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Shepherd Neame Limited

ANNUAL REPORT 2011

Our company

Shepherd Neame is a family controlled brewery and pub operator.

We believe that characteristics central to our success include

- An integrated brewing and pub business
- A commitment to quality and integrity
- The passionate interest of the many people who have dedicated themselves to Shepherd Neame
- A commitment to Faversham and the wider community of Kent
- A long-term view of the business

We are extremely proud to be Britain's Oldest Brewer

Financial highlights

TURNOVER

2011
£121.3 MILLION

2010
£115.4 MILLION

OPERATING PROFIT BEFORE EXCEPTIONALS

2011
£12.3 MILLION

2010
£11.9 MILLION

STATUTORY PROFIT BEFORE TAX

2011
£6.5 MILLION

2010
£8.7 MILLION

BASIC EARNINGS PER £1 SHARE BEFORE EXCEPTIONALS

2011
46.2 PENCE

2010
39.5 PENCE

DIVIDEND PER £1 SHARE

2011
23.80 PENCE

2010
23.10 PENCE

NET ASSETS PER £1 SHARE

2011
£9.33

2010
£9.20

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Chairman's statement

"We have achieved record turnover and beer volume. a significant surplus over net book value in the valuation of our pub estate and created sufficient cash flow to repay debt ahead of schedule."

Results

I am pleased to be able to report another successful year for the company for the 52 weeks to 25 June 2011 We had a particularly strong second half and have again achieved record turnover and total beer volume, reported a significant surplus over net book value in the valuation of our pub estate and created sufficient cash flow to repay debt ahead of schedule

These are indicators of a company in good health at a time when market conditions are challenging, competition intense and when the economy is weak and our consumers are seeing a decline in real incomes

Turnover for the year ended 25 June 2011 increased by 5 2% to £121 3m Operating profit before exceptionals is up 3 3% to £12 3m and profit before tax and exceptionals is up 9 7% Statutory profit before tax is down 25 6% to £6 5m as we report lower profits on property disposals and recognise an impairment charge

Basic earnings per share before exceptionals (adjusted earnings per share) are up 17 0% to 46 2p

Cash flow and financing

During the year we have generated £18 9m (2010 £18 4m) earnings before exceptional items, interest, tax depreciation and free trade loan discounts

Our cash investment in capital expenditure during the year was £9 8m (2010 £8 0m) This includes £3 4m for the purchase of two pubs to be run under tenancy and three unlicensed properties adjacent to existing pubs which we will develop in due course We realised proceeds of £2 5m from assets sales (2010 £5 9m) including the disposal of eight pubs and realised property profits of £0 4m (2010 £1 9m)

We have generated a net cash inflow before financing of £1 8m (2010 £9 4m) and reduced our year end net debt from £66 6m to £64 9m

We have repaid and cancelled £5m of the £15m five year term loan taken out in 2009 and due to mature in May 2014 This was paid down in two tranches, £3 75m in August 2010 and £1 25m in May 2011 We retain substantial headroom on our committed facilities of £20 1m at the year end

Pub estate valuation

The Board announced in October 2010 its intention to undertake a directors' valuation of its pub estate in line with our policy to do so every seven years Under the Company's accounting policies the balance sheet reflects 1997 values with subsequent additions at cost The new valuation will not be recorded in the accounts

The valuation covers licensed property only and excludes unlicensed assets and the brewery site 360 pubs were included in the exercise and were valued on an individual existing use basis by the Company's professionally qualified staff The Board is pleased to announce that the result of the valuation is a surplus over book value of £68m

An impairment review was undertaken at the same time and this has led to an exceptional charge in the 2011 accounts of £1 9m on 13 pubs

Dividend

A final dividend of 19 00p (2010 18 35p) per £1 A Ordinary Share and 0 380p (2010 0 367p) per 2p 'B Ordinary Share has been proposed by the Board giving total dividends for the year of 23 80p (2010 23 10p) per £1 'A Ordinary Share and 0 476p (2010 0 462p) per 2p B Ordinary Share This gives a total increase in dividend per share for the year of 3%

The final dividend will be paid on 28 October 2011 to shareholders on the register at the close of business on 12 October 2011

Board of Directors

Ken Littlefair our Finance and IT Director is due to retire in March 2012 and we are in the process of recruiting his successor Ken joined the company in 2000 and during his time with the company has made an outstanding contribution particularly in modernising and developing our IT systems improving business processes and the quality of management information flow We wish him well in his retirement and will announce his successor as soon as an appointment is made

Industry overview

Since 2007 the UK Beer and Pubs Industry has undergone major change The cumulative impact of the smoking ban, large increases in excise duty and the recession have had a very negative impact on on trade beer consumption but it has also seen the emergence of new growth areas, such as world lagers and premium bottled ale in the off trade and food and accommodation in pubs Shepherd Neame has re-aligned its business and investment priorities to address these new trends The Chief Executive s report describes our current activities and our ability to exploit this changing marketplace

It is disappointing however to note that the Government has so far failed to recognise the importance of beer and pubs to the economy and the social and cultural life of the UK or to live up to its favourable statements at the time of the Election We continue to make strong representation to the Government that the planned duty increases will make an unfair and unsustainable position even worse

The operation of the tied house system remains under scrutiny following a review by the Business Innovation and Skills Select Committee in 2010 This Committee re-convened in July 2011 to update its findings, and will make a further announcement in September

Outlook and summary

Shepherd Neame has made significant progress this year and over the last few years The company stands out for its local market knowledge its attitude to quality and customer service, and the strength of its beer and pub portfolio This forms the basis of a sustainable strategy that the management team pursue with energy, focus and clarity of purpose

The global economic outlook has deteriorated in recent months and our consumers are likely to experience a further fall in real income In addition we expect inflationary pressures in raw material prices to impact on production costs in the coming year

However on a local basis we are encouraged by the ongoing economic and cultural regeneration of East Kent with the opening of the Turner Contemporary Gallery in Margate the New Marlowe Theatre in Canterbury and the announcement of the Enterprise Zone at Discovery Park in Sandwich Also we believe our business is very well positioned to take advantage of any benefit which may arise as a consequence of the 2012 London Olympics

We will continue to pursue our long-term strategy of investing fully in our brands and pubs so as to retain the strength and identity of the business and I have every confidence that we will continue to deliver value for shareholders with dividend growth and a strong balance sheet for future expansion

M H Templeman
Chairman

Our Beers

Our main driver of beer volume growth has been Asahi Super Dry which has increased by 16 8%.

2011 BREWING INDUSTRY INTERNATIONAL AWARDS – GOLD MEDAL FOR ASAHI AND OVERALL CHAMPION LAGER

Chief Executive's review

"Our high quality pubs, intimate knowledge of the local market, diverse beer portfolio, modern brewery, excellent systems and focus on food-led pubs has enabled us to respond to market changes and align our business with the growth sectors in our industry."

Overview

This has been another good year for the company with a strong performance in most areas of the business We have improved the offer in our pubs, enjoyed the benefits of recent capital investments in our estate, grown our beer sales and invested to develop our marketing capability Throughout we have maintained very high standards of product quality and customer service for which our efforts have been recognised with a series of prestigious awards

Our high quality pub estate, our intimate knowledge of the local market our diverse beer portfolio our modern efficient brewery and excellent systems and our focus on food-led pubs have enabled us to respond to the recent market changes and align our business with the growth sectors in our industry We are confident of the future and clear in our strategy to build a strong beer portfolio of speciality ales and world lagers and a high quality pub and hotel business

Our turnover was up 5 2% The main drivers for growth were food and accommodation sales in our managed houses, strong sales in supermarkets and another excellent performance from Asahi Super Dry We believe that all these areas will continue to provide opportunities for the company Furthermore as we increase our investment in licensee training and digital and brand marketing we believe we can enhance our overall service and experience for the consumer

But, there are three areas of challenge in our marketplace at present

- Raw material inflation has returned in the second half of the financial year and we face substantial increases in cereal and glass prices in the coming year
- The national market for cask beer is under intense competitive pressure as many large customers are trading down and as the number of micro brewers continues to grow as a result of the advantages they enjoy from Progressive Beer Duty
- Small wet-led tenanted pubs in low income areas are experiencing a decline in sales This is now a small part of our business and our strategy is to invest to improve the offer or to sell the pub

This difficult economic environment is not helped by the Government continuing to put up excise duty by 2% above inflation every year In the last year we paid £28 5m in excise duty on our own brewed beers compared to £19 5m in 2007 This is a highly damaging tax that reduces the potential for investment and growth and is a misguided policy

Brewery and brands

The total UK market for beer declined by 7 1% for the year to June 2011 But for the fourth year in a row we have outperformed the market

In the period from June 2007 to June 2011 the total UK beer market declined by 17 1% of which the on trade has declined by 25% as a consequence of the cumulative impact of the smoking ban a step change in excise duty policy and the economic downturn The decline though is not universally experienced – indeed many outlets enjoy substantial growth – but is most significant where the offer has not been developed to meet changing consumer needs Over the same period off trade beer market volumes have held broadly level Within the total market there has also been a shift in category trends, with growth in world lagers and premium bottled ales in particular During this four year period our own beer volume has grown by 8 1%

In 2011, our total beer volume grew by 4 0% (2010 +4 8%) and own beer volume by 2 6% (2010 +3 8%) The heavy snow and ice in December adversely affected the on trade at that time but we benefited from warm weather and the Royal Wedding in April June 2011 was down on the very strong comparables of the previous year when the football world cup was staged

The investments we have made in modernising our brewery have enabled us to react positively to position our portfolio to take advantage of these market trends And for the third year in a row we have continued to derive benefits from the implementation of new systems processes and plant

Of particular note this year are high bottling line efficiency tight inventory management rapid stock turns, excellent order fill and product availability and outstanding customer service Our bottling

Our Wine

In recent years we have developed an enviable portfolio of private label wine brands in partnership with some of the world's best winemakers.

WE HAVE CREATED THE MATUMI RANGE WITH THE AWARD WINNING TEAM AT LOURENSFORD ESTATE

FINALIST 2010 AWARDS
FOR SUPPLY CHAIN INNOVATION

line is now delivering 41% more output since commissioning in 2009 with higher quality of packaging and product Our plant investments, generally, have also enabled us to achieve savings in utilities in an inflationary environment

We now have a modern brewery and logistics infrastructure We are currently working on an integrated business planning process to develop our financial and demand forecasting and enable more new product development

In spite of our success in achieving greater efficiency and reducing cost we face a significant rise in the cost of malted barley and glass in the coming year

I am delighted that our production and distribution team's efforts have been recognised in a number of important areas namely the Brewing Industry International Awards 2011 where we won three trophies, including gold for Asahi draught and the Manufacturer of the Year Awards 2010 where Shepherd Neame was winner in the Supply Chain and Logistics category We were also a finalist in the Chartered Institute of Logistics and Transport Awards 2010 for Supply Chain Innovation

During the year we have reviewed our lager portfolio and are ceasing production of Holsten Export We are keen however to continue to develop our portfolio of world beers and network of international partners Since the year end we have concluded an agreement with the Boston Beer Company to jointly develop the market for Samuel Adams Boston lager in the UK and certain European markets

We are also pleased that Asahi breweries have agreed to increase their level of direct marketing investment in the UK for a further five years to supplement our own investment and help build on the success of this brand

Total volume of own beer sold during the year was 239 000 BBs (2010 233 000 BBs) Our main driver of volume growth has been Asahi Super Dry which has increased by 16 8% We have continued our strategy of focusing sales activity in high profile on trade accounts in London and key metropolitan areas We have gained very good draught distribution and a high profile for the brand

We have focused our marketing activity on sponsorship in music art and entertainment with our Asahi All Areas (AAA) initiative During the year we have established a key partnership with the Royal Albert Hall

Spitfire performed strongly with growth of 2 3% The growth has been driven in the grocery channel where we have expanded distribution and increased rate of sale Our relationship and performance with the grocers has been particularly good during the year In national on trade, sales have been less good as a result of decline in the overall market and increased competition However in the free on trade where we have direct relationships with customers in our local region, sales of cask Spitfire have grown by 16 5%

Bishops Finger too has continued its recent strong performance with volume up 3 9%

As we build the quality of our beer portfolio and sales reach we are also developing our marketing to ensure we have a clear positioning and strong management of our brands During the last year we have appointed two brand managers three digital marketing executives and established an in-house communications team Whilst this is an increase in overheads this team will enable us to be more effective at driving promotional activity and awareness of our beers and our pubs and maximise the benefit of the investment in our new website

Wine volume grew by 1 8% In recent years we have developed an enviable portfolio of private label brands in conjunction with some of the world's best winemakers and in the last year have introduced Matumi from the Lourensford Estate in South Africa This portfolio enables us and our customers to sell excellent wines from the highest quality estates at prices our consumers can afford

Finally, our visitor centre performs a very important role in attracting customers and engaging them in the activities of the brewery I am delighted that the team has won a number of important awards during the year, namely the Visit England Awards for Excellence, Small Visitor Attraction of the Year a Green Tourism Business Scheme Silver Award and the Group Travel Awards Best Little Treasure of Britain

Our Food

We served over 1 million meals in our managed houses during the year and food spend per head has increased by 6.7%

GRIGGS OF HYTHE SUPPLY US WITH SUSTAINABLE AND LOCALLY LANDED FRESH FISH AND SHELLFISH

WINNER SUPPLY CHAIN AND LOGISTICS

Pub operations

Overview

At the year end we operated 359 (2010 365) pubs and hotels of which 316 (2010 322) are freehold Of these 44 (2010 45) are managed and 315 tenanted or leased (2010 320)

At the beginning of the year, we were concerned about the potential impact of the tax rises and the level of consumer confidence throughout the year This concern remains but during the second half of the year we have experienced strong sales of food in particular

The average earnings before interest tax depreciation amortisation and before rent payable (EBITDAR) of our managed estate has grown by 8 5% during the year and of our tenanted and leased estate by 0 8%

In the last year we have invested £3 1m (2010 £3 8m) in the pub estate We have achieved excellent results where we have made recent investments in both tenanted and managed pubs, supported by good training, marketing and food development

Shepherd Neame is rated by the British Institute of Innkeepers as one of the top licensed trade training providers We plan to increase our resource in this area to support new licensees and to back our investment strategy

Eating out in pubs offers great value for money and an excellent casual dining experience Both our managed and tenanted houses are taking advantage of this trend Our key focus is to improve the quality of environment and quality of offer to an ever increasingly cost conscious consumer Last year we appointed a head development chef for the first time We have achieved excellent food results in our managed houses by improved menu design menu engineering, recipe control and food presentation, and we have maintained margins This builds on the changes in the food procurement strategy of previous years

In October 2010 we launched our web to print facility and our new website with a microsite for each pub to enable more social media interaction with our customers We have since then recruited our digital marketing team and have been successful in driving traffic and engagement around our web site

We have identified good opportunities for future investment and plan to increase the number of small investment projects in the coming year

In 2009 we announced the plan to sell 35 small community pubs that no longer fitted our requirements Since that time we have disposed of 28 pubs, including eight in this financial year and as at 17 September 2011 a further two

Managed pubs and hotels

Our retail performance has been strong with total revenues up 2 9%

Like-for-like sales were up 7 4% (2010 +0 7%) with liquor +5 6% (2010 -0 7%), food +11 1% (2010 +3 9%) and accommodation +9 7% (2010 +0 1%)

We served over 1 million meals in our managed houses during the year and food spend per head has increased by 6 7% to £9 12 (2010 £8 55)

Revenue per available room (RevPAR) increased by 9 3% to £37 73 (2010 £34 53) We currently operate 180 letting rooms in the managed estate and have a further 204 rooms in the tenanted estate

Since the year end we have contracted to acquire the Fayreness Hotel Kingsgate which overlooks Botany Bay one of Kent's finest beaches This is a 29-bedroom hotel with excellent function facilities This acquisition will increase the total number of letting rooms in the managed estate to 209 We have also acquired the property adjacent to The Sun Inn, Faversham which will enable us to expand the number of letting bedrooms at this site We continue to seek opportunities to expand our accommodation business which we believe provides good sustainable earnings

We have carried out a number of major investment projects during the year, with the largest of these at The Crown Hotel Blackheath where £0 7m has been invested Performance in the first few months since re-opening has been above expectation We have also enjoyed strong performance from the significant investment projects undertaken in 2010, with the Ship & Trades Chatham Maritime performing particularly well

Our Pubs

The Crown Hotel, Blackheath where £0 7m has been invested. Performance in the first few months since re-opening has been above expectation.

THE DOVE DARGATE
WE NEVER CEASE TO BE IMPRESSED BY THE ENTHUSIASM ENERGY ENTREPRENEURIAL FLAIR AND RETAILING INGENUITY OF OUR LICENSEES

Tenanted pubs

Tenanted trade revenue fell by 1 5% (2010 +1 8%) as we divest of a number of our smaller wet-led pubs Like-for-like EBITDAR per pub fell by 3 0% (2010 -3 8%) but average EBITDAR increased by 0 8% as we improved the overall quality of our estate

During the period we have made two high quality additions to the tenanted estate The Parrot Canterbury and The Cock, Boughton Monchelsea We have also acquired the property and courtyard adjacent to Caseys one of our pubs in central Canterbury so that we can provide outside space

In line with other pub operators, we adopted a new Code of Practice for the operation of tenanted houses in January 2011 following accreditation by the British Institute of Innkeeping

We are encouraged by the quality of people applying to become our business partners and have seen considerable uplift in individual outlets when new appointments are made We continue to find further ways to improve our tenanted package

We believe tenancies offer an excellent business partnership and have a strong future We never cease to be impressed by the enthusiasm energy entrepreneurial flair and retailing ingenuity of our licensees

We are small enough to offer targeted support where it is most needed and to have strong personal relationships, but above all to remain flexible to the needs and aspirations of our licensees and transparent and open in our dealings with them At the year end we have introduced a new scheme to incentivise our tenants on standards and volume

Current trading

We have enjoyed a positive start to the year and are performing in line with expectation In the 12 weeks to 17 September 2011 we have traded well with total beer volume up 6 9% like-for-like managed house sales up by 6 5% and improving trends within the tenanted estate However, we are experiencing some margin pressure in our beer business

Summary

This has been a good year in a very challenging consumer climate Our beer volume, food and accommodation sales have outperformed the market and our brand and pub portfolios have become stronger We are confident that investment in building our marketing team will deliver more effective consumer engagement in the future

Our strategy is clear consistent and focused on delivering long-term sustainable growth Our balance sheet is strong underlined by the recent pub estate revaluation Our cash flow from operating activities is sufficient both to pay down debt and be able to acquire new assets in the same year

We employ people and enjoy partnerships with licensees, suppliers and customers who are highly committed to the success of Shepherd Neame This support enables the company to perform at very high levels, as evidenced by the number of outstanding awards won this year

However, the general economic and industry outlook remains challenging as we face the twin issues of decline in consumer incomes and inflation in our cost base But despite these adverse trends we believe that we are pursuing a strategy that will make our beer and pub business a stronger performer in the industry for the future

J B Neame
Chief Executive

"It is disappointing to note that the Government has so far failed to recognise the importance of beer and pubs to the economy and the social and cultural life of the UK" M H Templeman | Chairman

THE IMPORTANCE OF BEER

BEER AND PUBS CONTRIBUTE £28 BILLION TO THE UK ECONOMY – MORE THAN THE CLOTHES RETAILING INDUSTRY

£3.1 BILLION
THE AMOUNT OF EXCISE DUTY PAID ON BEER

35% THE INCREASE IN BEER DUTY SINCE 2008

£28.5 MILLION
THE AMOUNT OF EXCISE DUTY PAID ON BEER BY SHEPHERD NEAME IN 2011

85 CALORIES
CONTAINED IN A ½ PINT OF BEER (175ML GLASS OF WINE 119 CALORIES)

2/3 OF THE AVERAGE RECOMMENDED DAILY INTAKE OF SILICON IS CONTAINED IN 1 PINT OF BEER

90% OF ALL BEER SOLD IN BRITAIN IS MADE IN BRITAIN FROM BRITISH RAW MATERIALS

68 MILLION
PINTS WERE PRODUCED BY SHEPHERD NEAME IN 2011

MORE THAN 1,400 LOCAL SUPPLIERS ARE USED BY SHEPHERD NEAME

WE SOURCE 95% OF THE HOPS USED IN OUR CASK ALES FROM KENT

THE IMPORTANCE OF PUBS

920,000 PEOPLE WORK IN BRITAIN'S PUBS, BREWERIES AND THE SUPPLY CHAIN

15 MILLION PEOPLE SOCIALISE IN THE NATION'S PUBS EACH WEEK

THE AVERAGE UK CONSUMER GOES OUT FOR FOOD AND DRINK 198 TIMES A YEAR

MORE THAN 1 BILLION MEALS ARE SERVED IN PUBS EVERY YEAR

EACH PUB ON AVERAGE CONTRIBUTES £107,000 IN TAX EVERY YEAR

EACH PUB ON AVERAGE CONTRIBUTES £80,000 TO THE LOCAL ECONOMY EVERY YEAR

EACH PUB ON AVERAGE CONTRIBUTES £2,500 TO LOCAL CHARITABLE CAUSES EVERY YEAR

c.4,500 PEOPLE WORK IN SHEPHERD NEAME PUBS AND THE BREWERY

MORE THAN 1 MILLION MEALS ARE SOLD IN OUR MANAGED HOUSES EVERY YEAR

WE SUPPORT MORE THAN 400 SPORTING, CULTURAL AND COMMUNITY EVENTS

SOURCES BRITISH BEER & PUB ASSOCIATION NUTRACHECK, INSTITUTE FOR PUBLIC POLICY, THE BEER EDUCATION TRUST DELOITTE LLP

Our Environment

We have contracted to acquire the Fayreness Hotel, Kingsgate which overlooks Botany Bay, one of Kent's finest beaches.

GREEN TOURISM BUSINESS SCHEME AWARD

Corporate social responsibility

Responsible retailing

Shepherd Neame is committed to operating pubs and hotels of high quality which take their responsibility to their customers and communities seriously We believe a pub is a public amenity that should provide a friendly safe environment for its customers

- We support the Drinkaware Trust and require our tenants and managers to support our Social Responsibility Charter
- We support the Challenge 21 initiative and run a Mystery Drinker scheme to monitor compliance
- We were one of the first companies to team up with the BII for a project in which schools invite experts, including pub landlords to help educate a responsible approach to drinking
- We sponsor the Kent Peer Drugs Drama Competition in which Year 11 pupils in Kent compete for a £1 000 prize for the best short play that helps educate Year 9/10 pupils on issues such as alcohol
- We are participants in initiatives such as the Kent Community Alcohol Partnership, that have brought together councils the police and the health service with alcohol producers and retailers at the local level
- Shepherd Neame executives are active in a number of public debates relevant to the beer industry Chief Executive Jonathan Neame is Chairman of the Future Beer Group of the BBPA and is prominent in the debate on alcohol duty Tenanted Trade Director George Barnes is South East Regional Chair of the Institute of Licensing and sits on the South East advisory panel of Pub is the Hub Retail Director Nigel Bunting is Chairman of the Independent Family Brewers of Britain Operations Group

Environment

Shepherd Neame is very proud of the standards it achieves for environmental management in activities such as raw materials handling water supply, transport pollution control, waste management and recycling

- We were the first UK brewery to attain full accreditation for the ISO 14001
- We have responded to the expanding off-trade market while adhering to our company values The brewery's new bottling hall was opened in June 2010 at a cost of £3 5 million It has enabled us to reduce our energy and water consumption, particularly by switching from tunnel pasteurisation to flash pasteurisation Over the past decade we have reduced our energy consumption in the bottling hall by 27% The brewery has also recently switched to the exclusive use of lightweight glass for its bottled beers resulting in a saving of 20% in glass usage
- We are currently undertaking a waste water treatment project We have invested in a state of the art system aimed at minimising our impact on our local environment
- As manufacturers we rely heavily on air compressors We have recently invested £10,000 in an intelligent online monitoring system to control consumption and will improve energy efficiency by up to 10%
- We work well within the Government's Energy Efficient Quotient
- We run Euro V Volvo trucks equipped with a new generation of diesel engines with lower fuel consumption and extremely low emissions
- We provide free bicycles for staff that live within three miles of the brewery
- Our PDX wort boiling system uses direct steam injection to heat the wort in-line – this has reduced our energy consumption during this stage of the process by 50%
- We were the first UK brewery to be awarded a Feed Materials Assurance Scheme certificate guaranteeing the quality and traceability of the brewery's spent malt and yeast for agricultural feed We recycle 97% of the grain and hops used in the brewing process All spent produce is used as animal feed
- We audit environmental policies and procedures of all major suppliers to the brewery

Our Heritage

We have been named in the Group Travel Awards, Best Little Treasure of Britain.

SMALL VISITOR ATTRACTION
OF THE YEAR

Employees

We are justifiably proud of our dedicated staff, many of whom have very long years of service and are the fourth and fifth generations of local families working for us There is regular communication on company strategy and developments feedback and ideas are encouraged

- We run an active Sports and Social Club We organise annual company cricket five-a-side football and bowls matches and a go-karting competition We host a children s Christmas party, a family summer outing shopping trips and visits to sporting events
- We encourage all staff to develop their personal and business skills and to be aware of their responsibilities to the customer and to the law
- We achieved a Grade 1 Outstanding rating for training provision in the 2010 annual monitoring visit by the BII
- Our staff support a variety of charities including Wear it Pink Race for Life and Jeans for Genes and have participated in many fundraising events including the London to Brighton Cycle Ride, various marathons and peak challenges
- We have a well attended Pensioners Club that meets once a week to play dominoes and cribbage The pensioners have a summer outing Christmas lunch and other activities throughout the year including film shows and a day at Kent County Cricket Club

Community

Shepherd Neame has supported the community it serves for many years

- We take great pride in supporting the town of Faversham and the county of Kent through events such as the Faversham Hop Festival Classic Car and Motorcycle Show and local Food and Drink weekends We sponsor the Faversham Christmas Lights the town s Food Trails Walking Project the Kent Messenger Group s countywide Big Quiz and the Rare Breed Centre's Great Kent Bike Ride which attracts up to 1 000 entrants
- We invest around £500 000 annually on sports sponsorship usually linked to the supply of drinks from grassroots to county level The Company sponsors local leagues and provides equipment for community sides We support a variety of sports including cricket rugby football and traditional pub games such as bat and trap We promote local tourism through our membership of Visit Kent
- We launched Spitfire Premium Kentish Ale in 1990 to raise money to help RAF veterans To date, fundraising efforts for RAF veterans charities have netted more than £130 000
- We have continued our support of the armed services by sponsoring the publication of an e-book of pub walks launched in aid of the charity Combat Stress
- We put aside an acre of land at Queen Court Farm in 2008 to house part of the National Hop Collection of historic varieties of hops
- We invite local farmers hop growers food suppliers people from other associated industries and civic guests to our annual Hop Blessing in a local church
- Our pubs are the centres of the communities they serve and they raise considerable sums for charities We actively encourage and support the charitable events they organise with donations and advice We provide numerous prizes and auction lots for charitable events to help raise money for a wide variety of causes ranging from local schools to national charities
- We believe that we own more listed buildings in Kent than any other organisation Our investment in their upkeep helps preserve time-honoured crafts, including thatching, stonemasonry traditional carpentry and glass-etching
- We have recently discovered an historic drainage pipe carved from a series of hollowed-out elm tree trunks which will now lead to a preservation project with archaeologists at the Museum of London

Board of Directors

M H Templeman (63)
CHAIRMAN
CHAIRMAN OF THE NOMINATIONS COMMITTEE

Appointed to the Board in March 2002 and became Chairman in October 2005 He was formerly Group Marketing Director of Whitbread and Managing Director of the Whitbread Beer Company where he was responsible for developing Stella Artois into the leading premium lager in the UK In 2001 he took up a variety of directorships and consultancy roles He is currently Director General of the Institute of Directors but steps down in September 2011 He is a Non-Executive Director of Melrose plc

J B Neame (47)
CHIEF EXECUTIVE
PENSION TRUSTEE

Joined the Company in 1991 Was Company Secretary until July 1994 and Tied Trade Director until 1999 when he was appointed Managing Director he was appointed Chief Executive in 2003 He is a Barrister-at-law and was a Management Consultant with the COBA Group from 1987 to 1991 He is a Non-Executive Director of the St Austell Brewery Company Ltd and in 2011 was appointed a Trustee of the Leeds Castle Foundation He is a Director of the British Beer and Pub Association and Chairman of its Future Beer Group

J H Leigh-Pemberton (54)
NON-EXECUTIVE DIRECTOR
CHAIRMAN OF THE AUDIT COMMITTEE

Appointed to the Board in September 2004 He is Chief Executive of Credit Suisse UK He is also a Non-Executive Director of RIT Capital Partners plc

R L Nicol (64)
NON EXECUTIVE DIRECTOR
PENSION TRUSTEE

Appointed to the Board in November 2003 He is a retired Scottish qualified solicitor and previously served in the Scots Guards He has other business interests in agriculture forestry insurance and leisure

O W A Barnes (60)
NON-EXECUTIVE DIRECTOR
CHAIRMAN OF THE REMUNERATION COMMITTEE

Appointed to the Board in October 2005 He is a consultant to the City law firm Travers Smith where he was previously a partner for over 25 years Until August 2011 he was a member of the Law Society s Company Law Committee on which he had served for over 12 years

K R Littlefair (64)
FINANCE AND IT DIRECTOR

Joined the Company and was appointed to the Board as Finance Director in April 2000 He took on responsibility for IT in 2003 He is a chartered accountant who gained experience with Ernst & Young before joining London International Group plc, where he was Finance Director of the European Division and then the Operations Division

G H A Barnes (57)
PROPERTY AND TENANTED TRADE DIRECTOR
Joined the Company in 1978 He is a chartered surveyor and was appointed to the Board in January 2001 He is also South East Regional Chair of the Institute of Licensing

N J Bunting (44)
RETAIL DIRECTOR
Joined the Company in 1993 He has held various management positions including responsibility for the Free On Trade and National Sales He was operations manager for Tenanted pubs from 2001 to 2003 as well as retail pubs operations manager from 2003 He was appointed to the Board in August 2005 He is a Non-Executive Director of Davy & Co Ltd Chairman of the Independent Family Brewers of Britain Operations Group and a Director of Visit Kent

G R Craig (40)
SALES AND MARKETING DIRECTOR
Joined the Company in May 2006 and was appointed to the Board in July 2006 He was previously at PepsiCo for 12 years latterly as Convenience Director responsible for Walkers Quaker and Tropicana products

PRESIDENT

COMPANY SECRETARY

T W Falcon (42)
PRODUCTION AND DISTRIBUTION DIRECTOR
Appointed to the Board in July 2008 he worked for Maersk Company Ltd, part of the A P Moller-Maersk group the world leader in shipping, where he was Director of Strategy and Process Excellence Prior to Maersk he spent three years with A T Kearney management consultants He is a member of the British Beer and Pub Association s Future Beer Group and a member of the Supervisory Committee of Campden BRI

R H B Neame CBE DCL DL (77)
PRESIDENT
CHAIRMAN OF THE PENSION TRUSTEES
Joined the Company in 1956 and was appointed to the Board in 1957 Was appointed Executive Chairman in 1971 and served in this role until October 2005 He retired from the Board in June 2006 He is the Company s first President and is Chairman of the trustees of the Shepherd Neame Company Retirement Account. In July 2008 he received an Honorary Doctorate in Civil Law at the University of Kent and on 16 December 2010 he was appointed an Honorary Alderman by Kent County Council in recognition of his service to the County Council and the people of Kent.

F J Lester (63)
COMPANY SECRETARY
Joined the Company as Company Secretary in September 2004 She qualified as a Chartered Secretary in South Africa where she worked in the manufacturing sector On return to the UK in 1986 she initially worked in the same sector and then in the leisure industry as Company Secretary for the Tussauds Group

Corporate governance

The Board has put in place a framework for corporate governance which it believes is appropriate to the Company

The Company is a private company and its 'A' shares are quoted on PLUS market which enjoys certain personal tax advantages for our shareholders compared to a full stock market listing The Company's 'B' shares are owned by direct descendants of Percy Beale Neame and their spouses These shares can only be transferred to direct relatives of the holder or other 'B' shareholders The 'B' shares account for 86% of the voting rights of the company, which is a "close company" for taxation purposes

As a PLUS market company, Shepherd Neame is not required to comply with all aspects of The Combined Code on Corporate Governance However the Board is committed to maintaining the highest standards within the Company

The Board

The Board currently comprises the Non-Executive Chairman, the Chief Executive, three Non-Executive and five Executive Directors The biographical details on pages 18 and 19 show the broad range of experience and skills the Directors bring to the Board

One third of the Directors are subject to re-election by rotation at the Annual General Meeting each year All newly appointed Directors stand for election at the Annual General Meeting following their appointment

The Board meets regularly throughout the year Its responsibilities include approving the Company's strategy and annual budget, authorising major investments acquisitions and capital expenditure, and monitoring the performance of the business

Committees of the Board

Executive

The Executive Committee of the Board comprises the Executive Directors and is chaired by the Chief Executive It meets monthly to review operating performance and has delegated authority from the Board to deal with operational matters

Nomination

The Nominations Committee is chaired by Miles Templeman and comprises the Non-Executive Directors The committee is responsible for identifying and proposing prospective candidates for Directors for consideration and appointment by the Board as a whole

Audit

The Audit Committee is chaired by James Leigh-Pemberton and comprises the Non-Executive Directors The Chief Executive, Finance Director and external auditors attend its meetings by invitation The Committee has defined terms of reference reviews the audit appointment periodically, discusses the audit plan with the auditors and recommends approval of the financial statements to the Board

Remuneration

The Remuneration Committee is chaired by Oliver Barnes and comprises the Non-Executive Directors It meets regularly and determines on behalf of the Board the remuneration package of the Executive Directors The remuneration of the Non-Executive Directors is decided by the Board as a whole The Remuneration Committee is also responsible for approving the bonus targets and payments for the Company's Directors and Senior Managers

In coming to these decisions the Remuneration Committee considers the overall performance of the Company and of the individual Directors and Senior Managers and the performance of our national and regional competitors External consultants are used periodically to help with these decisions and Deloitte LLP provided further advice in the current year following their review last year

The Company aims to ensure that remuneration packages for Executive Directors are competitive and comparable with companies of a similar size complexity and activity and are designed to attract, retain and motivate Executive Directors with appropriate skills and capabilities Remuneration comprises fixed remuneration (salary and other benefits) and performance-related remuneration (primary and secondary share options in accordance with the rules of the 2005 scheme and cash bonuses) designed to motivate to obtain maximum performance Details of remuneration and share options are in the notes to the financial statements

Internal control

The Board acknowledges its ultimate responsibility for the system of internal control within the Company and for its effectiveness 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 Board has carried out an assessment of the key operational and financial risks for the Company, the control exercised at Board level the controls relied upon by the Board and the exceptions for consideration by the Board This review is updated on a regular basis and since the year end the Board has commissoned a review of "Access and Authorisations granted to users of our SAP systems

The responsibility for the implementation and day-to-day operation of the systems of internal control within the business is delegated to the Chief Executive and Executive Directors and through them to members of management and staff Key features of the system of internal control include a detailed review of performance against detailed budgets and forecasts which are subject to scrutiny and approval reports to the Board from each operating area a requirement for authorisation of capital expenditure following formal investment appraisals and a close involvement of the Executive Directors in the operation of the business

The Company does not have an internal audit function and the Board does not consider that one is required for a business of our size Ongoing quality visits and counts by independent stocktakers provide assurance over activities in the managed pub estate Within the brewery the quality control procedures ISO 9001 certification and internal reviews by management provide similar assurance

Investor relations

The Board believes in an open and regular dialogue with its shareholders Information is provided to shareholders in the interim and annual financial statements The Chairman Chief Executive and Finance Director make an annual presentation of the Company's results to City investors and analysts This presentation is simultaneously posted on the Company's website The Board offers to hold individual briefings with its major shareholders twice a year if required All shareholders are encouraged to attend the Annual General Meeting

During the year we have appointed Charles Stanley who have a large private client portfolio, to act as co-broker alongside Cazenove in order to improve liquidity in the market for our A' shares

All formal Company announcements are posted on PLUS market (www plusmarketsgroup com)

Employees and pensioners

The health and wellbeing of our employees is paramount We strive to improve their safety at work by undertaking regular risk assessments and training We believe in open and transparent communication with our employees and hold regular briefings on relevant matters such as the performance of the business, forthcoming events initiatives and targets

We encourage employees to participate in activities beyond their daily jobs and to contribute to the Company's community involvement We are supportive of their participation in local government as justices of the peace and in other voluntary services and we support various sporting and social activities for employees We place an emphasis on longevity of service and loyalty and reward it

We believe strongly in supporting our former employees In addition to funding a pension the Company maintains an active social programme for pensioners, which enables them to maintain contact with former colleagues

Financial review

Results Turnover for the year ended 25 June 2011 increased by 5 2% to £121 3m (2010 £115 4m) and operating profit before exceptional items increased by 3 3% to £12 3m (2010 £11 9m) This growth was achieved mainly as a result of increased beer sales to free trade customers and a strong retail performance, particularly in food and accomodation despite a difficult trading environment for the industry Margin on operating profit before exceptional items was 10 1% (2010 10 3%)

The results and business operations are discussed in more detail in the Chairman's statement and Chief Executive s review

Exceptional items Operating exceptional charges comprised an impairment charge of £1 9m on 13 licensed premises (2010 £0 5m on five licensed premises) The exceptional profit amounted to £0 4m from the sale of eight pubs compared with £1 9m in 2010 from the sale of 15 small pubs several pieces of land and certain unlicensed premises

There was no tax attributable to exceptional items (2010 £0 1m) as a result of rollover relief on property profits and the disallowance of the impairment charge

Finance charges Net interest charges decreased by 6 8% to £4 3m (2010 £4 6m) as average borrowings reduced during the year

Interest cover before exceptional items improved to 2 9 times (2010 2 6 times)

Taxation The tax charge after exceptional items was £2 1m, an effective rate of 32 2% (2010 £2 4m and 27 1%) The charge was reduced by the tax on the rolled over gains of £0 1m (2010 £0 4m) the effect of the reduction in the taxation rate of £0 4m (2010 nil) and the release of a prior year overprovision of £0 1m (2010 nil) However the charge has been increased by £0 5m (2010 £0 1m) in respect of the impairment provision which has been disallowed for tax purposes

Earnings per share Basic earnings per £1 'A ordinary share before exceptional items increased by 17 0% to 46 2p However basic earnings per £1 A ordinary share decreased by 31 1% to 34 4p as a result of the impairment charge and lower property profits

Dividends Dividends per share paid and proposed in respect of the year increased by 3 0% to 23 8p per 'A ordinary share (2010 23 1p) and 0 476p per B ordinary share (2010 0 462p) to give a total of £3 045,000 (2010 £2 953 000) Dividend cover has decreased to 1 4 times (2010 2 2 times) due to the impact of exceptional items However dividend cover pre exceptional items increased to 1 9 times (2010 1 7 times)

Cash flow Earnings before interest, tax depreciation and amortisation (EBITDA) and before free trade loan discounts increased by 3 1% to £18 9m (2010 £18 4m) both before and after exceptional charges

There was a net cash outflow from short-term working capital movements of £0 6m, mainly in respect of increased debtors compared with a £1 6m inflow in 2010

As a result of these two factors the net cash inflow from operating activities decreased by 9 2% to £18 5m (2010 £20 3m)

The net cash outflow on capital expenditure and financial investment was £7 4m (2010 £2 1m), comprising a £9 8m outflow on investment in tangible fixed assets less an inflow of £2 5m principally from the sale of small pubs The net cash outflow includes £3 1m on the purchase of two pubs and three unlicensed properties In 2010, the Company made no acquisitions and disposed of 15 pubs and seven unlicensed properties

The total cash cost of interest tax and dividends increased by £0 4m to £9 2m mainly due to a £0 4m increase in corporation tax payments as a result of higher profit before tax and exceptional items

There was a net cash inflow before financing of £1 8m (2010 £9 4m)

Fixed assets Additions to tangible fixed assets amounted to £9 9m and the net book value of disposals was £2 3m Fully depreciated assets that cost £2 9m were also written off Depreciation of tangible fixed assets was £6 2m (2010 £6 1m)

The valuation exercise undertaken during the year gave a surplus over book value of £68m which has not been booked in the accounts An impairment review was carried out at the same time and we have recognised a £1 9m exceptional charge in respect of 13 properties

Overall there was a £0 4m decrease in tangible fixed assets (2010 £4 0m)

Financing and loan facilities Throughout the year the company's loan facilities comprised a £60m 20 year term loan maturing in 2026 a £15m five year term loan and a £10m revolving credit facility maturing in 2014 together with a £5m committed overdraft facility which is renewable in June 2012 During the year the Company repaid and cancelled £5m of the £15m term loan At the year end there were no drawings on the overdraft or revolver and a cash balance of £4 6m to give net borrowings of £64 9m after deducting £0 5m of unamortised loan issue costs Gearing at the year end was 54% (2010 56%) Gearing adjusted for the unbooked revaluation surplus was 35%

Interest on the 20 year term loan was fixed by swap contracts when it was drawn down to give an effective rate of interest of 5 94% Interest on the £15m loan and the revolving credit facility is based on LIBOR plus a margin of between 2 75% and 5% This has not been fixed by swap contract

The ratio of debt to EBITDA before exceptional items at the year end was 3 4 times (2010 3 6 times)

Treasury policy and financial risk management The policy for managing treasury and financial risk is as set out in note 26

The Directors have reviewed the company s future funding requirements and current facilities and concluded that the facilities should be reduced As a result during the year the Company has made a voluntary prepayment of £5m of its five year term loan thereby reducing this facility to £10m

Accounting standards The Company has not adopted any new Financial Reporting Standards during the year

Report of the Directors

The Directors have pleasure in presenting their ninety-seventh Annual Report and Accounts for the 52 weeks ended 25 June 2011

Activities and review of business

The principal activities of the Company are the brewing and packaging of beer, the wholesaling and retailing of beer, cider, wines, spirits and minerals, property ownership and public house and hotel management This report should be read in conjunction with the Chairman's Statement Chief Executive's Review and Financial Review which provide further details of the Company's activities for the 52 weeks ended 25 June 2011 including comments on sales sales volumes and contribution

Risks and uncertainties

The principal risks and uncertainties in the business (other than the key financial risks which are set out in note 26c) are noted below and are discussed further in the Chairman's Statement and the Chief Executive's Review

- Economic and market conditions
  The success of the Company's operations is partly reliant upon the strength of the UK economy and, although we would expect to outperform the market performance could be adversely affected by reduced consumer spending as a result of a weakening in the economy, rising unemployment or increases in personal taxation

- Regulation and taxation of the sales of alcohol
  The drinks industry is heavily regulated and heavily taxed through excise duty The government increased excise duty in 2010 and has stated that it intends to increase duty by two percentage points above the rate of inflation to 2015 There is a risk that this, or other changes in taxation or regulation to address health issues or binge drinking could affect the market our sales and sales margins

- The beer tie
  The operation of the beer tie by Pubcos is currently under review by the Business, Innovation and Skills Committee which met again in July 2011 to consider progress made against the findings of the previous committee We await the outcome of their findings but any substantive change to our ability to operate traditional tied tenancies could be detrimental to our business

- Brand and reputation
  The Company has a range of strong brands and an excellent reputation in the market There is a risk that unexpected events or incidents could damage our brands or our reputation This risk is mitigated by staff training adherence to high quality standards throughout the business management review and internal control

- Raw material and other input costs
  In recent years the Company has suffered from significant increases in the cost of inputs such as utilities, malt and food for resale There is a risk that input costs could increase significantly again in the future

- Information technology
  The Company places significant reliance on information systems A significant or prolonged failure of these systems would affect all aspects of our business To minimise the risk the IT function has in place back-up systems a disaster recovery plan and external support agreements for hardware and software and these will ensure that in the event of any problem normal trading would be restored quickly

- Site dependency
  The Company's operations are managed from its sole brewery site in Faversham A disaster at this site would seriously disrupt operations However, we have developed a disaster recovery plan to mitigate the impact, including arrangements to use alternative facilities

Dividends

The Company paid an interim dividend of 4 80% (2010 4 75%) on the 'A' and 'B' ordinary shares and the Directors now recommend a final dividend of 19 00% (2010 18 35%) on both classes of shares This makes a total of dividend for the year of 23 80% (2010 23 10%)

The total proposed final dividend on ordinary shares will be £2 431 000 (2010 £2 345,000) which together with the 2011 interim dividend paid of £614 000 (2010 £608 000) will make total dividends of £3 045,000 (2010 £2,953 000)

Directors

The names of the Directors at 25 June 2011 are set out on pages 18 and 19 Particulars of the Directors' interests in the Company's shares are set out in note 24 to the accounts

Mr O W A Barnes Mr N J Bunting and Mr T W Falcon retire from the Board by rotation and will be offering themselves for re-election

Fixed assets

The freehold licensed properties of the Company were valued individually at open market value on an existing use basis as at 28 June 1997 by the Company's own professionally qualified staff These figures were incorporated into the accounts as at 28 June 1997 and subsequent additions have been included at cost

During the year ended 25 June 2011 the Company carried out a valuation of these assets on the same basis This showed a surplus of £68 million over the book value which has not been recorded in the accounts

The brewery premises and other fixed assets remain in the accounts at historical cost The Directors have considered the value of all fixed assets of the Company and believe that their aggregate value is significantly more than the amount in the balance sheet

Purchase of own shares

During the year no shares were purchased In 2010 40 284 £1 'A ordinary shares representing 0 35% of that class of share, were purchased at a cost of £343,824 The shares were acquired in connection with the Company's obligations under the 2005 Restricted Share Scheme The maximum number of shares held in the year was 194,281 representing 1 70% of the £1 'A' ordinary shares in issue at a cost of £2 247,000 (2010 203 979 shares being 1 78% of the £1 'A' ordinary shares in issue at a cost of £2 233,000)

Directors' responsibilities for the financial statements
Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 Company and of the profit or loss of the Company for that period In preparing those 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 accounting standards have been followed and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The maintenance and integrity of the information on the Shepherd Neame website is the responsibility of the Directors Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Going concern
The Directors have reviewed the financial projections together with the Company's bank facilities, as discussed in the Cash Flow and Financing sections of the Financial Review on page 22 and in accordance with the capital and risk management process set out in note 26, and on the basis of reasonable expectation have concluded that the Company has adequate financial resources to continue in operation as a going concern for the foreseeable future and accordingly consider that it is appropriate to prepare the accounts on a going concern basis

Directors statement as to disclosure of information to the auditors
The Directors who were members of the Board at the time of approving the Directors Report are listed on pages 18 and 19 Having made enquiries of fellow Directors each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditor is unaware and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Use of financial instruments
A statement in relation to the use of financial instruments by the Company is given in the Financial Review and also in note 26 to the accounts on pages 43-45

Employees
It is the Company's policy to give full consideration to suitable applications for employment by disabled persons Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the Company's employment

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

Employees continue to participate directly in the success of the business through the Share Incentive Plan

Third party indemnity provisions
The company has in place a Directors and Officers Liability Insurance Policy which indemnifies the Directors and Officers from any claim or claims on them in the course of their business activities to the extent that they do not relate to acts of fraud or dishonesty The total cover under the policy is £5 million

Charitable donations
In the year the Company donated £37 000 (2010 £18 000) for charitable purposes, principally to local charities in the communities in which the company operates

Auditors
A resolution to reappoint Deloitte LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

By order of the Board
F J Lester
Company Secretary
17 Court Street
Faversham Kent
22 September 2011

Independent auditor's report to the members of Shepherd Neame Limited

We have audited the financial statements of Shepherd Neame for the year ended 25 June 2011 which comprise the Profit and Loss Account the Statement of Total Recognised Gains and Losses the Note of Historical Cost Profit and Losses the Balance Sheet the Cash Flow Statement, the Notes to the Cash Flow Statement the Accounting Policies and the related notes 1 to 27 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members as a body in accordance with Chapter 3 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 auditors' 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 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 25 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other 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

Under the Companies Act 2006 we are required to report to you if in our opinion

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

Tim Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London United Kingdom

22 September 2011

Profit and loss account year ended 25 June 2011

	note	2011 Before exceptional items £ 000	2011 Exceptional items £ 000	2011 Total £ 000	2010 Before exceptional items £ 000	2010 Exceptional items £ 000	2010 Total £ 000
Turnover	1	121 346	-	121 346	115 356	–	115 356
Operating charges	2,3	(109 094)	(1,915)	(111 009)	(103 499)	(450)	(103 949)
Operating profit		12 252	(1 915)	10 337	11 857	(450)	11 407
Profit on sale of property	3	-	419	419	-	1 887	1,887
Profit on ordinary activities before interest		12 252	(1 496)	10 756	11 857	1,437	13 294
Interest receivable and similar income		32	–	32	23	-	23
Interest payable and similar charges	4	(4,303)	–	(4,303)	(4,604)	–	(4 604)
Profit on ordinary activities before taxation		7 981	(1 496)	6 485	7 276	1 437	8 713
Taxation	5	(2,090)	–	(2 090)	(2 243)	(117)	(2 360)
Profit for the year after taxation		5 891	(1 496)	4,395	5,033	1 320	6 353
Earnings per £1 nominal share value							
Basic	7			34 4p			49 9p
Basic before exceptional items	7			46 2p			39 5p
Diluted	7			34 2p			49 6p

Movements in reserves are set out in notes 22 and 23

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit attibutable to the shareholders of the Company of £4 395 000 for the year ended 25 June 2011 (year ended 26 June 2010 £6 353 000)

Note of historical cost profits and losses

	2011 £ 000	2010 £ 000
Profit on ordinary activities before taxation	6 485	8 713
Realisation of property valuation	444	316
Difference between an historic cost depreciation charge and the actual depreciation charge for the year	33	36
Historical cost profit on ordinary activities before taxation	6 962	9,065
Historical cost profit for the year retained after taxation	4 872	6 705

Balance sheet as at 25 June 2011

	note	2011 £ 000	2010 £ 000
Fixed assets			
Intangible fixed assets	10	18	55
Tangible fixed assets	11	184,093	184 532
Investments and loans	12	1,642	1,857
		185,753	186,444
Current assets			
Stock	13	4,843	4,847
Debtors	14	18,343	17,030
Cash		4 588	7 781
		27 774	29 658
Creditors amounts falling due within one year			
Bank loans and overdrafts	16	-	(937)
Creditors	15	(19 861)	(18 892)
		(19 861)	(19 829)
Net current assets		7,913	9 829
Total assets less current liabilities		193,666	196,273
Creditors amounts falling due after more than one year			
Bank loans	16	(69,506)	(73,394)
Provision for liabilities – deferred tax	20	(4,616)	(4,919)
Net assets		119,544	117 960
Capital and reserves			
Called up share capital	21	12,818	12 818
Share premium account	22	1,439	1,439
Revaluation reserve	22	14,046	14,490
Reserve for own shares held	22	(855)	(1 254)
Profit and loss account	22	92,096	90,467
Equity shareholders' funds	23	119,544	117,960

These accounts were approved by the Board of Directors on 22 September 2011 and were signed on its behalf by

M H Templeman
J B Neame
Directors

Cash flow statement year ended 25 June 2011

	2011 £ 000	2011 £ 000	2010 £ 000	2010 £ 000
Net cash inflow from operating activities		18 470		20 346
Returns on investment and servicing of finance				
Interest paid	(4,246)		(4,278)	
Interest received	26		23	
		(4 220)		(4 255)
Taxation paid		(2 052)		(1 701)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(9,811)		(7 968)	
Proceeds of sales of tangible fixed assets	2,510		5 854	
Additional loans to customers	(323)		(213)	
Customer loan redemptions	191		247	
		(7 433)		(2 080)
Equity dividends paid		(2 958)		(2 900)
Net cash inflow before financing		1 807		9 410
Financing				
Purchase of own shares		–		(344)
Repayment of short-term loan		–		(1 500)
Repayment of long-term loan		(5,000)		–
Movement in cash during the year		(3,193)		7,566

Notes to the cash flow statement year ended 25 June 2011

1 Reconciliation of operating profit to net cash inflow from operating activities

	2011 before exceptional items £ 000	2011 exceptional items £ 000	2011 Total £ 000	2010 before exceptional items £ 000	2010 exceptional items £ 000	2010 £ 000
Operating profit	12,252	(1,915)	10,337	11 857	(450)	11 407
Depreciation and amortisation	6,209	–	6 209	6 172	–	6 172
Impairment provision	–	1 915	1 915	–	450	450
Charge for share based payments credited to reserves	147	–	147	346	–	346
Decrease/(increase) in stocks	4	–	4	(88)	–	(88)
Increase in debtors and prepayments	(1,272)	–	(1 272)	(407)	–	(407)
Increase in creditors and accruals	647	–	647	2 122	–	2 122
Free trade loan discounts	284	–	284	219	–	219
Loss on sale of assets (excluding property)	199	–	199	125	–	125
	6,218	1 915	8 133	8 489	450	8,939
Net cash inflow from operating activities	18 470	–	18,470	20 346	–	20,346

2 Reconciliation of cash flows to movement in net debt

	2011 £ 000	2010 £ 000
Opening cash and overdraft	7 781	215
Closing cash and overdraft	4 588	7 781
(Decrease)/increase in cash during the year	(3 193)	7 566
Repayment of short-term loan	–	1 500
Repayment of long-term loan	5 000	–
Amortisation of loan issue costs	(175)	(275)
Movement in net debt during the year	1,632	8,791
Net debt at beginning of year	(66,550)	(75 341)
Net debt at end of year	(64,918)	(66 550)

3 Analysis of changes in net debt

	2010 £ 000	Cash flow £ 000	Repayment of long term loan £ 000	Amortisation of issue costs £ 000	2011 £ 000
Cash	7 781	(3 193)	–	–	4,588
Debt due within one year	(937)	–	937	–	–
	6,844	(3 193)	937	–	4,588
Debt due after more than one year	(73 394)	–	4 063	(175)	(69 506)
Total	(66 550)	(3 193)	5 000	(175)	(64,918)

Accounting policies

The principal accounting policies are summarised below and have been consistently applied throughout the year and the preceding year

a Basis of preparation
The accounts are prepared on a going concern basis as set out in the Report of the Directors (page 24) under the historical cost convention modified by the revaluation of freehold licensed and associated properties and are prepared in accordance with UK applicable accounting standards (UK GAAP) As the Company's subsidiaries are dormant consolidated financial statements have not been prepared

b Intangible assets
Intangible assets acquired separately from a business are capitalised at cost and are amortised on a straight line basis over their estimated useful lives as follows

• Licences and Trade marks	10 to 20 years

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable

c Tangible fixed assets and depreciation
Tangible fixed assets are included at cost less accumulated depreciation except in the case of certain licensed freehold properties which were revalued before the adoption of FRS 15 In accordance with the transitional provisions set out in FRS 15 the Company has carried forward the book value of these properties adjusted for subsequent disposals

Assets under construction are not depreciated until they are brought into use All other tangible assets are depreciated at varying rates calculated to write off their carrying value less estimated residual value, evenly over their expected useful lives as follows

• Freehold brewery buildings	25 years
• Other freehold and long leasehold buildings	50 years
• Short leaseholds	over the lease term
• Other plant equipment fixtures and vehicles	3 to 20 years
• Computer hardware and software	3 to 10 years

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

d Fixed asset investments
Fixed asset investments are stated at historic cost The carrying values of the fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable

e Stocks
Stocks are valued on a consistent basis at the lower of cost and net realisable value Cost of own beers produced includes materials and directly attributable fixed and variable production overheads

f Accounting for leases
(i) As Lessor
Rentals receivable under operating leases are included in turnover on an accruals basis

(ii) As Lessee
Rentals payable under operating leases are charged to income on a straight line basis over the term of the lease allowing for inflation

g Taxation
(i) Current tax
Corporation tax payable is provided on the taxable profit at the current rate

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

- provision is not made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets unless there is a binding agreement to dispose of the assets concerned at the balance sheet date Provision is not made if it is probable that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

h Turnover

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, or on provision of service Turnover comprises the invoice value of goods inclusive of excise duty and services net of VAT and discounts Rental income received from the tied estate properties is recognised in the period in which it arises

i Pensions

The Company operates defined contribution pension schemes Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

j Dividends

In accordance with FRS 21 dividends payable are shown as a movement in reserves when declared (interim dividend) or approved (final dividend)

k Loans

The finance cost including any loan premium recognised in the profit and loss account in respect of loans is calculated at a constant rate on the carrying amount so as to spread the net cost evenly over the period to repayment

l Derivative instruments

The Company uses interest rate swaps to adjust interest rate exposures The Company's criteria for interest rate swaps are

- the instrument must be related to an asset or a liability and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Gains and losses arising on these instruments are recognised in the profit and loss account at the same time as the charge arising from the related asset or liability

m Share-based payment

All options are equity settled The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined using an appropriate pricing model In valuing equity-settled transactions no account is taken of any vesting conditions other than conditions linked to the price of the shares of the Company (market conditions) The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market-based conditions not achieving the threshold for vesting

At each balance sheet date before vesting the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions The movement in cumulative expense since the previous balance sheet is recognised in the profit and loss account, with a corresponding entry in equity

Notes to the accounts 25 June 2011

1 Turnover

Turnover comprises sales net of discounts rents receivable and services rendered from continuing trading activities excluding value added tax The Directors consider that the business carried on by the Company is that of a fully integrated regional brewer operating in the UK and that this constitutes one class of business The export sales during the year were £1 836 000 (2010· £2 020 000)

2 Operating charges

	2011 £ 000	2010 £ 000
Change in stocks of finished goods and work in progress	225	(239)
Goods for resale	21,414	18 905
Raw materials duty and consumables	36 471	34 199
Staff costs		
Wages and salaries	19 239	18 664
Social security costs	1,783	1 645
Other pension costs	913	888
Depreciation and amortisation	6 209	6,172
Loss on sale of fixed assets (excluding properties)	199	125
Property repairs	1 692	1,542
Operating lease rentals – land & buildings	2 989	2,826
Other operating charges	17 960	18,772
Before exceptional items	109 094	103,499
Exceptional item – impairment charge on properties	1 915	450
Total operating charges	111 009	103,949

The analysis of auditors remuneration is as follows

	2011 £ 000	2010 £ 000
Total fees payable to Deloitte LLP for the audit of the Company s annual accounts	75	75
Other services pursuant to legislation		
Tax services	34	54
Other services	8	18
Total non-audit fees	42	72
Fees payable to the Company s auditor for the audit of associated pension scheme	6	7
Total fees payable to Deloitte LLP	123	154

3 Exceptional items

	2011 £ 000	2010 £ 000
Operating items		
Impairment charge in respect of 13 (2010 five) licensed properties to write them down to recoverable amount (see note 11)	(1,915)	(450)
	(1,915)	(450)
Non operating items		
Profit on sale of property	419	1 887
Total exceptional items before tax	(1 496)	1,437
Taxation charge in respect of the operating items (see note 5)	–	(117)
Total exceptional items after tax	(1 496)	1,320

4 Interest payable and similar charges

Interest payable in both the current and prior year related solely to charges in respect of bank loans and overdrafts

5 Taxation

a Tax on profit on ordinary activities

	2011 £000	2010 £000
Current tax		
UK Corporation tax at 27 5% (2010 28%)	2 635	2 319
Prior year over provision	(242)	–
Total current tax	2,393	2,319
Deferred tax		
Origination and reversal of timing differences	(115)	108
Effect of reduction in the rate of corporation tax	(357)	–
Prior year under/(over) provision	169	(67)
Total deferred tax	(303)	41
Total tax charge	2,090	2 360

b Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities before taxation for the year is higher (2010 lower) than the standard average statutory rate of corporation tax in the UK of 27 5% (2010 28%)

The differences are reconciled below

	2011 £000	2010 £000
Profit on ordinary activities before tax	6 485	8 713
UK Corporation tax at average statutory rate 27 5% (2010 28%)	1 783	2 440
Expenses and charges not deductible for tax purposes and non-taxable income	840	386
Capital allowances less than/(in excess) of depreciation	130	(148)
Short-term timing differences	(5)	45
Rolled over gains on asset disposals	(113)	(404)
Prior year over provision	(242)	–
	2 393	2,319

The exceptional profit on the disposal of properties of £419 000 (2010 £1 887,000) does not give rise to a tax charge (2010 £117,000) after the effect of rollover relief

c Factors that may affect future tax charges

No provision is made for the taxation liability which would arise on the disposal of properties at their revalued amounts or on gains rolled over into replacement assets Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount unprovided is estimated at £6 6m (2010 £8 1m) based on a corporation tax rate of 26% (2010 28%) At present it is not envisaged that any such tax will become payable in the foreseeable future

The changes in the rates of corporation tax and the capital allowances regime substantively enacted since the year end and to be effected next year and thereafter will impact future tax charges These include reductions in the statutory rate of corporation tax from 26% to 23% over three years and a reduction in the capital allowance rates from 20%/10% to 18%/8% on the main pool and special rate assets respectively beginning 1 April 2012 The impact of these charges has not been calculated

6 Dividends

	2011 £ 000	2010 £ 000
Declared and paid during the year		
£1 A ordinary shares		
Final dividend for 2010· 18 35p (2009 17 90p)	2 094	2 049
Interim dividend for 2011 4 80p (2010 4 75p)	549	543
	2,643	2 592
2p 'B ordinary shares		
Final dividend for 2010 0 367p (2009 0 358p)	250	243
Interim dividend for 2011 0 096p (2010 0 095p)	65	65
	315	308
Dividends paid	2 958	2,900
Proposed for approval at the 2011 AGM		
Final dividend for 2011 on £1 'A' ordinary shares 19 00p (2010 18 35p)	2 173	2 095
Final dividend for 2011 on 2p B ordinary shares 0 380p (2010 0 367p)	258	250
	2,431	2 345

Shares held by the Company (and not allocated to employees under the Share Incentive Plan) are treated as cancelled when calculating dividends and earnings per share

7 Earnings per share

Based on £1 nominal share value	2011 £ 000	2010 £ 000
Profit attributable to equity shareholders	4 395	6 353
Weighted average share capital	12 764	12 737
Dilutive outstanding options	76	74
Adjusted weighted average share capital	12,840	12 811
Basic	34 4p	49 9p
Basic before exceptional items	46 2p	39 5p
Diluted	34 2p	49 6p

The earnings per share before exceptional items are calculated on profit after tax and before exceptional items of £5 891 000 (2010 £5 033,000)

8 Directors' remuneration

	2011 £ 000	2010 £ 000
Aggregate amount		
Directors emoluments	1 256	1 184
Pension contributions	189	182
	1,445	1 366

	2011 Number	2010 Number
The number of Directors who		
Had pensions benefit accruing under money purchase schemes	6	6
Excercised options over shares in the Company	1	4
Had awards receivable in the form of shares under a long-term incentive plan	6	6

Details of Directors share options are shown in note 24

	2011 £ 000	2010 £ 000
Highest paid Director		
Emoluments	230	236
Pension contributions	42	42
	272	278

During the year the highest paid Director was granted secondary option rights over 6,789 A ordinary shares under the long-term incentive plan (2010 5 178 shares) and exercised options over 750 A' ordinary shares (2010 622 shares)

The aggregate gain not included above made by Directors on the exercise of share options was £6 000 (2010 £30,000)

9 Employees

The average number of persons with contracts of employment, including Directors during the year was as follows

	2011 Number of employees	2010 Number of employees
Brewery	323	315
Retailing	775	802
	1 098	1 117

10 Intangible fixed assets

	Licences and trade marks £ 000
Cost	
At 26 June 2010 and 25 June 2011	**364**
Amortisation	
At 26 June 2010	**309**
Provided during the year	37
At 25 June 2011	**346**
Net book value at 25 June 2011	**18**
Net book value at 26 June 2010	55

11 Tangible fixed assets

	Freehold properties £ 000	Leasehold properties over 50 years £ 000	Leasehold properties under 50 years £ 000	Plant vehicles and containers £ 000	Fixtures and fittings £ 000	Assets under construction £ 000	Total £ 000
Valuation or cost							
At 26 June 2010	150 950	942	6 153	29 312	38 602	1 117	227 076
Additions	4 112	–	147	800	4 045	837	9 941
Disposals	(1,786)	–	–	(329)	(3 808)	–	(5 923)
Transfers	11	–	4	72	87	(174)	-
At 25 June 2011	**153 287**	**942**	**6 304**	**29 855**	**38 926**	**1 780**	**231 094**
Accumulated depreciation							
At 26 June 2010	3 905	30	2 151	18 304	18 154	–	42 544
Charge for year	351	17	244	2 110	3,450	–	6,172
Impairment	1,325	–	68	–	172	350	1 915
On disposals	(36)	–	–	(325)	(3 269)	–	(3 630)
At 25 June 2011	**5 545**	**47**	**2 463**	**20 089**	**18 507**	**350**	**47 001**
Net book values							
At 25 June 2011	**147 742**	**895**	**3,841**	**9,766**	**20,419**	**1,430**	**184 093**
At 26 June 2010	147 045	912	4 002	11 008	20,448	1,117	184,532

Included in additions is £72 000 (2010 £76 000) of own labour capitalised

Disposals includes an amount of £2,932,000 in respect of fully depreciated items

The freehold licensed properties were revalued individually at open market value on an existing use basis as at 28 June 1997 by the Company s own professionally qualified staff In accordance with the transitional provisions set out in FRS 15, the revalued amounts adjusted for subsequent disposals have been retained Valuations of £55 588 000 are included in the valuation or cost of the freehold properties at 25 June 2011 (2010 £57 071 000)

If they had not been revalued freehold properties would have been carried in the balance sheet at 25 June 2011 at

	2011 £ 000	2010 £ 000
Cost	129 807	127 026
Accumulated depreciation	(4,884)	(3 244)
Net book amount	124,923	123 782

The Company has entered into certain operating leases as lessor The gross cost of assets held for use under these leases amounted to £17 737 000 (2010 £16 225 000) and the related accumulated depreciation charges amounted to £392 000 (2010 £240 000) and the aggregate rentals receivable amounted to £826 000 (2010 £756 000)

An impairment loss was recognised in the year of £1 915 000 in respect of 13 individual pubs (2010 £450 000 and five pubs) Impairment was assessed at the income generating unit level considered to be on the basis of each individual pub Whether an asset was impaired or not was determined by comparing the carrying value against its estimated recoverable amount The recoverable amount was taken as the higher of either the net realisable value or its value in use The value in use was determined by conducting a net present value review of all relevant cash flows from the asset The pre-tax discount rate used in this review was 9 72% (2010 9 67%)

12 Investments and loans

	2011 £ 000	2010 £ 000
Investment in subsidiaries	101	101
Loans to customers	1 541	1 756
	1 642	1 857

a Investments in subsidiaries

Principal subsidiary undertakings	Holding	Proportion Held	Nature of business
Royal Albion Hotel (Broadstairs) Limited	£1 ordinary shares	100%	Dormant
Caremill Limited	£1 ordinary shares	100%	Dormant

Both the Royal Albion Hotel (Broadstairs) Limited and Caremill Limited are registered companies in England and Wales

b Loans to customers

	2011 £ 000	2010 £ 000
At 26 June 2010	1,756	2 009
Additions	323	213
Redemptions	(254)	(247)
Loan Discounts	(284)	(219)
At 25 June 2011	1,541	1 756

c The maturity profile of the loans is

	2011 £ 000	2010 £ 000
Recoverable < 1 year	55	92
Recoverable 1-5 years	754	699
Recoverable > 5 years	732	965
	1,541	1,756

Of these loans £200 000 is expected to be repaid in cash and £1 341 000 is expected to be repaid by offset against discounts to be earned by customers (2010 £243 000 and £1 513 000 respectively) The level of discounts awarded and the interest and fees charged depends on the trading performance of each customer against individual targets

13 Stock

	2011 £ 000	2010 £ 000
Raw materials and consumables	1,661	1 711
Work in progress	320	305
Finished goods including goods for resale	2 862	2 831
	4 843	4 847

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

14 Debtors

	2011 £ 000	2010 £ 000
Trade debtors	16 164	14 675
Other debtors	433	579
Prepayments	1,746	1 776
	18,343	17 030

15 Creditors amounts falling due within one year

	2011 £ 000	2010 £ 000
Trade creditors	5 682	5 791
Amounts due to subsidiary undertakings	101	101
Corporation tax	1 585	1 243
Other tax and social security	6 201	5 265
Accruals and deferred Income	4 031	4,295
Trade deposits	1,968	2 038
Other creditors	293	159
	19 861	18 892

16 Bank Loans and overdrafts

	2011 £ 000	2010 £ 000
Bank loans	70,000	74,063
Less loan issue costs	(494)	(669)
	69,506	73,394

The bank loans comprise a 20 year term loan of £60m arranged in April 2007 and a five year term loan of £15m arranged in May 2009 of which we have repaid £5m to leave £10m outstanding at 25 June 2011 The 20 year term loan is hedged by interest rate swap contracts which are referred to in note 26 Both loans were provided by the Royal Bank of Scotland plc and Lloyds Banking Group plc

The £60m loan is repayable in five instalments of £1 6m payable every year commencing on 31 December 2021 with the outstanding balance being repayable on 31 December 2026 The remaining £10m balance of the £15m five year term loan is repayable on 22 May 2014

The Company also has a £10m five year revolving credit facility that matures in May 2014 and a £5m committed overdraft facility that is renewable in June 2012 At the year end there were no drawings on either the revolving credit facility or the overdraft.

The bank loans and overdraft are repayable as follows

	2011 £ 000	2010 £ 000
Amounts payable on demand or within one year	–	937
Amounts payable in 2-5 years	10 000	14 063
Amounts payable in over five years	60 000	60 000
	70,000	75 000

The Company s bank loans and overdrafts are secured by a first floating charge over the Company s assets

17 Capital commitments

Contracts for capital expenditure not provided for in the accounts amounted to £355 000 (2010 £205 000)

18 Other financial commitments

	Land and buildings 2011 £ 000	Plant and machinery 2011 £ 000	Land and buildings 2010 £ 000	Plant and machinery 2010 £ 000
Annual commitments under non-cancellable operating leases which expire				
Within 1 year	–	47	79	25
Within 2-5 years	309	231	318	169
After 5 years	2,222	–	2 106	–
	2,531	278	2,503	194

19 Contingent liabilities

The Company has guaranteed a mortgage totalling £49 000 (2010 £50 000) advanced by a building society to a free trade licensee The Company has a charge over the mortgaged property the value of which exceeds the guarantee provided

20 Provision for liabilities – deferred tax

	2011 £ 000	2010 £ 000
As at 26 June 2010	4 919	4 878
(Credited)/charged in the year	(303)	41
As at 25 June 2011	**4,616**	4 919

Analysis of deferred taxation	2011 £ 000	2010 £ 000
Accelerated capital allowances	4,573	4,888
Other timing differences	43	31
	4 616	4 919

21 Share capital

	2011 £ 000	2010 £ 000
a Authorised		
12 874 400 'A ordinary shares of £1 each	12,874	12 874
68 000 000 B ordinary shares of 2p each	1 360	1 360
	14,234	14 234
b Allotted and fully paid		
11 457,500 'A ordinary shares of £1 each	11,458	11 458
68 000,000 B ordinary shares of 2p each	1 360	1 360
	12 818	12 818

A and 'B ordinary shares have the same rights except B ordinary shares may only be transferred to a shareholder s immediate family or other existing holders of 'B ordinary shares

22 Reserves

	Share premium £ 000	Revaluation reserve £ 000	Own shares held £ 000	Profit & loss account £ 000	Total £ 000
Balance at 26 June 2010	1 439	14 490	(1,254)	90,467	105 142
Profit for the period	–	–	–	4 395	4,395
Dividends paid	–	–	–	(2 958)	(2,958)
Transfer of realised revaluation	–	(444)	–	444	–
Accrued share-based payments	–	–	–	147	147
Distribution of own shares	–	–	29	(29)	–
Unconditionally vested	–	–	370	(370)	–
Balance at 25 June 2011	**1,439**	**14,046**	**(855)**	**92,096**	**106,726**

The Company held 69 000 £1 'A' ordinary shares at 25 June 2011 with a market value of £593 000 (2010 184,082 and £1,335 000) 50 235 of the own shares held are allocated to employees under the Share Incentive Plan and a further 98 095 have vested unconditionally and as such are no longer treated as own shares held (2010 52 831 and 87 896 respectively) 61 182 of these shares can be distributed to the employees free of tax (2010 50 391)

23 Reconciliation of movements in shareholders' funds

	2011 £ 000	2010 £ 000
Shareholders funds at the beginning of the year as previously reported	117 960	114 505
Profit after taxation	4 395	6 353
Ordinary dividends paid	(2 958)	(2 900)
Accrued share-based payments	147	346
Purchase of own shares	–	(344)
Movement during the year	1 584	3 455
Shareholders funds at the end of the year	119,544	117 960

24 Directors interests

The interests of the Directors in the Company's shares at 25 June 2011 (26 June 2010) are as follows

		A ordinary shares			B ordinary shares	
		Beneficial	As trustees	Under SIP*	Beneficial	As trustees
G H A Barnes	2011	15,956	–	1 184	101 600	–
	2010	15 172	–	1 712	69,550	–
O W A Barnes	2011	55 396	–	–	610,130	–
	2010	55 396	–	–	610,130	–
N J Bunting	2011	6 050	–	1,770	–	–
	2010	6 050	–	1 542	–	–
G R Craig	2011	250	–	688	–	–
	2010	250	–	472	–	–
T W Falcon	2011	390	–	208	–	–
	2010	390	–	–	–	–
K R Littlefair	2011	1,810	–	2 607	–	–
	2010	1,810	–	2 343	–	–
J B Neame	2011	66,090	163,807	2,711	1 762 300	1 286 282
	2010	67 540	173 615	2 369	1 737 800	779,182
R L Nicol	2011	117 800	167,332	–	431,900	1,414,162
	2010	117 800	336 170	–	398 350	3 532 012
M Templeman	2011	8 905	–	–	–	–
	2010	8 905	–	–	–	–

The beneficial holdings of A ordinary shares excludes shares awarded under the Employee Share Incentive Plan (SIP) that have not been transferred into the Directors names but are held in trust These shares are disclosed separately above The holdings under the SIP were allocated in January 2003, 2004, 2005 2006 and November 2006, 2007 2008 and 2010 and are held in trust for a qualifying period of three years before ownership vests unconditionally (see note 25a)

* beneficially held

Options over the Company s A ordinary shares held by Directors at 25 June 2011 (26 June 2010) are as follows

	At 2010	Granted	Exercised	Forfeited	At 2011		Price at exercise date £	Exercise price £	Date from which exercisable	Expiry date
G H A Barnes	468				468	*		1 00	26/10/10	26/10/17
	1 951			(1,951)	–	**		1 00	26/10/10	26/10/17
	4 437				4 437	**		1 00	31/10/11	31/10/18
	3 230				3 230	**		1 00	30/10/12	30/10/19
	–	4 235			4 235	**		1 00	29/10/13	29/10/20
	10 086	4 235	–	(1,951)	12,370					
N J Bunting	409				409	*		1 00	26/10/10	26/10/17
	1 707			(1 707)	–	**		1 00	26/10/10	26/10/17
	4 437				4,437	**		1 00	31/10/11	31/10/18
	3,230				3,230	**		1 00	30/10/12	30/10/19
	–	4 235			4 235	**		1 00	29/10/13	29/10/20
	9 783	4 235	–	(1 707)	12,311					
G R Craig	66				66	*		1 00	27/10/09	27/10/16
	468				468	*		1 00	26/10/10	26/10/17
	1 951			(1,951)	–	**		1 00	26/10/10	26/10/17
	4 437				4,437	**		1 00	31/10/11	31/10/18
	3 230				3 230	**		1 00	30/10/12	30/10/19
	–	4,235			4,235	**		1 00	29/10/13	29/10/20
	10,152	4,235	–	(1,951)	12,436					
T W Falcon	610				610	**		1 00	31/10/11	31/10/18
	3 230				3,230	**		1 00	30/10/12	30/10/19
	–	4 235			4 235	**		1 00	29/10/13	29/10/20
	3 840	4 235	–	–	8 075					
K R Littlefair	563				563	*		1 00	26/10/10	26/10/17
	2,346			(2,346)	–	**		1 00	26/10/10	26/10/17
	423				423	*		1 00	31/10/11	31/10/18
	5 335				5 335	**		1 00	31/10/11	31/10/18
	3 884				3,884	**		1 00	30/10/12	30/10/19
	–	5 092			5,092	**		1 00	29/10/13	29/10/20
	12 551	5 092	–	(2 346)	15,297					
J B Neame	750		(750)		–	*	8 80	1 00	26/10/10	26/10/17
	3,128			(3 128)	–	**		1 00	26/10/10	26/10/17
	1 121				1 121	*		1 00	31/10/11	31/10/18
	7 119				7 119	**		1 00	31/10/11	31/10/18
	5 178				5 178	**		1 00	30/10/12	30/10/19
	–	6,789			6,789	**		1 00	29/10/13	29/10/20
	17 296	6 789	(750)	(3 128)	20 207					
Total	63 708	28 821	(750)	(11 083)	80 696					

* Primary share option rights under the Shepherd Neame 2005 Restricted Share Scheme (see note 25c)

** Secondary share option rights under the Shepherd Neame 2005 Restricted Share Scheme (see note 25c)

The exercise of the primary share options is conditional upon Directors remaining in employment with the Company for three years from the date of grant of the options

The exercise of the performance and secondary share options is conditional upon the achievement of certain performance criteria in the financial years ending in the three years following the grant and upon Directors remaining in employment with the Company for three years from the date of grant of the options

The market price of the shares at 25 June 2011 was £8 60 (26 June 2010 £7 25) and the range during the year was £7 25 to £8 825 (2010 £7 15 to £9 90)

25 Share-based payment

a The Shepherd Neame Employee Share Incentive Plan

The Shepherd Neame Employee Share Incentive Plan (SIP) is open to all employees with 18 months service at the award date A free award of shares based on length of service and salary and subject to a maximum of £3 000 was made to all eligible employees in January 2003 2004 2005 2006 and November 2006, 2007 2008 and 2010 No award was made in 2009 Participants are entitled to these free shares from three years after the date of the award if they remain in the Company s employment

The Company did not purchase any shares for the Employee Share Incentive Plan in either 2011 or 2010

The following table illustrates the number and movements in shares in the year

	2011 Number	2010 Number
Outstanding shares at 26 June 2010	140,727	169 035
Granted during the year	25 134	–
Forfeited during the year	(1 301)	(2,175)
Distributed during the year	(16,230)	(26 133)
Outstanding shares at 25 June 2011	148 330	140,727
Distributable at 25 June 2011	98 095	87 896

The employees do not have to make any payment for the award of shares under the Plan As such the weighted average exercise price is nil
The weighted average share price at date of distribution for the shares distributed during the year is £8 517 (2010· £8 206)
The weighted average fair value of the shares granted in November 2010 was £8 75 No shares were granted in the year to 25 June 2011 The fair value taking into account the terms and conditions upon which the shares were granted, equates to the market price at the date of grant
The expense recognised for share-based payments made under SIP in respect of employee services during the year to 25 June 2011 is £151 000 (2010 £253 000)

b The Shepherd Neame 1995 Restricted Share Scheme

The Company has operated a restricted share scheme for Senior Managers and Directors including the highest paid Director and three other Directors
Under the scheme primary options were awarded which are exercisable three years after they are awarded The Directors were also granted additional performance options which are exercisable three years after they were awarded if the Company achieves certain performance criteria in relation to growth of profits in excess of RPI

The contractual life of each option granted is seven years There are no cash settlement alternatives

During the year the Company did not purchase any shares for this scheme (2010 1 633 at an average cost of £7 61)

The following table illustrates the number and movements in share options in the year

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at 26 June 2010	1,006	£0 0001	5 097	£0 0010
Exercised	–	–	(4 091)	£0 0014
Forfeited during the year	(420)	£0 0001	–	–
Outstanding options at 25 June 2011	586	£0 0001	1 006	£0 0001
Exercisable at 25 June 2011	586	£0 0001	1,006	£0 0001

The exercise price for options outstanding at the end of the year was £0 0001
This scheme ceased in October 2005 and no further awards have been made under it since that date
No expense was recognised for share-based payments made under the Shepherd Neame 1995 Restricted Share Scheme in respect of employee services during the year to 25 June 2011 (2010· nil)

No options were exercised in the year The weighted average share price at date of exercise for options exercised in the year to 26 June 2010 was £8 71
The options outstanding at 25 June 2011 had a remaining contractual life of 0 3 years

c The Shepherd Neame 2005 Restricted Share Scheme

The Company operates a restricted share scheme for Senior Managers and Directors including the highest paid Director and five other Directors

This scheme replaced the 1995 Restricted Share Scheme following its cessation in 2005 The 2005 scheme provides for the grant of primary and secondary share options under similar terms and restricted to the same maximum limits as those that applied to the 1995 scheme It was updated to reflect changes in tax legislation and market practice since the 1995 scheme was adopted

During the year the Company did not purchase any shares for this scheme (2010 purchased 38 651 'A ordinary shares at an average cost of £8 575 per share)

The contractual life of each option granted is 10 years

The following table illustrates the number and movements in share options in the year

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at 26 June 2010	67 547	£1 00	51 122	£1 00
Granted during the year	28 821	£1 00	21 982	£1 00
Exercised	(750)	£1 00	(3 707)	£1 00
Forfeited during the year	(11 083)	£1 00	(1 850)	£1 00
Outstanding options at 25 June 2011	84,535	£1 00	67 547	£1 00
Exercisable at 25 June 2011	5,813	£1 00	2 051	£1 00

The weighted average fair value of the options granted during the year was £7 9989 (2010 £8 3718) The exercise price for all options outstanding at the end of the year was £1 00 and the options outstanding at 25 June 2011 had a remaining average contractual life of 8 2 years

The fair value of the equity-settled share options granted under the scheme is estimated at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted The following table lists the inputs to the model used for the years ended 25 June 2011 and 26 June 2010

	2011	2010
Expected share price volatility	50%	50%
Risk-free interest rate	5 475%	5 475%
Expected life of option (years)	6 5	6 5
Weighted average share price	£8 675	£9 05

A credit of £4 000 was recognised for share-based payments made under the Shepherd Neame 2005 Restricted Share Scheme in respect of employee services during the year to 25 June 2011 (2010 charge of £93 000)

26 Financial instruments

a Capital management

The capital structure of the Company consists of bank loans (see note 16), cash and shareholders equity comprising share capital reserves and retained earnings (see notes 21 22 and 23) In managing its capital the Company s main objectives are to ensure that it is able to continue to operate as a going concern as noted in the Report of the Directors and to maximise its return to its shareholders through a combination of capital growth and distributions The Company seeks to maintain a ratio of debt to equity that balances the risk and returns at an acceptable level and maintains sufficient funds to meet its working capital and investment requirements and comply with bank lending covenants

The Board of Directors review the Company s dividend policy and funding requirements regularly throughout the year

b Categories of financial assets and liabilities

The Company's financial assets include loans to customers designated as financial assets (see note 12), cash and trade debtors and other debtors in current assets (see note 14) Its financial liabilities include trade creditors and other payables in current liabilities (see note 15) and short and long-term bank borrowings (see note 16)

c Financial risks

The main risks associated with the Company s financial assets and liabilities are interest rate risk, liquidity risk, credit risk and foreign currency risk as noted below The policies for managing these risks are regularly reviewed and agreed by the Board of Directors

In certain limited circumstances the company uses derivative instruments to change the economic characteristics of its financial instruments It is Company policy not to enter into or trade in financial instruments for speculative purposes

26 Financial instruments continued

Interest rate risk
Currently it is Company policy to manage the cost of its borrowings by using a mixture of fixed and variable interest rates Debt is represented by a 20 year term loan a five year term loan a five year revolving credit facility and a short-term committed overdraft facility all of which are secured by a first floating charge over the assets of the Company They all bear interest at variable rates based on LIBOR or National Westminster Bank base rate The interest on the total facility of £60m available under the 20 year term bank loan is fixed by means of interest rate swap contracts which run for the same period as the loan as disclosed below Interest is not fixed on the five year term loan in order to take advantage of the current low short-term rate of interest and allow early repayment of the loan should the opportunity or need arise without the risk of a charge to profit from early termination of swap contracts Interest on drawings on the revolving credit facility and short-term overdraft facility are not fixed as it is Company policy to have short-term borrowing on a variable rate basis

Liquidity risk
The Company manages its liquidity risk by monitoring cash receipts and payments and preparing rolling cash flow forecasts from which to predict short and long-term funding requirements and ensure that borrowing facilities are available if required and that covenants in respect of bank loans are not contravened Capital expenditure is approved by the Board and investment appraisal models used to evaluate proposed expenditure It is currently the Company's policy to finance the majority of its business needs by means of long and medium-term bank loans amounting to £70m which were fully drawn at the year end The balance of its requirements is provided by a five year revolving credit loan facility of £10m which matures in May 2014 and a committed overdraft facility of £5m, which matures in June 2012 The size of the facility is regularly reviewed and the overdraft facility is renewed annually At the year end none (2010 none) of the revolving credit loan facility and none (2010 none) of the overdraft facility was being utilised

Credit risk
The Company trades only with recognised creditworthy third parties It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and are subject to credit limits to control debt exposure It has not been possible to maintain credit insurance at appropriate cost in the current market As market conditions improve the Directors will reconsider whether it is appropriate to purchase credit insurance In addition receivable balances are monitored on an ongoing basis The growth of the Company s business with national retailers and as a contract brewer has increased the concentration of credit risk. However the Board of Directors consider that the credit risk from these customers is relatively low

With respect to credit risk arising from other financial assets of the Company which comprise cash and cash equivalents the Company s exposure to credit risk arises from the default of a counterparty with a maximum exposure equal to the carrying value amount of these instruments

Foreign currency risk
The principal financial instruments are denominated in sterling and the vast majority of the Company's operations are undertaken within the UK Consequently the foreign currency risk is low except for those infrequent occasions when the Company purchases plant and equipment denominated in foreign currency In these circumstances it is the policy of the Company to enter into forward exchange contracts to fix future payments as they fall due At the year end the Company had no outstanding contracts to purchase foreign currency

Interest rate profile
The interest rate profile of the borrowing is

	2011 Notional principal £ 000	2011 Weighted average interest rate (%)	2011 Weighted average period for which rate fixed (years)	2010 Notional principal £ 000	2010 Weighted average interest rate (%)	2010 Weighted average period for which rate fixed (years)
Bank loan	60 000	5 14	15 75	60,000	5 79	16 75

Medium-term borrowings outstanding at 25 June 2011 amounted to £10,000,000 (2010 £15,000,000) comprising a five year term loan bearing interest at between 2 75% and 5% above LIBOR in years 1-3 and between 2 75% and 5 5% above LIBOR in years 4 and 5
There were no short-term borrowings outstanding at 25 June 2011 (26 June 2010 nil) The overdraft facility bears interest at 2 5% (2010 2 5%) above National Westminster Bank base rate which was 0 5% at 25 June 2011 (26 June 2010 0 5%) and the Revolving Credit Facility bears interest at between 2 75% and 5 00% above LIBOR
Three month LIBOR was 0 83% at 25 June 2011 (26 June 2010 0 73%)

d Fair values of financial assets and liabilities

The fair value of trade debtors and creditors included in net current assets is equivalent to the balance sheet carrying values Loans to customers (see note 12) are financial assets carried at book value in the balance sheet It is not practicable for the Company to estimate the fair value of the assets with sufficient reliability as the cash flows inherent in them relate to improved sales revenue in future years the timing of which cannot be determined

Set out below is a comparison by category of book values and fair values of all the Company's other financial assets and liabilities

	Book value 2011 £ 000	Fair value 2011 £ 000	Book value 2010 £ 000	Fair value 2010 £ 000
Primary financial instruments				
Variable rate bank loan	(70,000)	(70,000)	(75 000)	(75 000)
Cash	4 588	4 588	7 781	7 781
Derivative financial instruments held to manage the interest rate profile				
Interest rate swaps – deferred	–	(11,737)	–	(11 964)

The fair values have been calculated with reference to the expected future cash flows at prevailing interest rates

27 Pension commitments

The Company operates two defined contribution schemes The assets of the schemes are held separately from those of the Company in independently administered funds The charge for pension cost represents contributions payable by the Company to the funds and amounts to £913 000 (2010 £888 000) Contributions of £116 000 (2010 £110,000) were payable to the scheme at the year end All Executive Directors are members of one of the Company s defined contribution schemes

The Company also meets the pension costs of certain former employees which have not been funded through the pension schemes The amount of this unfunded liability is not significant

Financial calendar and company advisors

Financial calendar

2011	
25 June	Financial year end
7 October	Shares traded ex-dividend
12 October	Record date for final dividend *
28 October	Annual General Meeting and payment of Final Dividend
24 December	Half year end

* Shareholders on the register at this date

2012	
March	Announcement of interim results
April	Payment of interim dividend
30 June	Financial year end
Early October	Preliminary results announcement
Late October	Annual General Meeting

Company advisors

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James Sharp & Co
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Notice of meeting

Notice is hereby given that the ninety-seventh Annual General Meeting of the Company will be held at the Parish Church of St Mary of Charity Church Road Faversham on Friday 28 October 2011 at 12 00 noon for the following purposes

Resolution 1
To receive the Annual Report and Accounts and the reports of the Directors and Auditors thereon

Resolution 2
To declare a Final Dividend upon the A and B ordinary shares

Resolution 3
To propose the re-election of Mr O W A Barnes as a Director

Resolution 4
To propose the re-election of Mr N J Bunting as a Director

Resolution 5
To propose the re-election of Mr T W Falcon as a Director

Resolution 6
To reappoint the Auditors and authorise the Directors to fix their remuneration

By Order of the Board
F J Lester
Secretary
17 Court Street
Faversham
Kent

5 October 2011

The Voting Record Date is Wednesday 26 October 2011 and shareholders should be registered in the Company s Register of Members by the close of business on that date in order to vote at the Meeting

Members entitled to attend and vote at the Annual General Meeting are entitled to appoint a proxy to exercise all or any of their rights to attend speak and vote on their behalf at the Meeting and that proxy need not also be a member

Members may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held

Forms of Proxy for use at the Annual General Meeting are circulated to Registered Shareholders with the Annual Report and Accounts and in order to be valid should be completed and returned to the Company s Registrars Computershare Investor Services PLC The Pavilions Bridgwater Road, Bristol BS99 6ZY as soon as possible and in any event so as to arrive by not later than 12 00 noon on Wednesday 26 October 2011 Members should contact the Company's Share Registrars for further Forms of Proxy or photocopy the form as required

The return of the Form of Proxy to the Company s Registrars will not prevent a member from attending and voting in person at the Meeting

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares

The Notice of the Meeting together with other information for shareholders as regards the Annual General Meeting will be displayed on the Company s website **www shepherdneame co uk**

Five year financial summary

	2011 £ 000	2010 £ 000	2009 £ 000	2008 £ 000	2007 £ 000
Profit and loss					
Turnover	121 346	115 356	109 468	101 718	100 047
Operating profit before exceptional items	12 252	11 857	9,484	12 561	13 851
Net finance charges	(4,271)	(4 581)	(3 783)	(3 468)	(3,326)
Exceptional charges	(1 915)	(450)	(1 749)	(1 696)	(1 984)
Profit on sale of property	419	1 887	2 989	1 279	3 031
Profit before taxation	6,485	8 713	6 941	8 676	11 572
Taxation	(2 090)	(2,360)	(1 258)	(2 425)	(2,280)
Earnings available to shareholders	4,395	6,353	5 683	6,251	9 292
Dividends					
Interim and finals for the year	(3 045)	(2 953)	(2,875)	(2 868)	(2 748)
Percentage on nominal share value	23 8%	23 1%	22 5%	22 5%	21 5%
Dividend cover	1 4	2 2	2 0	2 2	3 4
Dividend cover (excluding exceptional items)	1 9	1 7	1 4	2 2	2 8
Basic earnings per £1 nominal share value (p) based on					
Earnings available to shareholders	34 4	49 9	44 7	49 3	73 4
Earnings (excluding exceptional items)	46 2	39 5	32 6	48 6	60 5
Shareholders' funds employed					
Share capital	12 818	12 818	12 818	12 818	12 818
Share premium	1,439	1 439	1 439	1 439	1 439
Revaluation reserve	14,046	14 490	14 806	16 269	16 228
Revenue reserves	91 241	89 213	85 442	80 646	77,175
	119 544	117 960	114,505	111 172	107,660
Represented by assets					
Fixed assets	185 753	186 444	190,747	173 515	164 771
Current assets	27 774	29 658	21,780	22 257	20 511
	213 527	216 102	212,527	195 772	185 282
Liabilities					
Short-term	19 861	19 829	19 088	20 628	24 499
Long-term	69,506	73 394	74 056	59 409	49 380
Provisions	4 616	4 919	4 878	4 563	3,743
	93 983	98 142	98 022	84 600	77 622
Net assets	119,544	117,960	114 505	111,172	107 660
Net assets per share (£)	9 33	9 20	8 93	8 67	8 40

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