

SHEPHERD NEAME
MASTER BREWERS

Report and Accounts
1985/1986

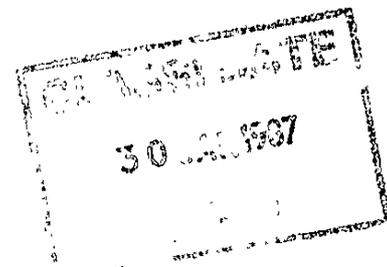
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SHEPHERD NEAME LIMITED

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REPORT AND ACCOUNTS FOR 1986

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SHEPHERD NEAME LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Second Annual General Meeting of the Company will be held at No. 10 Court Street, Faversham, on Friday 31st. October 1986 at 12 noon for the following purposes:

1. To receive and adopt the Annual Statement of Accounts and Balance Sheet and the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend upon the "A" and "B" Ordinary Shares.
3. To re-elect Directors.
4. To re-appoint the Auditors and authorise the Directors to fix their remuneration.
5. To transact any other ordinary business.

Members entitled to attend and vote are entitled to appoint a proxy to vote instead of them and that proxy need not also be a member.

By Order of the Board
B. J. CORK
Secretary

17 COURT STREET,
FAVERSHAM,
KENT.
6th October, 1986



SHEPHERD NEAME LIMITED

DIRECTORS

R. H. B. NEAME (Chairman)
S. F. B. NEAME (Vice-Chairman)
E. M. S. RUDGARD
E. R. JOHNSTON
M. B. BUNTING

SECRETARY

B. J. CORK

TECHNICAL DIRECTORS

B. I. BALLARD (Finance)
P. H. D. HARE-SCOTT (Free Trade/Retail)
F. E. THORNEYCROFT (Tied Trade)
J. S. WITHEY (Brewing)

REGISTERED OFFICE

17 Court Street, Faversham, Kent ME13 7AX

AUDITORS

Ernst and Whinney,
Becket House, 1 Lambeth Palace Road, London SE1 7EU

BANKERS

National Westminster Bank PLC
13 Market Place, Faversham, Kent ME13 7AF

STOCKBROKERS

County Securities Limited
(Incorporating Fielding, Newson-Smith.)
Garrard House, 31 Gresham Street, London EC2V 7DX

SHEPHERD NEAME LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their SEVENTY-SECOND ANNUAL REPORT and accounts for the year ended 30th June 1986.

Principal Activities and Review of Business

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

A review of these activities is given in the Chairman's Report on page 6.

Accounts and Dividends

	£'000	£'000
Profit for the year before taxation and extraordinary items.		2,389
Taxation.		<u>(902)</u>
		1,487
Extraordinary items.		304
Allocation to Profit Sharing Scheme (After tax).		<u>(22)</u>
Leaving		1,769
Out of which have been paid or provided:		
Interim dividend on the "A" and "B" Ordinary Shares of 3¼%	(98)	
Proposed Final Dividend on the "A" and "B" Ordinary Shares of 11%	<u>(330)</u>	
		<u>(428)</u>
Leaving retained profits of.		<u>1,341</u>

Profit Sharing Scheme

An allocation of £36,000 has been made out of profits of the year which will be used by the Trustees in acquiring £1 'A' Ordinary shares to be held in Trust on behalf of employees.

SHEPHERD NEAME LIMITED

Directors' Interests

The interests of the directors in the company's shares at 30th June 1986 (30th June 1985) are as follows:

	"A" Ordinary Shares		"B" Ordinary Shares	
	Beneficial	As Trustees	Beneficial	As Trustees
R. H. B. Neame	44,948 (51,348)	107,193 (104,375)	2,216,700 (3,216,700)	1,000,000 (—)
S. F. B. Neame	20,061 (21,061)	9,561 (19,361)	180,250 (180,850)	— (—)
E. M. S. Rudgard	— (—)	6,096 (—)	50,000 (50,000)	— (—)
E. R. Johnston	48,730 (48,630)	— (—)	510,600 (610,600)	— (—)

Under the terms of the Executive Share Option Scheme, options were granted to the following directors in December 1985, for a consideration of £1 per director. These options are exercisable at £5 per share until November 1995.

R. H. B. Neame	8,000 'A' shares
S. F. B. Neame	7,000 'A' shares
E. M. S. Rudgard	4,000 'A' shares

R. H. B. Neame and S. F. B. Neame are also entitled to an allocation of "A" Ordinary shares under the terms of the Employee Profit Sharing Scheme.

Mr. M. B. Bunting was appointed to the Board on 15th September 1986, and offers himself for re-election at the annual general meeting.

Mr. E. R. Johnston retires from the Board by rotation and also offers himself for re-election.

Employees

It is the company's policy to give full consideration to suitable applications for employment by disabled persons.

Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions in the company's employment.

The company provides employees with a summary of the financial position of the company and is continually aiming to provide them with information on matters of concern to them as employees.

Charitable and Political Contributions

The company donated £150 for political purposes and £2,405 for charitable purposes in the year.

Properties

In the opinion of the directors the market value of the properties considerably exceeds the amount included in the balance sheet. All such properties form an integral part of the company's business.

Auditors

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the Annual General Meeting.

17 Court Street,
FAVERSHAM, Kent.
15th September, 1986.

By Order of the Board
B. J. CORK
Secretary



CHAIRMAN'S REPORT

The Annual General Meeting will be held in the Reception Centre at 10 Court Street adjoining the Brewery offices at 12 midday on 31st October and this will be followed by a buffet lunch for shareholders only

During the year the Directors invited Mr. Martin Bunting to attend upon the Board as a consultant. He has had a long and distinguished career with Courage being formerly Managing Director of Courage and a Director of the Imperial Group. He is widely respected in the Brewing Industry and is also a member of the Monopolies Commission. The Directors have found his tremendous experience of great value and unanimously agreed to ask him to join the Board in September. Shareholders will be asked to confirm his appointment at the Meeting.

THE YEAR'S RESULTS

The profits before tax for the year were £2.389m, an increase of 16.5% over last year. After allowing for taxation of £902,000 and extraordinary income of £304,000, there remains available for appropriation £1.769m. The Directors are recommending a final dividend of 11% making a total for the year of 14.25%, an increase of 16.4% over last year's appropriation.

BREWERY DEVELOPMENT

This year we were able to reduce capital expenditure on brewery plant, the main item being the installation of new yeast handling plant. The transport fleet has been updated by the purchase of four Tautliner 16 ton vehicles which are proving most successful. Further updating will take place next year with the intention of changing totally to Tautliner vehicles within the next three years.

The continuing trend towards keg beers, and the introduction of keg Mild and our new Steinbock lager, has required considerable investment in new kegs and dispense equipment.

It will be necessary to install additional cooling plant, and possibly fermentation vessels, during the forthcoming year if Steinbock and Hurlimann continue to expand at their present rate.

Further investigation has been carried out into the future of packaging beer in small containers and it is planned that the bottling plant will gradually be updated, introducing flexibility in the type of packaging that can be undertaken. Four pint cans will no longer be available after December, 1986 but we have arranged to have Master Brew Bitter and Hurlimann canned under contract in 16oz. cans.

Developments continue at Queen Court to adapt to the reduced scale of operations, concentrating on feeding of waste products to cattle. The 1985 vintage of Queen Court wine was awarded a medal at this year's English Vineyards Association competition, the third year in succession that we have had a prizewinner at this event. A further £188,000 was raised from the sale of surplus farmland and a disused oast, bringing the total realised to some £716,000.

THE ESTATE

This year we added a further seven houses to the Estate, five of these being in the Brighton/Lewes area which is now more accessible following the completion of the M25. Initial trading results in Tied and Free outlets in this area indicate there is a considerable potential for our products.

Two new houses, the Singleton Barn at Ashford and the Master Brewer at Broadmead, Folkestone were opened. They are the first new houses built by the company since 1968. Both are achieving the estimated level of trading projected by the feasibility studies.

The Directors are continually reviewing the estate to maximise its retail potential and during the year two of our least profitable houses were sold.

The total expenditure on our Estate was over £2.5m with an increase of 14.3% in repair expenditure.

During the year we obtained a grant of £106,000 from the English Tourist Board for the development and updating of public house accommodation. This was 18.9% of the total estimated cost of £630,000 for the

development of the White Horse, Boughton; Railway Hotel, Faversham; the stable block at the Woolpack, Chilham; and the Dog and Bear, Lenham. Two of these developments are complete — the other two will be completed by March, 1987. A total of 44 extra bedrooms will be provided on completion and will form the nucleus of Lavista Inns, the trading name for our pubs with accommodation. Planning permission has now been obtained for developing the New Flying Horse at Wye on similar lines and other houses are under review for this type of development which we believe has considerable potential in view of future tourist development in Kent.

The considerable cost of developing our houses under management has shown a good return and has justified our policy of developing the retail side of our business.

We have continued with our tenant training scheme and I am pleased to report that it will be accepted for the preliminary examination of the British Institute of Innkeepers — a qualification for licencees that has been developed by the Brewers' Society and trade organisations to improve the standard of the licensed trade.

TRADING AND PRODUCTS

I am pleased to report an overall volume increase in beer sales for the year of 2.15%. This increase comes from both the Tied and Free Trade and is particularly encouraging in comparison with the national trend which showed no increase over the period.

The introduction of Steinbock last December to complement our premium Swiss lager brand, Hurlimann, has made a major contribution and has been equally well received in both Tied and Free outlets.

The decision to introduce Mild in keg has arrested the fall in sales and keg Mild is now available in many more of our houses.

We continue to develop Beamish Stout on draught and sales per point are on average higher than that of Guinness.

Although the cider market has shown a volume decline, our draught cider sales have increased by 20% which in part reflects our decision to increase distribution in our Tied Estate but also the strength of Taunton's brand, Dry Blackthorn.

The total volume of wines and spirits has marginally increased with wine showing a steady increase and a slight fall in spirit volume.

Our decision to factor Schweppes minerals has proved a success and we have added Britvic to our range. It appears that the national mineral water companies will be developing their trade through brewers and wholesalers rather than direct delivery and we believe there is considerable potential in this area.

The Free Trade still remains a very competitive area; substantial loans and high volume discounts being a major part of the sales policy of the National brewers. The Directors believe that competing on a similar basis would be a short term gain and long term folly. We have therefore concentrated on selling a range of quality products backed with good service, and making small loans available to help with furnishing and updating bars.

THE FUTURE

During the past year the Brewing Industry has been subjected to considerable change. The successful multi-million bids of Guinness for Distillers and Hanson for Courage have clearly demonstrated that the size of a company is no protection against a predator and the need for good management is of paramount importance.

The case for flexible licensing hours has been widely debated and it is generally accepted that flexible hours have been beneficial in Scotland and should now be adopted for the rest of the country. Unfortunately the Government's defeat on the Sunday Trading Bill has resulted in the opportunity of legislation during the life of this Parliament being lost unless a Private Members' Bill is successfully introduced.

The public house is still a focal point within our society for socialising and the employment potential within the Industry and associated with tourism has at last been recognised but its potential will not be

realised until flexible licensing hours have been introduced. In the long term the public house must be allowed to adapt to family needs to meet the growing demand for such facilities.

The decision of the Office of Fair Trading to refer the Industry to the Monopolies and Mergers Commission must be questionable and will certainly create a considerable amount of work for the Industry over the next two years. Since the last reference in 1969, the Industry has been under constant scrutiny, most recently by the EEC Commission; and time after time it has been found that the tie on beer does not work against the public interest. In contrast, the decision to refer the Industry yet again could well place in jeopardy the Industry's plans to invest the equivalent of £2m per day for the next three years in updating and improving Tied Estates. The short term consequence is likely to be a stringent review of our investment programme for tenanted houses.

Whatever the outcome it is likely to favour those companies that have established strong brands and developed their retail profit potential. We believe we are well placed to meet this challenge particularly with the strong brand image within our trading area of Master Brew, Draught Abbey and Hurlimann and the potential for developing the retail side of our Estate where houses are well located in prosperous and expanding areas. If the decision to build the Channel Tunnel is implemented this must have tremendous potential for developing our houses particularly those where there is a demand for accommodation.

The strength of the Company will depend on its management and I am pleased to report that the Technical Board and new Managers that have been recruited or promoted over the last 18 months are combining to form a strong team.

Finally, I would once again pay a special tribute to all our staff and employees who work so hard for the success of the Company and to all our tenants who meet the constant challenge of change within the Industry with confidence and continue to offer the public the first-class service that is demanded these days.

R. H. B. NEAME

SHEPHERD NEAME LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

To the Members of SHEPHERD NEAME LIMITED

We have audited the accounts set out in pages 10 to 19 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs at 30th June 1986 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ERNST & WHINNEY,

Ernst & Whinney
Chartered Accountants

Becket House,
1 Lambeth Palace Road,
London SE1 7EU.
15th September, 1986

SHEPHERD NEAME LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 1986

	Note	1986 £'000	1985 £'000
Turnover.....	1	17,257	15,784
Operating costs.....	2	<u>14,676</u>	<u>13,564</u>
Trading Profit		2,581	2,220
Interest payable.....	5	<u>(192)</u>	<u>(170)</u>
Profit on Ordinary Activities Before Taxation		2,389	2,050
Taxation.....	6	<u>(902)</u>	<u>(865)</u>
Profit on Ordinary Activities After Taxation		1,487	1,185
Allocation to Profit Sharing Scheme (after tax).....	17(a)	<u>(22)</u>	<u>—</u>
Profit before Extraordinary items		1,465	1,185
Extraordinary items (after tax).....	7	<u>304</u>	<u>476</u>
Profit earned for Shareholders		1,769	1,661
Dividends.....	8	<u>(428)</u>	<u>(367)</u>
Retained Profit for the Year		<u>1,341</u>	<u>1,294</u>

STATEMENT OF RETAINED PROFITS

	1986 £'000	1985 £'000
Balance at 1st July, 1985.....	5,077	3,783
Retained Profit for the Year.....	<u>1,341</u>	<u>1,294</u>
Balance at 30th June, 1986.....	<u>6,418</u>	<u>5,077</u>

SHEPHERD NEAME LIMITED

BALANCE SHEET — 30th JUNE 1986

	Note	1986 £'000	1985 £'000
Fixed Assets			
Tangible assets	9	12,801	10,636
Investments	10	412	337
		<u>13,213</u>	<u>10,973</u>
Current Assets			
Stocks	11	1,720	1,703
Debtors	12	2,231	2,086
Cash and Bank		13	9
		<u>3,964</u>	<u>3,798</u>
Creditors: amounts falling due within one year			
Bank overdraft		1,902	1,250
Trade and other creditors	13	2,957	2,592
Taxation		790	968
Proposed dividend		330	285
		<u>5,979</u>	<u>5,095</u>
Net Current Liabilities		<u>2,015</u>	<u>1,297</u>
Total Assets Less Current Liabilities		<u>11,198</u>	<u>9,676</u>
Creditors: amounts falling due after more than one year			
Corporation Tax payable (at January, 1988)		704	577
Other creditors	14	113	44
		<u>817</u>	<u>621</u>
Provisions for Liabilities and Charges	15	963	978
		<u>1,780</u>	<u>1,599</u>
		<u>9,418</u>	<u>8,077</u>
Capital and Reserves			
Called up share capital	16	3,000	3,000
Profit and loss account		6,418	5,077
		<u>9,418</u>	<u>8,077</u>

R. H. B. NEAME }
S. F. B. NEAME } *Directors*
15th September, 1986

R. H. B. Neame
S. F. B. Neame

SHEPHERD NEAME LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30th JUNE, 1986

	1986		1985	
	£'000	£'000	£'000	£'000
Source of Funds				
Profit before Taxation and Extraordinary items		2,389		2,050
Allocation to profit sharing scheme		(36)		—
Extraordinary items excluding Taxation		304		428
Charge against profits not involving the movement of funds:				
(Decrease) Increase in provision on Fixed Asset Investments		(1)		4
Profit on sale of Tangible Assets included in Extraordinary items		(304)		(584)
Depreciation		<u>712</u>		<u>627</u>
		3,064		2,525
Funds Generated from Trading				
Disposal of Fixed Asset Investments		99		36
Disposal of Tangible Assets		<u>340</u>		<u>726</u>
Total Funds Generated		<u><u>3,503</u></u>		<u><u>3,287</u></u>
Application of Funds				
Additions to Tangible Assets	2,913		2,254	
Outlay on Fixed Asset Investments	173		92	
Tax paid	954		697	
Dividends paid	<u>383</u>		<u>292</u>	
		4,423		3,335
Movement in Working Capital				
Increase in Stocks	17		17	
Increase in Debtors	145		269	
Increase in Creditors	<u>(434)</u>		<u>(322)</u>	
		(272)		(36)
Movement in Liquid Funds				
Increase (Decrease) in cash at bank and in hand	4		(3)	
Increase in bank overdraft	<u>(652)</u>		<u>(9)</u>	
		(648)		(12)
		<u><u>3,503</u></u>		<u><u>3,287</u></u>

SHEPHERD NEAME LIMITED

ACCOUNTING POLICIES

(a) Accounting Convention

The accounts are prepared under the historical cost convention.

(b) Tangible Assets

Cost of Tangible assets are stated at 1948 book value with subsequent additions or improvements at cost less Government grants.

(c) Depreciation

Depreciation is provided on brewery freehold buildings. Other freehold buildings and land are not depreciated. It is the Company's policy to keep licensed properties in such a state of repair that the trade is protected and the aggregate residual value of premises is maintained at not less than book value, such expenditure being charged to profits in the year in which it is committed. Having regard to this policy any element of depreciation of these premises would, in the opinion of the directors, be immaterial.

Leaseholds are amortised over the terms of the leases; other fixed assets are depreciated at varying rates based upon their expected useful lives.

(d) Stocks

Stocks are valued on a consistent basis at the lower of cost or net realisable value. Cost for own beers includes materials and duty with a suitable addition for variable production expenses.

(e) Deferred Taxation

Provision is made for deferred taxation using the liability method on timing differences which are not expected to continue for the future.

(f) Repairs to Properties

The charge in the accounts includes provision for the estimated cost of completing all work which had been commenced before the financial year end.

(g) Pension Benefits

Pension benefits for certain employees are provided by a company scheme and are funded over the employees' periods of service.

SHEPHERD NEAME LIMITED

NOTES ON THE ACCOUNTS — 30th JUNE 1986

1. Turnover

Turnover is the aggregate of amounts receivable from net sales of goods supplied, rents received and services rendered from the trading activities of the Company, excluding Value Added Tax. The export sales during the year were £53,000.

2. Operating Costs

	1986 £'000	1985 £'000
Raw materials, consumables and excise duty	5,878	5,475
(Increase) Decrease in stocks of finished goods and work in progress	(15)	25
Staff costs: Wages and salaries	2,116	1,900
Social security costs	205	175
Other pension costs	64	61
Auditors' remuneration	24	24
Depreciation and other amounts written off tangible assets ...	712	609
Property repairs other than Brewery	733	627
Income from fixed asset investments	(17)	(12)
Other operating charges, including purchases of finished goods	4,976	4,680
	<u>14,676</u>	<u>13,564</u>

3. Directors' Remuneration

	1986 £'000	1985 £'000
Directors' Emoluments		
Fees	1	2
Other emoluments	101	96
Pensions to directors or their widows	22	13
Pension Scheme contributions	6	6
	<u>130</u>	<u>117</u>
Emoluments of the Chairman, who was also the highest paid director	£42,782	£34,986
Other directors' emoluments were:—		
Not more than £5,000	—	1
Between £5,001 and £10,000	1	2
Between £10,001 and £15,000	—	1
Between £15,001 and £20,000	—	1
Between £20,001 and £25,000	1	—
Between £30,001 and £35,000	—	1
Between £35,001 and £40,000	1	—

SHEPHERD NEAME LIMITED

NOTES ON THE ACCOUNTS — 30th JUNE 1986

4. Staff Numbers

The average number of persons with contracts of employment with the company, including directors, during the year, was as follows:—

	1986	1985
Brewery	186	190
Retailing — Managed Houses	227	185
	<u>413</u>	<u>375</u>

5. Interest Payable

	1986	1985
	£'000	£'000
Bank overdraft	169	145
Club and trade deposits	16	17
Other short term loans	7	8
	<u>192</u>	<u>170</u>

6. Taxation

	1986	1985
	£'000	£'000
The charge based on the profits on ordinary activities for the year comprises:		
U.K. Corporation Tax at 38.75% (1985 — 43.75%)	922	765
Deferred Taxation at 38.75% (1985 — 43.75%)	(7)	100
Adjustment in respect of prior years	(13)	—
	<u>902</u>	<u>865</u>

7. Extraordinary Items

	1986	1985
	£'000	£'000
Surplus on disposal of properties	304	128
Surplus on sale of part of Queen Court Farm, less closure costs associated with the disposal	—	410
Terminal payment to Director (Net of tax)	—	(62)
	<u>304</u>	<u>476</u>

SHEPHERD NEAME LIMITED

NOTES ON THE ACCOUNTS — 30th June 1986

8. Dividends	1986 £'000	1985 £'000
'A' and 'B' Ordinary Shares		
Interim paid 3¼% (1985 — 2¼%)	98	82
Final proposed 11% (1985 — 9½%)	330	285
	<u>428</u>	<u>367</u>

9. Tangible Assets

The cost of the main categories of assets, other than non-brewery freehold and leasehold properties, is written off by equal annual instalments commencing from the date that the assets are brought into use, as follows:

	Between
Brewery Buildings	25 and 30 years
Plant and equipment	5 and 13 years
Motor vehicles	5 and 7 years
Fixtures	5 and 10 years
Casks and kegs	6 and 10 years

	Freehold Properties	Leasehold Properties over 50 years	Leasehold Properties under 50 years	Fixed Plant and Vehicles	Containers and Fixtures	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 30th June 1985	7,042	29	11	3,544	3,922	14,548
Additions	1,559	—	—	421	933	2,913
Disposals	(23)	—	—	(68)	—	(91)
At 30th June 1986	<u>8,578</u>	<u>29</u>	<u>11</u>	<u>3,897</u>	<u>4,855</u>	<u>17,370</u>
Accumulated Depreciation						
At 30th June 1985	94	6	2	1,727	2,083	3,912
Charge for year	11	—	—	335	366	712
On Disposals	—	—	—	(55)	—	(55)
At 30th June 1986	<u>105</u>	<u>6</u>	<u>2</u>	<u>2,007</u>	<u>2,449</u>	<u>4,569</u>
Net Book amounts						
At 30th June 1986	<u>8,473</u>	<u>23</u>	<u>9</u>	<u>1,890</u>	<u>2,406</u>	<u>12,801</u>
At 30th June 1985	<u>6,948</u>	<u>23</u>	<u>9</u>	<u>1,817</u>	<u>1,839</u>	<u>10,636</u>

Included in additions is £35,000 (1985 — £48,000) of own work capitalized.

SHEPHERD NEAME LIMITED

NOTES ON THE ACCOUNTS TO 30th JUNE, 1986

10. Fixed Asset Investments

	Unlisted Securities £'000	Trade Loans £'000	Total £'000
At cost			
At 30th June 1985.....	8	348	356
Additions.....	—	173	173
Disposals.....	—	(117)	(117)
At 30th June 1986.....	<u>8</u>	<u>404</u>	<u>412</u>
Provisions			
At 30th June 1985.....	—	19	19
Charge for year.....	—	(1)	(1)
On Disposals.....	—	(18)	(18)
At 30th June 1986.....	<u>—</u>	<u>—</u>	<u>—</u>
Net Book Amounts			
At 30th June 1985.....	<u>8</u>	<u>404</u>	<u>412</u>
At 30th June 1986.....	<u>8</u>	<u>329</u>	<u>337</u>
Market Value or Directors' valuation			
30th June 1986.....	29	404	433
30th June 1985.....	26	329	355

11. Stocks

	1986 £'000	1985 £'000
Raw materials.....	96	206
Beer in process.....	540	440
Finished goods.....	723	828
Stores.....	260	136
Farm stocks.....	101	93
	<u>1,720</u>	<u>1,703</u>

The replacement cost of stocks approximates to the value at which they are stated in the accounts.

12. Debtors

	1986 £'000	1985 £'000
Trade debtors.....	1,875	1,724
Other debtors.....	177	188
Prepayments and accrued income.....	179	174
	<u>2,231</u>	<u>2,086</u>

SHEPHERD NEAME LIMITED

NOTES ON THE ACCOUNTS — 30th JUNE, 1986

13. Creditors: Amounts falling due within one year.	1986	1985
	£'000	£'000
Trade and other creditors:		
Trade creditors,	1,370	1,211
Other taxation and social security	870	766
Other creditors,	72	115
Accruals	208	125
Loans and trade deposits	437	375
	<u>2,957</u>	<u>2,592</u>

14. Creditors: Amounts falling due after more than one year.	1986	1985
	£'000	£'000
Other creditors — Loans from suppliers	113	44
	<u>113</u>	<u>44</u>

15. Deferred Taxation

The amount provided and the full potential is:

	Provided in the accounts		Full potential	
	1986 £'000	1985 £'000	1986 £'000	1985 £'000
Capital allowances	1,093	1,100	1,093	1,100
Realised capital gains	—	—	466	398
Recoverable ACT	(130)	(122)	(130)	(122)
	<u>963</u>	<u>978</u>	<u>1,429</u>	<u>1,376</u>

16. Share Capital	1986	1985
	£'000	£'000
a) Authorised:		
2,926,000 'A' Ordinary Shares of £1 each	2,926	2,660
17,000,000 'B' Ordinary Shares of 2p each	340	340
	<u>3,266</u>	<u>3,000</u>
b) Allotted and fully paid:		
2,660,000 'A' Ordinary Shares of £1 each	2,660	2,660
17,000,000 'B' Ordinary Shares of 2p each	340	340
	<u>3,000</u>	<u>3,000</u>

SHEPHERD NEAME LIMITED

NOTES ON THE ACCOUNTS — 30th JUNE 1986

17. Employee Share Schemes

Two schemes were approved by the shareholders at an Extraordinary General Meeting held on 1st November 1985.

The schemes approved were:

(a) The Shepherd Neame Profit Sharing Scheme, under which the Board has allocated £36,000 out of profits for the year ended 30th June 1986, which will be applied in acquiring 'A' Ordinary Shares either by purchase or subscription, which is expected to take place before 31st December 1986.

(b) The Shepherd Neame Executive Share Option Scheme, under which full time Executives and Executive Directors may be granted options to subscribe for new 'A' Ordinary Shares. Options are granted at market value at the time of the grant.

Under this scheme there are outstanding options available to executives, including Executive Directors, to subscribe for a total of 42,000 new 'A' Ordinary Shares at a price of £5 per share, provided the options are exercised prior to November 1995.

18. Capital Commitments

	1986 £'000	1985 £'000
Contracts for capital expenditure not provided for in the accounts amount to approximately:		
Outstanding contracts	108	50
Amounts authorised by the directors	<u>279</u>	<u>72</u>
	<u>387</u>	<u>122</u>

SHEPHERD NEAME LIMITED

FIVE YEAR REVIEW

	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000
PROFIT AND LOSS					
Turnover	<u>17,257</u>	<u>15,784</u>	<u>14,802</u>	<u>13,873</u>	<u>13,255</u>
Trading Profit	2,581	2,220	2,049	1,835	1,761
Interest Payable	<u>192</u>	<u>170</u>	<u>157</u>	<u>202</u>	<u>174</u>
	2,389	2,050	1,892	1,633	1,587
Taxation	<u>902</u>	<u>865</u>	<u>905</u>	<u>697</u>	<u>685</u>
	1,487	1,185	987	936	902
Profit Sharing Scheme (after tax)	<u>22</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings	1,465	1,185	987	936	902
Extraordinary Items	<u>304</u>	<u>476</u>	<u>(625)</u>	<u>200</u>	<u>30</u>
	<u>1,769</u>	<u>1,661</u>	<u>362</u>	<u>1,136</u>	<u>932</u>
DIVIDENDS					
Dividends paid	£427,500	£367,500	£285,000	£247,500	£225,000
Percentage on Allotted Shares	14.25%	12.25%	9.5%	8.25%	7.5%
Earnings Cover for Dividend	3.43	3.23	3.46	3.78	4.01
Earnings per £1 Share	<u>48.83p</u>	<u>39.50p</u>	<u>32.88p</u>	<u>31.18p</u>	<u>30.08p</u>
PROFIT RETENTIONS					
	£'000	£'000	£'000	£'000	£'000
Profits of the Year	1,341	1,294	77	888	707
Depreciation	<u>712</u>	<u>627</u>	<u>577</u>	<u>563</u>	<u>503</u>
	<u>2,053</u>	<u>1,921</u>	<u>654</u>	<u>1,451</u>	<u>1,210</u>
BALANCE SHEET					
	£'000	£'000	£'000	£'000	£'000
Assets Employed:					
Tangible	12,801	10,636	9,152	8,457	7,809
Fixed Asset Investments	412	337	285	309	289
Stocks and Debtors	<u>3,951</u>	<u>3,789</u>	<u>3,503</u>	<u>3,004</u>	<u>2,777</u>
	17,164	14,762	12,940	11,770	10,875
Liabilities (current and term)	4,190	3,889	3,260	2,920	3,058
Bank and Cash	<u>1,889</u>	<u>1,241</u>	<u>1,229</u>	<u>1,560</u>	<u>1,424</u>
	11,085	9,632	8,451	7,290	6,393
Taxation payable 18 months hence	704	577	758	584	575
Deferred Taxation	<u>963</u>	<u>978</u>	<u>910</u>	<u>—</u>	<u>—</u>
	<u>9,418</u>	<u>8,077</u>	<u>6,783</u>	<u>6,706</u>	<u>5,818</u>
Financed by:					
Share Capital	3,000	3,000	3,000	3,000	3,000
Reserves	<u>6,418</u>	<u>5,077</u>	<u>3,783</u>	<u>3,706</u>	<u>2,818</u>
	<u>9,418</u>	<u>8,077</u>	<u>6,783</u>	<u>6,706</u>	<u>5,818</u>