with drinkers and publicans, who value our high service levels, the quality of our products and the experience accumulated from over 200 years of trade.

Many of the challenges faced last year are likely to persist into the current one and beyond, and in some cases may increase as our politicians address the country's structural budget deficit. However, I remain confident entering the current year, despite uncertainties on many fronts, that we are in a strong position to react to whatever the year throws at us and am certain that the decisions and actions of the past two years will provide a base for future success.

Mrs Ann Yerburgh
29th June 2010 Chairman

Operating Review

Overview
This has been a year of significant restructuring within the business to meet the demands of the challenging trading environment.

The key actions taken during the year were as follows:

- Sold the Stafford Hotel, London in September 2009 for £77.5m
- Reduced our net debt from £136.0m at March 2009 to £48.8m at March 2010
- Closed the final salary pension scheme to further accrual
- Undertaken an extensive review and revaluation of our property portfolio
- Sold 15 pubs where we are not best placed to make future returns
- Withdrawn from marginal third party brewing contracts
- Increased focus on the development of our ale brands

Operating profit, before exceptional items, declined by £3.6m to £13.3m. The reduction was largely in our hotel business, due to the mid-year sale of the Stafford Hotel and the impact of the economic recession on hotel occupancy levels and room rates.

We have also carried out an extensive review of the valuation of our property portfolio which has resulted in an exceptional charge of £18.2m with a further £16.0m reduction in the revaluation reserve.

Brewery Operations

Pub business
The impact of the economic recession and increased discounting by low priced operators and the supermarkets has continued to impact volumes, which was further exacerbated by the coldest winter for 30 years. In our core estate of 377 pubs, the like for like volumes are down by approximately 10%. However, due to the successful transfer of the majority of our managed houses to tenancy arrangements, and the consequent simplification of our cost base, the profitability of our pub estate is broadly in line with last year.

We have integrated a new team of Area Business Managers and are starting to see positive results. In particular, the number of closed pubs was reduced by 60% during the year, and we have also seen a reduction in the proportion of the estate trading on temporary agreements.

The focus for the past year has been on tight cash flow management and on squeezing the best possible performance from our operations and significant asset base. Capital expenditure was scaled back due to the economic environment, with efforts concentrated on minor refurbishment projects. Where projects have been carried out the Board has set a return on capital target of 20%, which has been exceeded in the year. In the current year we have identified approximately fifty projects to upgrade our pubs where we believe similar returns are achievable.

We continue to actively churn the bottom end of our estate, and sold 15 properties during the year. We are also looking to build the quality of our estate and are actively pursuing opportunities to purchase good quality pubs, however we will invest carefully and where we do acquire those new pubs will be long term investments.

Brands
We are delighted by the success of our cask ales. In particular, Wainwright volumes increased by 29% year on year, as we expand our national distribution. Renewal of our hugely successful sponsorship of Lancashire Cricket Club was completed under the new brand banner of Wainwright.

Expansion of our signature ale range to 9 different seasonal brands has proved extremely popular, we have produced a number of one off ales with varied characteristics from 'Hops & Kisses' for Valentine's Day to 'Golden Wunder' celebrating Oktoberfest and 'Good Elf' for Christmas, on each occasion the brew runs have sold out. We continue to produce 'Liberation Ale' for Remembrance Sunday and donated £10,000 to the Royal British Legion Poppy Appeal.

We had another very successful year in free trade, as volumes grew by 1% in a market declining by approximately 7%. We are currently recruiting additional sales people in this area to drive the development of new business, with particular focus on our cask ale brands.

Operating Review
– continued

Brewery
We continued to review our brewery activities which led us to exit from marginal third party contracts. This not only resulted in improved profitability, but also allows us to concentrate on the production of our own beers and the development of our own brands.

We continue to focus on projects which improve our efficiency, reduce our exposure to utility cost increases, cut wastage and costs, and minimise our environmental impact.

Hotels and Inns

Hotels
Following the sale of the Stafford Hotel we now own and operate six full service quality regional properties with a total of 667 bedrooms.

Occupancy rates suffered during the year as many key customers were affected by the economic recession, resulting in a drop in corporate travel and conferences. In response to the falling demand and competitive pressures we reduced rates to attract leisure and opportunistic contract business. An extensive programme of cost efficiencies was implemented to partially mitigate the reduced demand.

Each of our hotels operates a spa facility and we were able to maintain membership levels such that subscription receipts were in line with the previous year.

Our hotels are well invested and therefore capital investment was scaled back to reflect economic conditions. However, we completed a major refurbishment project on the Veranda Suite at the Cottons Hotel, Knutsford which upgrades the facility and will allow the hotel to be competitive in its local market.

We were delighted that our North Lakes Hotel was awarded the Cumbria Tourist Board Business Tourism Award 2009/10.

Inns
We operate seven inns with a total of 156 bedrooms. The Inns are now operated by the Shire Hotel management team, which has allowed us to develop an operating model which has lead to improving profitability despite the economic environment. Now this operating model has been established we will be looking for opportunities to expand this area of the business.

The Lodge on the Park in Bristol was the first pub development in the UK to incorporate a Starbucks coffee shop, and was a finalist in the Catey awards for the best hotel of the year.

People
Once again it has been a demanding and challenging year for our staff, and we thank them for their hard work and support.

Following the sale of the Stafford Hotel, the transfer from managed houses to tenancies and the implementation of a number of cost reduction projects, average group headcount has reduced by 19% to 1,739.

We have recently completed a refurbishment project at our Blackburn head office to create a modern open plan working environment for our people, which is encouraging improved communication and team working.

A list of long serving employees is included on page 37, and we would like to thank them for their commitment and contribution to the business.

Summary
The Group has faced significant challenges due to the recession, but has taken decisive action to reduce levels of debt and rationalise the cost base to meet the challenges and opportunities ahead. Whilst this has undoubtedly caused some level of disruption in the current year a firm foundation has been built to drive future growth. Our hotels are well invested and the reduced level of debt gives us the opportunity to invest in improving the quality of our pub estate and in acquiring new assets selectively. We are proud of the quality of our beers and ales and will focus on improving brand awareness and distribution.

Financial Review

Results
Turnover for the year ended 31 March 2010 fell by 14.7% to £135.2m. Turnover in brewery operations fell by 13% to £96.1m due to declining volumes in our core estate, the transfer from managed pubs to tenancies and pub disposals, together with the exit from unprofitable production contracts. Turnover in the hotels and inns fell by 18.7% due to the sale of the Stafford Hotel in September 2009 and the reduction in demand as a consequence of the economic recession.

Operating profit before exceptional items fell by 21.3% to £13.3m. The fall in operating profit was largely in the hotels business due to the sale of the Stafford Hotel and the impact of the recession on both demand and room rates.

Exceptional items
Operating exceptional charges amount to £19.0m, and comprise a property impairment charge of £18.2m and other asset write downs and provisions totalling £0.8m.

The total property impairment amounts to £34.2m, of which £18.2m is a reduction against historic cost and is charged to the profit and loss account, and the remaining £16.0m is a reduction against the revaluation reserve. We have carried out a detailed review of our property portfolio and believe we have taken a prudent approach to valuations given the current property market.

The exceptional profit on the sale of subsidiary of £14.3m is in respect of the sale of the Stafford Hotel. The total profit against cost was £32.4m, of which £18.1m had previously been recognised through the revaluation reserve, leaving the balance of £14.3m to be recognised in the profit and loss account.

Interest payable
Net interest payable fell by £0.9m to £6.4m, although the reduction was not in proportion to the reduction in debt levels following the mid-year sale of The Stafford Hotel, due to the impact of fixed interest swaps of £75m, on which interest costs of £1.3m have been incurred following the sale. The Group will continue to incur this level of interest cost on the swaps until LIBOR increases to pre-recessionary levels.

Taxation
The tax charge on profit before exceptional items was £2.1m, an effective rate of 37%, due to an under provision in respect of previous years of £0.3m, which makes the current year effective rate 32%. There is no tax impact in respect of the exceptional items as the impairment charge is not subject to tax relief and the profit on sale of the subsidiary receives a substantial shareholding exemption.

Earnings per share
Earnings per share after exceptional items fell from 11.4p to a loss per share of 1.6p. Earnings per share before exceptional items fell from 14.1p to 5.7p.

Dividends
An interim dividend of 1.1p has been paid and the Board recommends a final dividend of 3.36p, which will make a total of 4.46p for 2010 (2009 1.10p).

Cash flow and financing
The Group's net borrowing reduced by £87.2m, from £136.0m at 31 March 2009 down to £48.8m at 31 March 2010. The sale of the Stafford Hotel generated net proceeds of £74.7m, working capital reduced by £1.6m and capital expenditure was matched by proceeds from disposals of properties and net receipts from trade loans.

The Group made contributions to the pension scheme of £4.5m (2009 £3.2m). Whilst this scheme was closed in August 2009, the Group is committed to funding the deficit on the scheme which was £14.7m at 31 March 2010.

The Group renegotiated its bank facilities during the year, and in addition to £45m of long term debt has bank facilities of £55m through to June 2012. These total facilities of £100m should be sufficient to meet the future needs of the Group.

Treasury policy and financial risk management
Treasury policies are subject to Board approval and are implemented by the Group Treasurer. All borrowings are in sterling and comprise a mixture of fixed interest loans and facilities carrying LIBOR related floating rates. The Group has interest rate swaps for £75m where it is committed to pay the difference between LIBOR and fixed interest rates.

Report of the Directors

The directors of Daniel Thwaites PLC submit their report and accounts for the financial year ended 31st March 2010.

Activities

The principal activities of the Group are the brewing and packaging of beer, the distribution of wines and spirits, and the operation of hotels and public houses.

Business review and future developments

This report should be read in conjunction with the Chairman's Statement and the Operating and Financial Reviews on pages 3 to 7, which are incorporated in this report by reference and which provide further details of the Group's activities during the year and likely future developments.

Dividends

The directors have recommended a final dividend of 3.36p to be paid on 30th July 2010 to shareholders on the register at close of business on 9th July 2010. This makes a total dividend for the year of 4.46p.

Directors

The names of the directors currently holding office are set out below:

J. M. A. Yerburgh, B.A.	*(President)*	
Mrs Ann Yerburgh, D.L.*	*(Chairman)*	
P. Morris, B.Sc.	*(Managing Director)*	
A. H. Spencer, B.Sc., M.I.H.	*(Managing Director Hotels)*	
K. D. Wood, M.Eng., A.C.A.	*(Group Finance Director)*	*Appointed 25th March 2010*
R. A. J. Bailey, A.C.A.	*(Business Development and Strategy Director)*	
† **P. A. Boddy**, B.A., M.B.A.*		
† **J. F. Dean**, F.R.I.C.S.*		

*Member of the Remuneration Committee
†Independent Non-Executive Director

Mr D. Lowe resigned from the Board on 28th August 2009.

In accordance with the Company's Articles of Association, Mrs A. J. M. Yerburgh and Mr A. H. Spencer retire by rotation and, being eligible, offer themselves for re-election.

Mr K. D. Wood having been appointed a director since the last Annual General Meeting also retires and, being eligible, offers himself for re-election.

None of the directors had any material interest during the year in any contract of significance in relation to the Group's business.

Risks and Uncertainties

Daniel Thwaites PLC is exposed to a variety of potential risks and uncertainties which may have a financial or reputational impact on the Group. This section, though not a comprehensive analysis of all the potential risks that could affect the business, outlines the principal risks and uncertainties facing the Group.

Competition

The Group operates in highly competitive markets and our ability to compete effectively very much depends on our success in distinguishing the quality of our products and services from those offered by others.

Report of the Directors
– continued

Operating Factors
Both brewery and hotel operations could be adversely affected by any lengthy interruption in supply or large cost increases from suppliers for utilities, raw materials, distribution or other fixed costs which cannot be passed on to customers.

Our business is very much reliant on the people we employ. Labour or skill shortages, higher employee turnover or failure to recruit and retain the best people would make it difficult to manage operations and as such may have a negative impact on profitability.

Economic and Consumer Issues
Any economic downturn could result in lower consumer spending and in turn lower revenues.

The popularity of our products and services is most reliant on our excellent reputation. Any litigation, complaint or adverse publicity, calling into question our quality, may have a negative impact on consumer perceptions of the Group.

As the Group finances itself through a mixture of fixed and floating rated borrowing, any increase in interest rates will affect the Group's cost of finance once the fixed positions have matured.

Pension Funding
The defined benefit pension schemes give rise to various risks. The main risk is additional contributions required from the Group to fund future deficits, which can arise from changes in life expectancy assumptions and the performance of stock markets and bond yields. This risk has been reduced by the closure of the defined benefit schemes to new entrants in 2001 and the closure to future accrual in 2009.

Regulation
The Group operates in areas subject to extensive regulatory requirements. The main areas of regulation affecting the business include licensing, disability, food hygiene, health and safety, gambling, noise and employment legislation including minimum wage and working time directives. Any complaint or intervention by regulatory authorities could have a material impact on the Group.

Fiscal Policies
Financial performance could be adversely affected by changes to rates of duty on alcoholic beverages, property rates, VAT, personal and other business taxes.

Key Performance Indicators

The key performance indicators, which the Group uses to monitor its overall position, can be summarised as follows:

Financial

- Outlet and departmental sales and profit performance
- Barrelage volumes produced and processed
- Hotel room occupancy levels and yield
- Return on capital investment
- Profit before taxation
- Earnings per share
- Cash flow from operations
- Gearing and interest cover

Non Financial

- Customer and employee reportable incidents
- Employee sickness and absence levels
- Levels of customer satisfaction
- Quality control audits

Directors' indemnity

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision, which is a qualifying third party indemnity provision, was in force throughout the current financial year and remains in force at the date of this report.

Report of the Directors
– continued

Employees

It is the policy of the Group to keep employees regularly informed on matters of importance and interest. The directors also give attention to all aspects of health and safety within the Group as well as giving disabled persons full and fair consideration in respect of employment, training, career development and promotion. There are also opportunities for employees who become disabled to continue in their employment or to be retained for other positions within the Group.

Employee share option scheme

Share schemes were introduced in 1998 which allowed certain employees and full time directors of the Group options to acquire shares. These are exercisable between three and ten years from the date of grant, subject to certain performance criteria being met. The existing schemes have now matured.

Supplier payment policy

Group companies agree the terms of payment in advance with each of their main suppliers linked to the date of delivery of goods or provision of services and the receipt of a correct invoice. It is Group policy to pay all other suppliers' invoices on or before the end of the following month.

At 31st March 2010 the Company had an average of 26 days purchases outstanding in trade creditors.

Charitable and political contributions

Charitable contributions amounting to £10,000 were made to the Royal British Legion. The Group made no political contributions.

Close company provisions

In the opinion of the directors the Company is a close company within the definition of the Income and Corporation Taxes Act 1988.

Directors' responsibilities in relation to the Company's auditor

The directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he or she ought to have taken as a director (i) to make himself or herself aware of any relevant audit information and (ii) to establish that the Company's auditor is aware of that information.

Auditor

KPMG Audit Plc have expressed their willingness to be re-appointed as independent auditor of the Company and a resolution will be proposed at the AGM for their re-appointment.

By order of the Board
Mrs S.I. Woodward, Secretary
29th June 2010

Corporate Governance

The Board has put in place a framework for Corporate Governance which it believes is appropriate to the Company. Your Board is committed to maintaining the highest standards, but is not required to comply with all aspects of the principles of good governance set out in the Combined Code on Corporate Governance.

The following statement describes how the Board has applied the principles of Corporate Governance.

The Board and Committees

The Board is headed by the Chairman and includes the President, four executive and two non-executive directors. All appointments to the Board are for a specified term. All directors are subject to re-election by rotation, one third of their number each year and their re-election is subject to shareholder approval. All newly appointed directors stand for re-election at the Annual General Meeting following their appointment. All the directors of the Company are resident in the UK and bring a wide range of skills and experience to the Board. The Board meets regularly throughout the year and has a formal schedule of matters reserved to it for approval including Group strategy, annual budgets, the rolling five year financial plan, general treasury and risk management policies.

Major capital acquisitions and disposals are authorised by the Board and they also monitor the post investment appraisals.

There is established procedure whereby directors, in furtherance of their duties, may take independent professional advice at the expense of the Company. The Board ensures that all directors continually update the skills and knowledge required to fulfil their role both on the Board and on board committees. All directors have access to the advice and services of the Company Secretary.

The Board has not established an Audit Committee as the directors consider that the current arrangements with the external auditor is effective. The Board regularly monitors and reviews the auditor's independence, objectivity and effectiveness. The auditor meets with the non-executive directors prior to the commencement of the audit and is invited to attend the board meeting at which the annual accounts are approved. The Board gives full consideration to all reports received from the auditor.

As all Board appointments are formally considered by the Board, there is no need for a Nominations Committee.

Remuneration report

The Remuneration Committee meets regularly and, having taken the relevant advice, determines on behalf of the Board the remuneration package of the executive directors and other senior executives of the Group. The Remuneration Committee aims to ensure that remuneration packages are competitive and designed to attract, retain and motivate directors and executives of the right calibre.

In particular, the Committee has regard to the levels of remuneration in the Group and in specific sectors and businesses with which Group companies compete and is also sensitive to salary levels in the wider community. The Group operates performance related reward policies, designed to provide the correct balance between fixed and variable remuneration.

Directors' responsibilities in relation to the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 of the Group and the Parent Company and of the profit or loss for that period.

Corporate Governance
– continued

Directors' responsibilities in relation to the Annual Report and the financial statements - continued

In preparing these financial statements, the directors are required to:

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

After making enquiries, the directors have satisfied themselves that the Parent Company and the Group have 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 financial statements.

The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal Control

The Board acknowledges its ultimate responsibility for all aspects of the system of internal control and risk management and for reviewing its effectiveness. During the year both the internal control and risk management systems have been reviewed by the Board.

In establishing these systems, the directors have considered the nature of the Group's business with regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The primary responsibility for the day to day operation of the systems of internal control and the identified primary risks facing the Group is delegated to the Managing Directors and Executive Directors of the Brewery and Hotel Operations divisional boards.

The following key features of the system, which have remained unchanged during the year, are:

- Reports to the Board from Operating Divisions on a regular basis
- Comprehensive annual budgeting with results reported monthly against budget
- Forecasts regularly updated and reported to the Board
- Cash flow forecasting on a rolling five year basis
- Capital expenditure feasibility reports with post completion appraisals
- Physical and computer security issues and contingency planning
- Well structured financial and administration functions reporting regularly to the Board
- Risk management review and monitoring of those risks

Investor Relations

Communications with shareholders are given a high priority with information provided regularly in interim and annual financial statements and any issues of concern can be addressed to the Board by any shareholder. All shareholders are encouraged to attend the Annual General Meeting where they are given an opportunity to question the Chairman and the Board.

Independent Auditor's Report to the Members of Daniel Thwaites PLC

We have audited the financial statements of Daniel Thwaites PLC for the year ended 31st March 2010 set out on pages 14 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 11 and 12, 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 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 the financial statements is provided on the APB's web-site at www.frc.org.uk/scope/uknp.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31st March 2010 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

M Newsholme (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Preston

29th June 2010

Group Profit and Loss Account

For the year ended 31st March 2010

	Note	2010 £'m Before exceptional items	2010 £'m Exceptional items	2010 £'m Total	2009 £'m Before exceptional items	2009 £'m Exceptional items	2009 £'m Total
Turnover	1	**135.2**	**–**	**135.2**	158.5	–	158.5
Cost of sales		**(101.2)**	**–**	**(101.2)**	(120.3)	–	(120.3)
Gross profit		**34.0**	**–**	**34.0**	38.2	–	38.2
Distribution costs		**(13.8)**	**–**	**(13.8)**	(13.6)	–	(13.6)
Administrative expenses		**(6.9)**	**(0.8)**	**(7.7)**	(7.7)	(2.3)	(10.0)
Property impairment		**–**	**(18.2)**	**(18.2)**	–	–	–
Operating profit (loss)	2	**13.3**	**(19.0)**	**(5.7)**	16.9	(2.3)	14.6
Property disposals		**(0.4)**	**–**	**(0.4)**	1.1	–	1.1
Profit on sale of subsidiary		**–**	**14.3**	**14.3**	–	–	–
Profit before interest		**12.9**	**(4.7)**	**8.2**	18.0	(2.3)	15.7
Net interest payable	4	**(6.4)**	**–**	**(6.4)**	(7.3)	–	(7.3)
Net interest on pension liability	9	**(0.8)**	**–**	**(0.8)**	0.6	–	0.6
Profit (loss) on ordinary activities before taxation		**5.7**	**(4.7)**	**1.0**	11.3	(2.3)	9.0
Taxation on profit for the year	5	**(2.1)**	**0.1**	**(2.0)**	(2.4)	0.6	(1.8)
Profit (loss) on ordinary activities after taxation	21	**3.6**	**(4.6)**	**(1.0)**	8.9	(1.7)	7.2

Earnings per share		**2010**	2009
Basic	7	**(1.6)p**	11.4p
Diluted	7	**(1.6)p**	11.4p

Statement of Total Recognised Gains and Losses

For the year ended 31st March 2010

	2010	2009
(Loss) profit on ordinary activities after taxation	**(1.0)**	7.2
Deficit on revaluation of land and properties	**(16.0)**	(0.3)
Recognised actuarial loss on pension schemes less related taxation	**(7.4)**	(8.6)
Total recognised gains and losses for the year	**(24.4)**	(1.7)

Note of Historical Cost Profits and Losses

For the year ended 31st March 2010

	2010	2009
Profit on ordinary activities before taxation	**1.0**	9.0
Difference between the historical cost depreciation charge and the actual depreciation charge for the year	**0.1**	0.1
Realisation of property revaluation gains of prior years	**1.2**	1.0
Historical cost profit on ordinary activities before taxation	**2.3**	10.1
Historical cost profit on ordinary activities after taxation	**0.3**	8.3

Group Balance Sheet

At 31st March 2010

	Note	2010 £'m	2009 £'m
Fixed assets			
Tangible assets	10	**296.9**	400.1
Investments	11	**13.5**	15.4
		310.4	415.5
Current assets			
Stocks	14	**4.5**	5.5
Debtors	15	**16.2**	16.4
Cash and bank balances		**6.7**	3.5
		27.4	25.4
Creditors due within one year			
Short term borrowings	16	**–**	(34.5)
Trade and other creditors	18	**(22.5)**	(20.6)
		(22.5)	(55.1)
Net current assets (liabilities)		**4.9**	(29.7)
Total assets less current liabilities		**315.3**	385.8
Creditors due after one year			
Loan capital	16	**(55.5)**	(105.0)
Provisions for liabilities and charges			
Deferred taxation	19	**(6.7)**	(7.4)
Net assets excluding pension liability		**253.1**	273.4
Net pension liability	9	**(14.7)**	(9.9)
Net assets including pension liability		**238.4**	263.5
Capital and reserves			
Called up share capital	20	**15.8**	15.8
Revaluation reserve	21	**100.0**	135.4
Profit and loss account	21	**122.6**	112.3
Equity shareholders' funds	22	**238.4**	263.5

The accounts on pages 14 to 35 were approved by the Board of directors on 29th June 2010 and signed on its behalf by

Mrs Ann Yerburgh
Chairman
Company Registered No. 51702

Group Cash Flow Statement

For the year ended 31st March 2010

	Note	2010 £'m	2009 £'m
Cash flow from operating activities		**19.9**	23.9
Returns on investments and servicing of finance		**(6.1)**	(7.3)
Tax paid		**(0.7)**	(0.4)
Capital expenditure and financial investment		**0.1**	(7.1)
Acquisitions and disposals	13	**74.7**	–
Equity dividends paid		**(0.7)**	(2.8)
Cash inflow before financing		**87.2**	6.3
Financing – decrease in debt		**(82.5)**	(3.5)
Increase in cash		**4.7**	2.8

	2010 £'m	2009 £'m
Reconciliation of net cash flow to movement in net debt		
Increase in cash	**4.7**	2.8
Cash outflow from decrease in debt	**82.5**	3.5
Movement in net debt in the year	**87.2**	6.3
Net debt at beginning of year	**(136.0)**	(142.3)
Net debt at end of year	**(48.8)**	(136.0)

	At 31st March 2010 £'m	Other changes £'m	Cash flows £'m	At 31st March 2009 £'m
Analysis of changes in net debt:				
Cash at bank and in hand	**6.7**	–	3.2	3.5
Bank overdrafts	**–**	–	1.5	(1.5)
	6.7	–	4.7	2.0
Debt due within one year	**–**	5.0	28.0	(33.0)
Debt due after one year	**(55.5)**	(5.0)	54.5	(105.0)
	(48.8)	–	87.2	(136.0)

Group Cash Flow Statement

For the year ended 31st March 2010

	2010	2009
	£'m	£'m
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit before property impairment	**12.5**	14.6
Non cash items		
– Depreciation	**8.5**	9.2
– Others including profit or loss on sale of plant and equipment	**1.8**	0.8
Defined benefit operating profit charge less contributions paid	**(4.5)**	(3.2)
Movement in working capital		
– Stocks	**0.7**	0.2
– Debtors	**(0.5)**	3.1
– Creditors	**1.4**	(0.8)
Net cash inflow from operating activities	**19.9**	23.9
Returns on investments and servicing of finance		
Interest paid	**(6.5)**	(7.7)
Interest and investment income received	**0.4**	0.4
Net cash outflow	**(6.1)**	(7.3)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(4.9)**	(14.4)
Receipts from sales of tangible fixed assets	**4.2**	7.0
Trade loans advanced	**(1.4)**	(3.1)
Trade loans repaid	**2.2**	3.1
Purchase of ESOP investments	**–**	(0.4)
Receipts from sales of ESOP investments	**–**	0.7
Net cash inflow (outflow)	**0.1**	(7.1)
Financing		
Debt due within one year		
– repayment of unsecured bank loans	**(28.0)**	(16.5)
Debt due after one year		
– additional unsecured bank loan	**5.5**	13.0
– repayment of unsecured bank loans	**(60.0)**	–
Net cash outflow	**(82.5)**	(3.5)

Parent Balance Sheet

At 31st March 2010

	Note	2010 £'m	2009 £'m
Fixed assets			
Tangible assets	10	**296.9**	335.1
Investments	11	**13.5**	15.4
Investment in subsidiary undertakings	12	**(0.7)**	43.3
		309.7	393.8
Current assets			
Stocks	14	**4.5**	5.3
Debtors	15	**16.2**	15.8
Cash and bank balances		**6.7**	2.8
		27.4	23.9
Creditors due within one year			
Short term borrowings	16	**–**	(34.5)
Trade and other creditors	18	**(22.5)**	(20.2)
		(22.5)	(54.7)
Net current assets (liabilities)		**4.9**	(30.8)
Total assets less current liabilities		**314.6**	363.0
Creditors due after one year			
Loan capital	16	**(55.5)**	(105.0)
Provisions for liabilities and charges			
Deferred taxation	19	**(6.7)**	(6.4)
Net assets excluding pension liability		**252.4**	251.6
Net pension liability	9	**(14.7)**	(9.9)
Net assets including pension liability		**237.7**	241.7
Capital and reserves			
Called up share capital	20	**15.8**	15.8
Revaluation reserve	21	**61.4**	78.7
Profit and loss account	21	**160.5**	147.2
Equity shareholders' funds	22	**237.7**	241.7

The accounts on pages 14 to 35 were approved by the Board of directors on 29th June 2010 and signed on its behalf by

Mrs Ann Yerburgh Chairman

Accounting Policies

Basis of preparation

The accounts are prepared under the historical cost convention, as modified by revaluations of certain land and buildings. The accounts are also prepared in accordance with applicable accounting standards.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the operating review on pages 5 to 6. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial review on page 7. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the forseeable future and for this reason they continue to adopt the going concern basis in preparing the annual financial statements.

Basis of consolidation

The consolidated accounts include the accounts of Daniel Thwaites PLC and all of its subsidiary undertakings made up to 31st March 2010.

Subsidiary undertakings are accounted for using the acquisition method. Under this method the Group profit and loss account and cash flow statement include the results and cash flows of subsidiaries from the date of acquisition to the period end.

Fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation is calculated on a straight line basis over the expected useful life of the asset. Freehold and long leasehold land is not depreciated. Freehold and long leasehold buildings are depreciated to write off the cost or valuation, less estimated residual value, over periods up to fifty years. Plant and equipment assets are depreciated over their expected useful lives which range from three to twenty five years.

Residual value is based on prices prevailing at the date of acquisition or subsequent valuation. Where, because of high estimated residual value, depreciation is immaterial, no depreciation is charged but an annual review for impairment is performed. Both residual values and useful lives are reviewed and adjusted, if appropriate, at each financial year end.

The profit or loss on disposal of properties is the difference between the net amount realised and book value. Valuation differences realised on disposal are transferred from the revaluation reserve to the profit and loss account reserve.

Land and properties include properties revalued by external valuers and the Group's own professionally qualified staff.

Each year 20% of all operational properties are revalued by external valuers in conjunction with the Group's own professionally qualified staff. Each of these properties will therefore be revalued once every five years and the revaluations incorporated in the financial statements.

The brewery freehold industrial buildings are stated at cost.

The surplus or deficit on book value is transferred to the revaluation reserve. Where a deficit or impairment is in excess of any previously recognised surplus over historical cost, the deficit or impairment is deducted from any aggregate surplus relating to properties of the same type. Where there is no such surplus or if the carrying value may not be recoverable, the deficit or impairment, if permanent, is charged to the profit and loss account.

Accounting Policies
– continued

Stocks

Stocks are consistently valued at the lower of cost and net realisable value. Cost comprises materials, labour and production overheads

Deferred taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Group's taxable profit and its financial profit as stated in the financial statements. These timing differences arise primarily from the differences between accelerated capital allowances and depreciation.

No provision is made for deferred tax on asset revaluations or when fixed assets are disposed of where it is more likely than not that the taxable gain will be rolled over.

Deferred tax is calculated on a non-discounted basis at the tax rates anticipated to apply in the periods in which the timing differences are expected to reverse.

Employee share ownership trust (ESOP)

Own shares held by the ESOP trust are treated as a deduction in arriving at shareholders' funds. Other assets and liabilities of the ESOP trust are included in the Group balance sheet.

Finance costs and administration expenses are charged in the profit and loss account as they accrue.

Executive share option scheme

The Group accounts for share option costs on a fair value basis computed by reference to the grant date. Fair value is measured by applying the Black-Scholes option pricing model and the resultant costs are expensed over the performance period to which the award relates.

Pensions

In respect of the Group's defined benefit pension schemes, assets are measured using market values and liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities expected to arise from employee service in the year is charged to operating profit. The expected return on assets and the increase during the year in the present value of liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The schemes' net deficit is recognised on the balance sheet net of related deferred tax.

The Group also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as incurred.

Financial instruments

The Group uses interest rate swaps to manage its exposure to movements in interest rates on both deposits and borrowings. Payments or receipts on interest rate swaps are included with net interest payable.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the Accounts

1. Turnover and segmental analysis

Turnover comprises sales to external customers, rents and other trading income, excluding value added tax.

	Turnover		Operating profit		Net assets	
	2010	2009	**2010**	2009	**2010**	2009
Segmental analysis	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Turnover, profit and capital employed of continuing operations:						
Brewery Operations	**96.1**	110.4	**7.4**	7.6	**184.7**	222.7
Hotels	**39.1**	48.1	**7.1**	10.1	**117.2**	186.7
Group central charges	**–**	–	**(1.2)**	(0.8)	**–**	–
	135.2	158.5	**13.3**	16.9	**301.9**	409.4
Exceptional items	**–**	–	**(19.0)**	(2.3)	**–**	–
	135.2	158.5	**(5.7)**	14.6	**301.9**	409.4
Net pension liability	**–**	–	**–**	–	**(14.7)**	(9.9)
Net debt	**–**	–	**–**	–	**(48.8)**	(136.0)
	135.2	158.5	**(5.7)**	14.6	**238.4**	263.5

Brewery Operations turnover is stated net of sales to Hotels £1.6m (2009 £1.3m).

2. Operating profit

	2010	2009
	£'m	£'m
Operating profit is arrived at after charging:		
Depreciation	**8.5**	9.2
Operating leases – plant and equipment	**0.4**	0.5
Operating leases – property	**0.1**	0.1
Exceptional item – restructuring costs	**–**	2.3
Exceptional item – other asset write downs and provisions	**0.8**	–
Exceptional item – property impairment	**18.2**	–

The total property impairment amounts to £34.2m, of which £18.2m is a reduction against historic cost and is charged to the profit and loss account, and the remaining £16.0m is a reduction against the revaluation reserve.

3. Auditor's remuneration

	£'000	£'000
Fees payable to KPMG Audit Plc:		
Statutory audit fees	**43.5**	32.5
Subsidiary audit fees	**–**	11.0
Tax advisory services	**57.0**	28.1
Pension scheme audit fees	**4.5**	4.4
Other services	**172.2**	67.2

4. Interest payable

	£'m	£'m
Interest payable:		
On bank loans and overdrafts	**3.5**	4.5
Other interest payable	**3.3**	3.2
	6.8	7.7
Interest receivable and similar income	**(0.4)**	(0.4)
	6.4	7.3

Notes to the Accounts
– continued

5. Taxation	2010 £'m	2009 £'m
The tax charge comprises:		
Current tax		
UK corporation tax at 28%	**0.6**	0.5
Adjustments in respect of prior years	**0.1**	(0.3)
Total current tax	**0.7**	0.2
Deferred tax		
Origination and reversal of timing differences	**0.1**	0.2
Adjustment in respect of pension liability	**1.0**	1.1
Adjustment in respect of prior years	**0.2**	0.3
Tax on profit for the year	**2.0**	1.8

The difference between the total current tax charge and the amount calculated at the standard rate of corporation tax in the UK of 28% is explained below:

	2010 £'m	2009 £'m
Profit on ordinary activities before tax	**1.0**	9.0
Current tax on profit on ordinary activities at standard rate of corporation tax	**0.3**	2.5
Fixed asset timing and other differences	**4.2**	(1.6)
Losses /(gains) on property disposals not subject to tax	**0.1**	(0.3)
Gain on disposal of subsidiary not subject to tax	**(4.0)**	–
Share based compensation expense	**–**	(0.1)
UK corporation tax for the year	**0.6**	0.5
Adjustments in respect of prior years	**0.1**	(0.3)
Current tax charge for the year	**0.7**	0.2

Factors that may affect future tax charges:

- The phased abolition of IBA and hotel allowances will reduce our claims for capital allowances going forward thus increasing future tax payable.
- No provision has been made for deferred tax on gains covered by rollover relief or on property revaluations. Such tax would only become payable if the assets were sold without it being possible to claim rollover relief. Details of the unprovided amounts are disclosed in note 19.

Notes to the Accounts
– continued

6. Dividends paid

	Dividend per share	2010 £'m	2009 £'m
2008 final	3.36p	–	2.1
2009 interim	1.10p	–	0.7
2009 final	–	–	–
2010 interim	1.10p	**0.7**	–
		0.7	2.8

The directors have recommended a final dividend in respect of 2010 of 3.36p per share for approval at the Annual General Meeting. This amounts to £2.1m but has not been reflected in the financial statements. The dividend is payable on 30th July 2010 to shareholders on the register on 9th July 2010.

7. Earnings per share

	2010 £'m	2009 £'m
(Loss) profit attributable to ordinary shareholders	**(1.0)**	7.2

	Number '000	Number '000
Weighted average number of ordinary shares in issue during the year	**62,999**	62,922
Potential dilutive effect of performance related share options	**64**	257
Diluted weighted average share capital	**63,063**	63,179
	Pence	Pence
Basic earnings per share	**(1.6)**	11.4
Diluted earnings per share	**(1.6)**	11.4

8. Staff Costs

	2010 £'m	2009 £'m
Wages and salaries	**23.6**	29.3
Social security costs	**1.9**	2.3
Other pension costs	**1.3**	1.7
Share option costs	**0.1**	0.2
	26.9	33.5

The average number of persons employed by the Group was:	Full time 2010	Full time 2009	Part time 2010	Part time 2009
Brewery Operations	**398**	523	**262**	451
Hotels	**653**	786	**426**	399
	1,051	1,309	**688**	850

Notes to the Accounts
– continued

9. Pension schemes

Defined contribution

Eligible employees are able to join the Group's defined contribution scheme, the assets of which are held separately from those of the Group in an independently administered fund. The pension charge to the profit and loss account represents contributions payable by the Group and amounts to £0.7m (2009 £0.3m).

Defined benefit

The Group operates two defined benefit schemes which were closed to new entrants with effect from 1st April 2001 and closed to future accrual with effect from 31st August 2009. The schemes are funded by contributions from the Group and, prior to closure, also from the employees. The assets of the schemes are held separately from the assets of the Group in trustee administered funds.

The last full actuarial valuation was carried out as at 1st January 2009 and has been updated at 31st March 2010 by a qualified actuary.

The main assumptions used by the actuary were:

	2010	2009
Pensionable earnings increases	**n/a**	4.0% to 5.0%
Expected return on assets	**7.6%**	7.7%
Rate of increase in pensions in payment	**3.0%**	3.0%
Discount rate	**5.5%**	7.2%
Price inflation	**3.75%**	3.25%
Cash commutation (proportion taken on retirement)	**50%**	50%
Mortality (1959 Scheme)	**SAPS MC U1.0%**	PXA92 Birth Year +2
Mortality (Supplementary Scheme)	**SAPS L MC U1.0%**	PXA92 Birth Year +2

The expected return on assets is derived from the assumptions of long term returns on each asset class, as set out later.

Life expectancies under the 1959 Scheme mortality assumptions are shown below:

	2010	2009
	Years	Years
Current pensioners (at 65) - males	**86**	83
Current pensioners (at 65) - females	**89**	86
Pensioners retiring in 20 years (at 65) - males	**88**	84
Pensioners retiring in 20 years (at 65) - females	**91**	87

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease 0.25%	increase 4.0%
Cash commutation (proportion taken on retirement)	decrease 25.0%	increase 3.0%
Rate of mortality (change to life expectancy)	increase 1 yr	increase 2.0%

9. **Pension schemes** - continued

The fair value of the assets in the schemes and their expected rates of return were as follows:

	Expected long term rate of return		Value	
	2010	2009	**2010**	2009
	%	%	**£'m**	£'m
Equities	**8.25**	8.25	**68.3**	46.3
Bonds	**5.25**	5.75	**10.3**	7.4
Gilts	**4.50**	3.75	**3.9**	3.1
Other	**0.50**	0.50	**0.8**	–
Fair value of schemes' assets			**83.3**	56.8
Present value of schemes' liabilities			**(103.7)**	(70.6)
Deficit in schemes			**(20.4)**	(13.8)
Unrecognised surplus*			**–**	–
Deficit recognised			**(20.4)**	(13.8)
Related deferred tax asset			**5.7**	3.9
Net pension liability			**(14.7)**	(9.9)

The difference between assets and liabilities is extremely volatile; it can alter very significantly depending on the date at which the measurements were carried out.

Following the sale of The Stafford Hotel Ltd all of the net pension liability is the responsibility of the Parent Company. Prior to the sale, the share of the net pension liability could not be allocated between employers and as such the whole amount was accounted for in the balance sheet of the Parent Company.

The Group expects to contribute £2.5m to its defined benefit pension schemes in the year to 31st March 2011.

	Scheme assets		Pension liabilities		Net deficit	
	2010	2009	**2010**	2009	**2010**	2009
Movement in deficit in the year:	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
At the beginning of the year	**56.8**	71.4	**(70.6)**	(74.3)	**(13.8)**	(2.9)
Current service cost	**–**	–	**(0.4)**	(1.4)	**(0.4)**	(1.4)
Past service cost	**–**	–	**(0.1)**	–	**(0.1)**	–
Curtailment gains	**–**	–	**(0.1)**	–	**(0.1)**	–
Contributions by employer	**5.1**	4.6	–	–	**5.1**	4.6
Contributions by members	**0.2**	0.4	**(0.2)**	(0.4)	**–**	–
Interest on pension liabilities	**–**	–	**(4.9)**	(4.8)	**(4.9)**	(4.8)
Expected return on scheme assets	**4.1**	5.8	**–**	–	**4.1**	5.8
Benefits paid	**(3.6)**	(3.8)	**3.6**	3.8	**–**	–
Actuarial gain (loss)	**20.7**	(21.6)	**(31.0)**	6.5	**(10.3)**	(15.1)
At the end of the year	**83.3**	56.8	**(103.7)**	(70.6)	**(20.4)**	(13.8)

9. **Pension schemes** - continued

Group Profit and Loss Account:	**2010 £'m**	2009 £'m
Pension costs charged against operating profit:		
Current service cost in respect of defined benefit schemes	**(0.4)**	(1.4)
Past service cost in respect of defined benefit schemes	**(0.1)**	–
Curtailment gain in respect of defined benefit schemes	**(0.1)**	–
Charge in respect of defined contribution scheme	**(0.7)**	(0.3)
	(1.3)	(1.7)
Net interest on pension liability:		
Expected return on pension scheme assets	**4.1**	5.8
Restriction to expected return due to unrecognised surplus*	**–**	(0.4)
Interest on pension scheme liabilities	**(4.9)**	(4.8)
	(0.8)	0.6
Total charge	**(2.1)**	(1.1)
Actual return on scheme assets	**24.8**	(15.8)
Amounts recognised in the statement of total recognised gains and losses:		
Actuarial loss	**(10.3)**	(15.1)
Effect of unrecognised surplus*	**–**	3.2
Gross recognisable actuarial loss	**(10.3)**	(11.9)
Deferred tax	**2.9**	3.3
Recognised actuarial loss on pension schemes less related tax	**(7.4)**	(8.6)

*The surplus in one of the defined benefit pension schemes is restricted to that amount that can be recovered in the future through reduced contributions.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses, prior to allowing for the effect of the restricted surplus, is a £27.1m loss (2009 £16.8m loss). The cumulative amount recognised after allowing for the effect of the restricted surplus is a £26.3m loss (2009 £16.0m loss). Note that these amounts refer to the cumulative amounts recognised in accounting periods ending on or after 31st March 2003 only.

9. Pension schemes - continued

Historical pension scheme information:	**2010 £'m**	2009 £'m	2008 £'m	2007 £'m	2006 £'m
Fair value of schemes' assets	**83.3**	56.8	71.4	72.5	67.4
Present value of schemes' liabilities	**(103.7)**	(70.6)	(74.3)	(85.4)	(87.4)
Deficit in schemes	**(20.4)**	(13.8)	(2.9)	(12.9)	(20.0)
Experience adjustments on scheme assets	**(20.7)**	(21.6)	(7.8)	(0.3)	9.9
Experience adjustments on scheme liabilities	**0.4**	(0.1)	(0.3)	2.3	(0.8)

The fair value of the schemes' assets are based on bid-value for 2007 onwards, compared to mid-value in previous valuations which have not been restated.

Relationship between the reporting entity and the trustees (managers) of the defined benefit schemes

The pension assets are held in separate trustee administered schemes to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees to the schemes is determined by the schemes' trust documentation. The Group is responsible for the appointment and removal of the trustees except for the four member nominated trustees of the Daniel Thwaites 1959 Pension Scheme and two member nominated trustees of the Daniel Thwaites Supplementary Pension Scheme who are elected by the membership and can only be removed with the consent of all the trustees.

Future funding obligations in relation to defined benefit schemes

The most recently completed triennial actuarial valuation of the Group's main retirement benefit schemes was performed by an independent actuary for the trustees of the schemes and was carried out as at 1st January 2009. Following the valuation, the Group has agreed to contribute £2.1m per annum payable monthly to the Daniel Thwaites 1959 Pension Scheme for a period of 2 years from 1 May 2010, followed by £3m per annum payable monthly for a period of 4 years from 1 May 2012. In addition, for the period 1 May 2010 to 30 April 2012, additional contributions of up to £1.25m per annum may be payable if certain of the Group's costs are lower than expected. The Group will also pay the amount of the PPF levy as requested. The Group has agreed with the trustees that it will aim to eliminate the deficit over the next six years.

Following the valuation of the Daniel Thwaites Supplementary Pension Scheme, the Group has agreed to contribute £0.3m per annum payable monthly to the Scheme for a period of 10 years and 6 months from 1 May 2010 in order to eliminate the deficit over this period. The Group will also pay the amount of the PPF levy as requested.

The next triennial valuations are due to be completed as at 1 January 2012. The Group consider that the contribution rates agreed with the Trustees at the last valuation date are sufficient to eliminate the deficits over the agreed periods and to cover the expenses of running the Schemes.

The schemes provide death-in-service benefits which are insured and the Group pays these insurance premiums directly as requested.

The Group has agreed the following funding objectives with trustees:

- Where a scheme is in deficit, to return the ongoing funding level of that scheme to 100% of the projected past service liabilities within a period of six years for the 1959 Scheme and ten years and six months for the Supplementary Scheme measured in accordance with the basis specified in the trustees' Statement of Funding Principles;
- Once the funding level of each scheme is 100% of the projected past service liabilities, to maintain funding at least at this level.

The levels of contributions are based on the current service costs and the expected future cashflows of the defined benefit schemes. The Group estimates the present value of the duration of UK scheme liabilities on average fall due over 19 years.

Notes to the Accounts
– continued

10. Tangible fixed assets	Land and properties £'m	Freehold industrial premises £'m	Plant and machinery £'m	Fixtures and fittings £'m	Total £'m
Group					
Cost or valuation:					
At 31st March 2009	333.5	7.5	38.3	146.5	525.8
Capital expenditure	0.9	–	0.7	3.6	5.2
Disposals	(57.6)	–	–	(22.2)	(79.8)
Revaluation	(16.1)	–	–	–	(16.1)
Property impairment	(18.2)	–	–	–	(18.2)
At 31st March 2010	242.5	7.5	39.0	127.9	416.9
Accumulated depreciation:					
At 31st March 2009	1.3	3.6	25.8	95.0	125.7
Charge for the year	0.3	0.2	1.3	6.7	8.5
Disposals	(0.1)	–	–	(14.0)	(14.1)
Revaluation	(0.1)	–	–	–	(0.1)
At 31st March 2010	1.4	3.8	27.1	87.7	120.0
Net book value 31st March 2010	**241.1**	**3.7**	**11.9**	**40.2**	**296.9**
31st March 2009	332.2	3.9	12.5	51.5	400.1

As at 31st March 2010, in accordance with Group policy, 20% of brewery operational premises were revalued by external valuers, Messrs. Fleurets, Chartered Surveyors and the Company's own professionally qualified staff. The valuation was to the basis of Existing Use Value in respect of these properties in accordance with the RICS Valuation Standards, Sixth Edition. In addition, an impairment review was carried out on the remainder of the estate, with 25% valued by Messrs. Fleurets on the same basis as above and the other 75% by internal qualified surveyors.

At the same date two of the hotel properties were revalued by external valuers, Christie & Co., Surveyors, Valuers and Agents. The trading properties were valued to the basis of Existing Use Value as fully operational individual hotel units and the ancillary properties were valued at Market Value in accordance with the RICS Valuation Standards, Sixth Edition.

	2010 £'m	2009 £'m
Land and properties at cost or valuation:		
Freehold	**207.6**	295.8
Long leasehold	**34.9**	37.7
	242.5	333.5
Cost or valuation of land and properties:		
As valued 2010	**87.6**	–
As valued 2009	**52.8**	75.3
As valued 2008 and prior	**87.5**	197.6
At cost	**14.6**	60.6
	242.5	333.5
The historical cost of land and properties shown above:		
Cost	**142.2**	197.8
Accumulated depreciation	**(1.1)**	(1.0)
Net book value	**141.1**	196.8

10. **Tangible fixed assets** - continued	Land and properties £'m	Freehold industrial premises £'m	Plant and machinery £'m	Fixtures and fittings £'m	Total £'m
Parent					
Cost or valuation:					
At 31st March 2009	275.6	7.5	38.3	128.6	450.0
Capital expenditure	0.7	–	0.7	3.6	5.0
Disposals	(2.9)	–	–	(4.3)	(7.2)
Intra group transfers	3.4	–	–	–	3.4
Revaluation	(16.1)	–	–	–	(16.1)
Property impairment	(18.2)	–	–	–	(18.2)
At 31st March 2010	242.5	7.5	39.0	127.9	416.9
Accumulated depreciation:					
At 31st March 2009	1.3	3.6	25.7	84.3	114.9
Charge for the year	0.3	0.2	1.4	6.3	8.2
Disposals	(0.1)	–	–	(2.9)	(3.0)
Revaluation	(0.1)	–	–	–	(0.1)
At 31st March 2010	1.4	3.8	27.1	87.7	120.0
Net book value 31st March 2010	**241.1**	**3.7**	**11.9**	**40.2**	**296.9**
31st March 2009	274.3	3.9	12.6	44.3	335.1

	2010 £'m	2009 £'m
Land and properties at cost or valuation:		
Freehold	**207.6**	237.9
Long leasehold	**34.9**	37.7
	242.5	275.6
Cost or valuation of land and properties:		
As valued 2010	**87.6**	–
As valued 2009	**52.8**	75.3
As valued 2008 and prior	**65.3**	108.1
At cost	**36.8**	92.2
	242.5	275.6
The historical cost of land and properties shown above:		
Cost	**180.8**	196.6
Accumulated depreciation	**(1.1)**	(1.0)
Net book value	**179.7**	195.6

Notes to the Accounts
– continued

11. Investments	Trade loans and other investments £'m
Group and Parent	
Cost:	
At 31st March 2009	15.6
Additions	1.4
Disposals and repayments	(2.9)
At 31st March 2010	14.1
Provision for diminution in value:	
At 31st March 2009	0.2
Increase in year	0.4
At 31st March 2010	0.6
Net book value 31st March 2010	**13.5**
31st March 2009	15.4

12. Investment in subsidiary undertakings	Shares £'m	Loans £'m	Total £'m
Cost less amounts written off:			
At 31st March 2009	10.5	32.8	43.3
Movements	(0.1)	(43.9)	(44.0)
At 31st March 2010	**10.4**	**(11.1)**	**(0.7)**

At 31st March 2010 the trading subsidiary undertaking is Yerburgh Estates Limited which is wholly owned and is registered and operates in England and Wales. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

13. Sale of subsidiary undertaking

On 16th September 2009, the Group sold The Stafford Hotel Limited, a wholly owned subsidiary, for £77.5m in cash. As the disposal did not represent a material change in the nature and focus of the Group's operations, it has been treated as a continuing operation in the profit and loss account. The profit of The Stafford Hotel Limited up to the date of disposal was £1.6m, and for the last financial year was £2.7m.

Net assets disposed of and the related sale proceeds were as follows:	**£'m**
Tangible fixed assets	61.6
Stocks	0.3
Debtors	0.4
Creditors	(0.9)
Deferred taxation	(1.0)
	60.4
Profit on disposal	14.3
Net sale proceeds	74.7

Notes to the Accounts
– continued

14. Stocks	Group 2010 £'m	Group 2009 £'m	Parent 2010 £'m	Parent 2009 £'m
Raw materials and consumables	**1.7**	2.1	**1.7**	2.1
Work in progress	**0.2**	0.3	**0.2**	0.3
Finished goods and goods for resale	**2.6**	3.1	**2.6**	2.9
	4.5	5.5	**4.5**	5.3

15. Debtors	£'m	£'m	£'m	£'m
Due within one year				
Trade debtors	**13.7**	12.9	**13.7**	12.6
Other debtors	**0.4**	1.3	**0.4**	1.1
Corporation tax	**0.6**	0.2	**0.6**	0.3
Prepayments and accrued income	**1.3**	1.8	**1.3**	1.6
	16.0	16.2	**16.0**	15.6
Due after one year				
Prepayments and accrued income	**0.2**	0.2	**0.2**	0.2
	16.2	16.4	**16.2**	15.8

16. Loan capital and other borrowings	2010 £'m	2009 £'m
Group and parent		
Unsecured loans and overdrafts:		
Bank loans repayable by annual instalments	–	14.0
Bank loans - revolving credit facilities	**10.5**	79.0
Overdrafts	–	1.5
	10.5	94.5
Other secured borrowings:		
Term loan	**45.0**	45.0
	55.5	139.5

The term loan is secured by a first floating charge over all of the assets of the Parent Company and certain subsidiaries and bears interest at an average fixed rate of 7.02% per annum. The term loan is repayable by ten equal annual instalments commencing on 16th December 2025.

Borrowings are repayable as follows:	2010 £'m	2009 £'m
After five years	**45.0**	45.0
Between two and five years	**10.5**	50.0
Between one and two years	–	10.0
	55.5	105.0
On demand or within one year	–	34.5
	55.5	139.5

16. Loan capital and other borrowings - continued

Borrowing facilities:

The Group has the following undrawn committed borrowing facilities available:

	2010	2009
	£'m	£'m
Expiring within one year	**3.0**	14.0
Expiring after two years	**44.5**	–
	47.5	14.0

17. Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. All financial assets and liabilities are denominated in sterling.

The Financial Review on page 7 provides an explanation of the Group's funding, liquidity and interest rate management policies. Amounts disclosed exclude short term assets and liabilities except cash and liquid resources, overdrafts and current instalments of loan capital.

After taking into account interest rate swaps entered into by the Group the interest rate profile of the Group's borrowings was as follows:

Analysis of interest rate profile:	Total net debt £'m	Net borrowings Floating rate £'m	Fixed rate £'m	Weighted average of fixed borrowings Interest rate	Period in years
At 31st March 2010	**48.8**	**–**	**48.8**	**6.78%**	**15**
At 31st March 2009	136.0	16.0	120.0	5.08%	16

Net borrowings include bank loans linked to LIBOR; the effect of the Group's interest rate swaps is to treat £3.8m (2009 £75m) of net borrowings in the table above as fixed. Where swaps are callable at the banks' only option, the duration of the instrument is taken to be the earliest callable date. Interest on bank balances and overdrafts is based on floating rates linked to base rate.

Fair values of primary financial instruments:	Carrying value		Fair value	
	2010	2009	**2010**	2009
	£'m	£'m	**£'m**	£'m
Trade loans	**13.5**	15.4	**13.5**	15.4
Cash and short term borrowings	**6.7**	(31.0)	**6.7**	(31.0)
Loan capital	**(55.5)**	(105.0)	**(83.3)**	(124.0)
Interest rate swaps	**–**	–	**(10.1)**	(10.8)

The fair value of loan capital is calculated by discounting all future cash flows at the Group's current incremental rate of borrowing.

Notes to the Accounts
– continued

18. Trade and other creditors	Group 2010 £'m	Group 2009 £'m	Parent 2010 £'m	Parent 2009 £'m
Due within one year				
Trade creditors	**11.4**	7.6	**11.4**	7.4
Other taxation and social security	**2.9**	3.6	**2.9**	3.6
Other creditors	**2.1**	2.3	**2.1**	2.3
Accruals and deferred income	**6.1**	7.1	**6.1**	6.9
	22.5	20.6	**22.5**	20.2

19. Deferred taxation	Group £'m	Parent £'m
Deferred taxation is provided in the accounts at 28% as follows:		
At 31st March 2009	7.4	6.4
Profit and loss account	0.3	0.3
Transfer on disposal of subsidiary	(1.0)	–
At 31st March 2010	**6.7**	**6.7**

The elements of deferred taxation are as follows:	Group 2010 £'m	Group 2009 £'m	Parent 2010 £'m	Parent 2009 £'m
Accelerated capital allowances	**6.7**	7.4	**6.7**	6.4

Unprovided deferred taxation:	Group 2010 £'m	Group 2009 £'m
Rolled over gains	**2.5**	2.4
Revaluation of fixed assets	**1.4**	9.7
	3.9	12.1

Deferred taxation relating to the Group's defined benefit pension schemes is disclosed in note 9.

20. Called up share capital	Authorised 2010 £'m	Authorised 2009 £'m	Allotted and Fully Paid 2010 £'m	Allotted and Fully Paid 2009 £'m
Ordinary shares of 25p each	**20.0**	20.0	**15.8**	15.8

	2010	2009
Number of options outstanding under the Executive Share Option Scheme:		
At the beginning of the year	**1,277,500**	1,433,500
Lapsed during the year	**(210,000)**	(156,000)
At the end of the year	**1,067,500**	1,277,500
Weighted average exercise price of options	**£3.34**	£3.29

Share options are exercisable up to 3rd September 2017 at prices between £1.45 and £4.58 per ordinary share depending upon the date of grant.

At 31st March 2010 793,000 share options with a weighted average exercise price of £3.10 were exercisable (2009 646,000 at £2.29).

Notes to the Accounts
– continued

21. Statement of movements on reserves	Revaluation reserve £'m	Profit and Loss account £'m
Group		
At 31st March 2009	135.4	112.3
Loss for the year	–	(1.0)
Recognised actuarial loss on pension schemes less related tax	–	(7.4)
Dividends paid	–	(0.7)
Transfer on disposal of properties	(1.2)	1.2
Transfer on disposal of subsidiary	(18.1)	18.1
Deficit on revaluation	(16.0)	–
Revaluation element of depreciation charge	(0.1)	0.1
At 31st March 2010	**100.0**	**122.6**

At 31st March 2010 the market value of own shares held in the ESOP trust was £nil (2009 £nil).

Parent		
At 31st March 2009	78.7	147.2
Profit for the year (including subsidiary dividends)	–	20.1
Recognised actuarial loss on pension schemes less related tax	–	(7.4)
Dividends paid	–	(0.7)
Transfer on disposal of properties	(1.2)	1.2
Deficit on revaluation	(16.0)	–
Revaluation element of depreciation charge	(0.1)	0.1
At 31st March 2010	**61.4**	**160.5**

The profit after taxation dealt with in the accounts of the Parent was £20.1m (2009 £4.9m).

Under Section 230 of the Companies Act 1985, a separate profit and loss account for the Parent Company is not presented.

22. Reconciliation of movement in shareholders' funds	**2010 £'m**	2009 £'m
Group		
At the beginning of the year	**263.5**	267.7
Total recognised losses for the year	**(24.4)**	(1.7)
Dividends paid	**(0.7)**	(2.8)
Consideration paid for own shares	**–**	(0.4)
Proceeds of own shares sold	**–**	0.7
At the end of the year	**238.4**	263.5
Parent		
At the beginning of the year	**241.7**	248.5
Total recognised losses for the year	**(3.3)**	(4.0)
Dividends paid	**(0.7)**	(2.8)
	237.7	241.7

Notes to the Accounts
– continued

23. Future capital expenditure	Group **2010** **£'m**	2009 £'m	Parent **2010** **£'m**	2009 £'m
Contracted for but not provided in the accounts	**0.7**	0.8	**0.7**	0.4

24. Lease commitments	Plant and equipment **2010** **£'m**	2009 £'m	Property **2010** **£'m**	2009 £'m
Annual payments under operating leases terminating:				
Within one year	**0.2**	0.1	**–**	–
One to five years	**0.2**	0.4	**–**	–
Over five years	**–**	–	**0.1**	0.1
	0.4	0.5	**0.1**	0.1

25. Directors' remuneration	**2010** **£'000**	2009 £'000
Aggregate amount:		
Directors' emoluments	**842.3**	960.5
Compensation payments	**201.0**	–
Company pension contributions to money purchase schemes	**–**	14.4
	1,043.3	974.9
Highest paid director:		
Aggregate emoluments	**209.3**	203.0
Company pension contributions to money purchase schemes	**–**	–

Retirement benefits are accruing to one director under the Group's defined benefit pension schemes (2009 one).

Directors' remuneration includes salary, fees, bonus and benefits in kind which comprise the provision of a fully expensed motor car and private health insurance.

Additional remuneration is paid to executive directors who have made their own pension provision or supplied their own motor car for business use.

The following table shows the ranges into which individual directors' remuneration fell:

	2010 **Number**	2009 Number
£0 - £26,000	**2**	3
£26,001 - £100,000	**4**	3
£100,001 - £260,000	**3**	4

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at The Cottons Hotel & Spa, Manchester Road, Knutsford, WA16 0SU on Thursday 29th July 2010 at 12.00 p.m. for the transaction of the following business:

Ordinary Business:

1. To receive and adopt the accounts for the year ended 31st March 2010 and the reports of the directors and the auditor, and to declare a final dividend.

2. To re-elect Mrs A.J.M. Yerburgh as a director.

3. To re-elect Mr A.H. Spencer as a director.

4. To re-elect Mr K.D. Wood as a director.

5. To confirm the remuneration of the directors.

6. To re-appoint KPMG Audit Plc as auditor and authorise the directors to determine their remuneration.

As a member of the Company entitled to attend and vote at the meeting convened by this notice you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend and to speak and vote in your place at the meeting. Your proxy need not be a member of the Company.

You may appoint more than one proxy in relation to the meeting convened by this notice provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. **A proxy form is enclosed on page 41.**

By order of the Board
Mrs S. I. Woodward, A.C.I.S.
Secretary

Star Brewery
Blackburn
2nd July 2010

Note: Copies of directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours until 28th July 2010 and from 10.45 a.m. on 29th July 2010 at The Cottons Hotel & Spa, Manchester Road, Knutsford, WA16 0SU until the conclusion of the meeting.

Long Serving Employees

Daniel Thwaites is justly proud of its record as an employer, which is apparent with the number of long serving employees. In recognition of their loyalty the Company publishes, every five years, a full list of employees who have completed a minimum of 20 years service.

During the year the following employees have completed the relevant years of service with the Group:

40 Years Service

Distribution
Ms J Batty

Production
Mr J McGowan

Shire Hotels
Mr S Shaw

35 Years Service

Administration
Mr R Lowcock

Engineers
Mr F Miller

Production
Mr M L Gohil

30 Years Service

Distribution
Mr K Chew
Mr W Mercer

Engineers
Mr J M Cawley

Production
Mr G M Bennett
Mr R G Prescott

Technical Services
Mr B Makin

25 Years Service

Administration
Mr M A Chester
Mr J L Cooper
Mrs L Jepson

Pub Division
Mrs D Salmon

Technical Services
Mr S J Johnston

Shire Hotels
Mrs E M Pollard
Mr M P Riordan

20 Years Service

Distribution
Mr L Cowell
Mr S Fox
Mr M A Raszler

Production
Mr R Nelson

Pub Division
Mrs B A Morgan

Technical Services
Miss L Bradshaw

Shire Hotels
Mr C J Armstrong
Miss J A Bowness
Mr A W Penny
Mrs J E Waterworth

Shareholders' Information

Registered Office
Star Brewery
Blackburn
Lancashire
BB1 5BU
Telephone: 01254 686868
Email:
info@danielthwaites.com
info@shirehotels.com

Company Secretary
Mrs S.I. Woodward, A.C.I.S.

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield, HD8 0LA

Telephone: 0871 664 0300
(Calls cost 10p per minute plus network extras)
Website: www.capitaregistrars.co.uk

Auditor
KPMG Audit Plc
Edward VII Quay
Navigation Way
Ashton-on-Ribble
Preston, PR2 2YF

Financial Calendar

Annual General Meeting
Thursday 29th July 2010
12.00pm at Cottons Hotel & Spa, Knutsford

Announcement of half year results
November 2010

Interim Dividend
January 2011

Recent Dividends
Interim 2008/09 1.10p
Interim 2009/10 1.10p

Registered Number
51702

Share price information
The Company's share price is quoted daily in the Financial Times under the PLUS facility section.

Further information about the Company is available via the internet on the following websites:

www.thwaites.co.uk
www.danielthwaitesplc.com
www.shirehotels.com

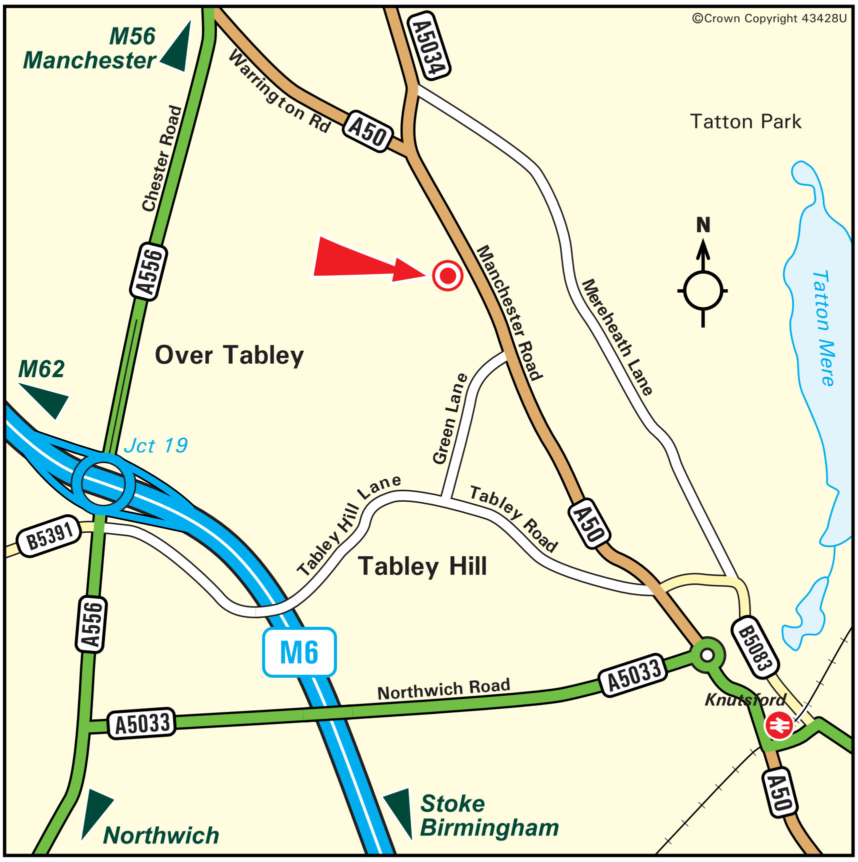
Shareholders' Notes

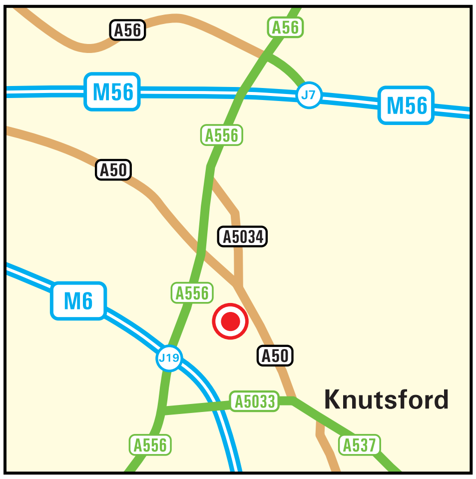
Daniel Thwaites PLC

ANNUAL GENERAL MEETING
DIRECTIONS

Our Annual General Meeting this year will be held at Cottons Hotel & Spa, Manchester Road, Knutsford, Cheshire, WA16 0SU.

The map below shows the location of Cottons Hotel & Spa.





The Hotel is situated 1 mile out of Knutsford on the A50 Macclesfield to Warrington Road – just 1 mile from junction 19 of the M6 and 2 miles from junction 7 of the M56.

If you are travelling by rail, the nearest station is Knutsford.

Daniel Thwaites PLC

ANNUAL GENERAL MEETING

FORM OF PROXY (for use by ordinary shareholders)

I/We, the undersigned being (a) member(s) of Daniel Thwaites PLC,

hereby appoint the Chairman of the Meeting or ....
(Note 1) as my/our proxy to vote on my/our behalf at the Annual General Meeting on 29th July 2010 and at any adjournment thereof. My/our proxy is to vote as indicated by an 'X' below (Note 2).

	For	Against	Withheld
Resolution No 1			
Resolution No 2			
Resolution No 3			
Resolution No 4			
Resolution No 5			
Resolution No 6			

PLEASE COMPLETE (BLOCK LETTERS)

FULL NAME(S) ....

ADDRESS ....

....

SIGNATURE(S) .... (Notes 3 & 4)

NOTES
1. If it is desired to appoint as proxy any other person(s) delete the words 'the Chairman of the Meeting or' insert the name(s) of the proxy(ies) and initial the alteration.
2. If you do not indicate how you wish your proxy to vote, he/she will vote or abstain from voting as he/she thinks fit.
3. In the case of joint holders, the signature of any one joint holder is sufficient.
4. In the case of a Corporation the proxy must be either under its common seal or the hand of a duly authorised officer.
5. **To be valid the proxy must reach the Company not later than 48 hours before the meeting.**
6. Completion and return of this Form of Proxy will not preclude the member from attending and voting in person at the meeting should he/she wish to do so.

IF IT IS YOUR INTENTION TO ATTEND THE ANNUAL GENERAL MEETING ON 29th JULY 2010 WOULD YOU PLEASE ENTER YOUR NAME BELOW AND RETURN THIS FORM TO ARRIVE NO LATER THAN 2.30pm ON 27th JULY 2010.

NAME .... **(BLOCK LETTERS)**

Second Fold

BUSINESS REPLY SERVICE
Licence No BK4184

2

Daniel Thwaites PLC
PO Box 50
Star Brewery
BLACKBURN
BB1 5BU

First Fold

Third Fold
Tuck in flap opposite and secure as necessary

Daniel Thwaites PLC

Star Brewery
Blackburn
Lancashire
BB1 5BU

REGD
TRADE MARK