SHEPHERD NEAME LIMITED
ANNUAL REPORT 2014

OUR COMPANY

Shepherd Neame is an independent family business and Britain's Oldest Brewer.

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 our dedicated people
- A commitment to Faversham, Kent and the communities our pubs serve
- A long-term view of the business.

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FINANCIAL HIGHLIGHTS

	TURNOVER	OPERATING PROFIT BEFORE EXCEPTIONALS	STATUTORY PROFIT BEFORE TAX
2014	£138.7m	£13.4m	£7.7m
2013	£134.9m	£12.7m	£7.1m

	BASIC EARNINGS PER SHARE BEFORE EXCEPTIONALS[1]	DIVIDEND PER SHARE	NET ASSETS PER SHARE[3]
2014	48.5p	25.90p	£8.67
2013	41.5p (2013 as restated[2])	25.15p	£8.47 (2013 as restated[4])

DIVIDEND PER SHARE

NET ASSETS PER SHARE

1 Earnings attributable to shareholders before exceptional items divided by the weighted average number of shares in issue during the year. The number of shares in issue through the year excludes those held by the Company and not allocated to employees under the Share Incentive Plan, which are treated as cancelled (See note 7)

2 Comparatives have been restated for the share capital reorganisation as explained in the financial review on page 18. The comparative previously reported was 48.1p

3 Net assets at the year end divided by the number of shares in issue at 28 June 2014 being 14,857,500 50p shares

4 Comparatives have been restated for the share capital reorganisation. The comparative previously reported was £9.81 based on 12,817,500 £1 shares

Our strategy: We aim to drive investor returns from four key strategic objectives

PROGRESS
- We have invested £5.1m improving the look and feel of our pubs and £2.0m in repairs and decorations
- The Botany Bay Hotel, Kingsgate and The Bell Hotel, Sandwich were successfully redeveloped in the year
- We disposed of four pubs that did not fit with our long term strategy

Performance against our KPIs was strong with:
- LFL EBITDAR* from tenanted pubs up +4.4%
- LFL Sales in managed pubs up +8.9%
- Average EBITDAR per tenanted pub up +5.9% and +13.9% per managed pub

PROGRESS
- We have successfully relaunched the Whitstable Bay range with a Pale Ale and Blonde Lager
- Our aim continues to be to focus our capacity on our own and licensed brands. This year we started the phased exit from contract brewing ceasing bottled production of Kingfisher lager in October 2013
- We invested £0.3m more than in the previous year in marketing our beer portfolio with TV advertising featuring the comedians Armstrong and Miller airing in the summer and autumn of 2013
- Our key KPI of own core beer volumes excluding contract brewing were up +6.1% versus a market up +3.8%**. Total own beer volumes were down -0.3%

DRIVING FOOTFALL TO **OUR PUBS**

ATTRACTING AND RETAINING CUSTOMERS TO **OUR QUALITY BEERS**

OUR STRATEGIC OBJECTIVES

ATTRACTING AND RETAINING THE **BEST PEOPLE**

PROVIDING A DISTINCTIVE RANGE OF **COMPLEMENTARY PRODUCTS**

PROGRESS
- We continue to improve our recruitment and induction processes for new licensees and to offer bespoke training and a strong business support package
- The number of applicants for our pubs has increased this year and the number of tenancy changes reduced. At the year end the estate was fully let
- Satisfaction levels from licensees are high and increasing
- We offer good commercial propositions with flexible and appealing agreements and an increasing number of matched investments

PROGRESS
- We have continued our investment in great fresh food across our estate with our food development team supporting licensees with procurement and menu design support
- We have launched the new Coffee and Ale House brand across our estate to provide a consistent standard of coffee offer and presentation
- Our wine list quality has improved with around 75% of our wine sales in pubs exclusive to Shepherd Neame
- We have supported the recent investment in hotels with increased marketing and digital support for our accommodation sites

Performance against our KPIs was strong with:
- Food LFL sales in managed pubs up +10.4%
- Accommodation LFL sales in our managed pubs up +9.7% with Occupancy at 76% and RevPAR*** up +8.3%

* Like for like (LFL) earnings before interest, tax, depreciation, amortisation and rent payable

** Source: The British Beer & Pub Association

*** Revenue Per Available Room

INCREASED INVESTMENT
IN MARKETING

£0.3m

TOTAL INVESTMENT IN ESTATE

£7.4m

INCREASE IN PUB REPAIRS
AND DECORATIONS

£0.3m

NEW BOARD RESPONSIBILITIES

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NEW CAPITAL STRUCTURE

14,857,500

Ordinary shares

NUMBER OF PUBS

299

Tenanted or leased

48

Managed pubs and hotels

347

Total number of pubs

INCREASE IN EXPORT SALES

24%

EXPORT TRADE

35

export countries

"WE HAVE CARRIED OUT A BUSINESS AND BOARD AND SHARE CAPITAL REORGANISATION... BOTH OF THESE PROVIDE A STRONG PLATFORM FOR THE BUSINESS TO GROW AND DEVELOP"

M H TEMPLEMAN | CHAIRMAN

Overview

I am delighted that at this our 100th Annual General Meeting since the company's incorporation in 1914, I will be reporting a strong financial performance and further continued momentum into the new financial year.

Shepherd Neame is Britain's Oldest Brewer and a family business with a proud heritage and clear strategy for the future. This year, in particular has been a momentous one for the business with a successful implementation of material changes to the Company structure.

During the year we have carried out a business and board reorganisation and share capital reorganisation. Both of these significant undertakings provide a strong platform for the business to grow and develop.

The year has seen the economy improve and more favourable weather conditions in comparison to the prior year. Our performance also shows the benefit of investing consistently in our pubs and brands over many years, especially during the recession and we are now beginning to see higher returns as a result.

Turnover increased by +2.8% to £138.7m (2013: £134.9m). Operating profit before exceptionals grew by +5.5% to £13.4m (2013: £12.7m) and operating margin before exceptionals was up +0.3% to 9.7%.

The Company has incurred an exceptional charge of £1.3m (2013: £1.2m) for the costs associated with the transfer of warehousing and distribution activities to Kuehne and Nagel Drinkflow Logistics (KNDL) in October 2013 and the costs of the Share Capital Reorganisation in June 2014.

Profit before tax and exceptionals is £8.8m (2013: £8.0m), up +9.3%. Statutory profit before tax, after recognising exceptional items and lower property profits is £7.7m (2013: £7.1m), up +8.7%. Basic earnings per Ordinary Share of 50p was 41.9p (2013: 37.1p restated for the share capital reorganisation), up 12.9%. Basic earnings per Ordinary Share of 50p before exceptional items was 48.5p (2013: 41.5p restated for the share capital reorganisation), up 16.9%.

Business and board reorganisation

As communicated last year, the Company completed the transfer of warehousing and distribution activities in October 2013 to KNDL who took over responsibility for local and national drinks distribution, including to Shepherd Neame's pubs and hotels. The Company retains ownership of the warehouse site and continues to manage customer services.

Graeme Craig was appointed Brewing and Brands Director from 1 January 2014 following the resignation of Tom Falcon as Production and Distribution Director and we are beginning to see the benefits of integrating these two parts of the business. Nigel Bunting became Retail and Tenanted Operations Director with effect from 1 July 2014. George Barnes became Property and Services Director from the same date.

Share capital reorganisation

Further to the announcement in last year's Annual Report, in which the Board stated that it would be undertaking a review to assess the impact of the Company's share capital structure on share liquidity, the Shareholders approved a simplification of the share capital structure of the Company at a General Meeting on 5 June 2014.

This results in the Company having a single class of Ordinary Shares in issue under which 11,457,500 issued 'A' Shares of £1 nominal value and 68,000,000 issued 'B' Shares of 2p nominal value were converted into 14,857,500 issued Ordinary Shares of 50p nominal value. Each 'A' Shareholder received 1 Ordinary Share of 50 pence nominal value for each 'A' Share of £1 nominal value. Each 'B' Shareholder received 1 Ordinary Share of 50p nominal value for 20 'B' Shares of 2p nominal value; equivalent to a 2.5 times premium.

Economic and voting rights of all Shareholders are now aligned. We pride ourselves in having good investor relations, and I am particularly pleased to note the establishment during the year of a Family Council, which allows for regular engagement and clearer communication with family Shareholders.

Shepherd Neame remains a private limited company with the new Ordinary Shares admitted to trading on the ISDX Growth Market from 9 June 2014. These shares continue to benefit from the low dealing costs and tax advantages of this Exchange. The Company's shares were admitted to the CREST trading platform in September 2013.

Dividend

As part of the Share Capital Reorganisation, the Board announced that it intends to grow the dividend rate payable to all Shareholders with a view to a target dividend cover in the region of two times basic earnings per share pre-exceptional items in the medium term.

The Board is proposing a final dividend of 20.75p (2013: 20.15p) making the total dividends for the year of 25.90p (2013: 25.15p), an increase of 3.0%. This represents a dividend cover pre-exceptional items of 1.9 times.

Government and regulation

In his 2014 Budget the Chancellor delighted the industry by announcing a 1p cut in beer duty for an historic second year in a row. This comes after many years of above inflation increases which has caused considerable challenge to the sector. This has given a much needed boost to jobs and investment in the sector and the benefit was passed on to our customers in full. The industry, however, remains materially over-taxed and we will continue to push for further reductions in the overall tax burden.

In the Queen's Speech the Government announced that it plans to implement a Statutory Code of Practice for Pub Companies and intends to pass legislation within this Parliament. The Government made previous assurances that small companies with fewer than 500 pubs would not be included and so we are disappointed that under the current proposals they now may be. We will continue to petition for amendments to the Bill to reduce unnecessary red tape and additional cost for our business.

Summary

The last few years have seen the Company take important steps to enhance its business with the acquisition of some excellent pubs and hotels, transformational development of many of our key sites, and the strengthening of our brand portfolio. We have seen some of the benefits of the business reorganisation in the current year, and we believe these actions and our investment strategy will drive higher returns for the Company in the future.

The beer and pub sector is now arguably as dynamic and innovative as it has ever been with a plethora of new brands and new concepts. The customer will pay for a good experience and high-quality beers. We believe that we have the skills and the platform to exploit these beneficial trends in the marketplace.

M H Templeman
Chairman

STRATEGIC OBJECTIVE ONE:

Driving footfall to **our pubs**

We aim to offer our customers a great and memorable experience every time they visit one of our pubs and hotels

The Botany Bay Hotel, Kingsgate, which was acquired in 2011, was redeveloped in the year for £1.4m

The Bell Hotel, Sandwich also acquired in 2011, benefited from a refurbishment of the bar and restaurant areas and an extension of the outside terrace

Pubs such as The Peacock, Goudhurst benefited from an increase in repair and decoration spend

"WE HAVE ACHIEVED STRONG TRADING ACROSS ALL PARTS OF THE BUSINESS WHICH HAS RESULTED IN RECORD EBITDA"

JONATHAN NEAME | CHIEF EXECUTIVE

I am pleased to report a successful and progressive year for the 52 weeks to 28th June 2014. We have achieved strong trading across all parts of the business which has resulted in record turnover and EBITDA*, strong cash flow and the anticipated reduced gearing. At the same time we have also made good progress against our strategy and successfully implemented the changes to our business announced last year.

Our marketplace has improved in the last 12 months, with greater consumer confidence, improved weather conditions, and lower taxation on beer. As a consequence, after many years of decline, the beer market has grown, with total UK beer volume increasing by +3.8% (2013: -5.0%)** for the 12 months to the end of June 2014.

Within this market the consumer is increasingly motivated by a wider flavour profile, new styles of beer and renewed interest in craft and local production. The market for pubs has also improved as drinkers and diners are returning to pubs that offer a great atmosphere, interesting product range, great fresh food and so provide a memorable experience. This year, after many years of continuous investment, we have enjoyed a particularly good performance from our pub business, with trading figures comparing favourably with the strongest competition in the market. We have achieved a step-up in profit contribution from our retail pubs and hotels and a very strong return to growth from the tenanted trade, our largest business division. Within the beer business, growth in core own brewed and licensed brands, excluding contract volumes of Kingfisher, is well ahead of the market. Once again we have increased the investment in property repairs, marketing and brand support.

Tenanted and Retail Pub Operations

Overview

At the year end we operated 347 (2013: 350) pubs and hotels of which 302 are freehold. Of these, 48 (2013: 46) are managed and 299 (2013: 304) are tenanted or leased.

We aim to drive footfall to our pubs and attract and retain the best licensees through improving the quality of our pub estate, growing the mix of our retail business, maintaining strong liquor businesses, and increasing our investment in food and accommodation. We are reducing our exposure to small wet-led outlets. We intend to retain our focus on Kent, London and the South East, and maintain a predominantly freehold asset base.

We continue to pursue economic single site acquisition opportunities as they arise. We have a strong pipeline of development opportunities in our existing tenanted and retail estates and believe that investing here offers the best route to deliver growth in returns for the business at this time.

Since 2007 we have made considerable progress against this strategy through active property management and have acquired 32 pubs and hotels and disposed of 62. In the last year, in particular, competition for new sites and hence prices have firmed which vindicates our decision to make several substantial single site acquisitions, at attractive prices, during the economic downturn, even if this meant operating at higher leverage levels during this time.

We acquired one new outlet during the year by taking the lease of The George, Wardour Street, London. We have raised gross proceeds of £2.2m (2013: £2.7m) from the disposal of four pubs (2013: six pubs), three unlicensed properties (2013: one unlicensed property), one piece of land and other assets. This realised a profit of £0.2m (2013: £0.3m). We have also transferred 1 tenanted pub to our retail estate.

Total investment in our estate was £7.4m (2013: £9.9m) of which £0.3m was invested in acquisitions (2013: £3.6m), £5.1m (2013: £4.6m) on development and maintenance capex and a further £2.0m (2013: £1.7m) expended as repairs and decorations.

Driving footfall to our pubs

We aim to offer our customers a great and memorable experience every time they visit one of our pubs and hotels. To achieve this we have increased investment on the internal and external appearance of our pubs and made transformational changes to the look and feel of several outlets. Notable projects in our retail estate include the complete redevelopment and

* EBITDA: Earnings before exceptional items, interest, tax, depreciation, amortisation, loss on sale of fixed assets (excluding property) and free trade loan discounts

** Source: The British Beer & Pub Association repositioning of The Botany Bay Hotel (formerly known as The Fayreness) and the smaller but high impact development of The Bell Hotel, Sandwich.

In the tenanted estate we have carried out major redevelopments, of note in the second half, The Kings Arms, Dorking, Kings Head, Shadoxhurst and The Three Lions, Farncombe as well as many smaller developments.

We have enhanced the product range available in our pubs to ensure there is a great portfolio of interesting beers available. The Whitstable Bay range has been very well received by our customers, our seasonal range has been re-positioned and we offer more guest ales and a wider national lager range. We have increased our investment in glassware and added Trade Quality Advisors to provide field training for our licensees so that the customer receives a great beer in our pubs every time they visit.

We have improved our complementary product offer with a stronger wine list focussed on wines from small family owned producers, such that around 75% of wine sales in our pubs are exclusive brands to us. We have improved the coffee offer available to our tenants with improved machines, ingredients and regular quality audits under the Coffee and Ale House brand.

We have continued to focus on our food offer. The food development team has supported our managers and tenants in improving procurement, driving better retail pricing, skills training, menu development and design. In the tenanted estate we have positively influenced the offer in more than 100 sites. In the retail estate, footfall from diners has increased by +8.3% and spend per head by +2.2% to £11.48 (2013: £11.23).

Our accommodation offer and marketing continues to improve with further investment in technology to optimise online bookings. This is supported by the digital marketing team who have made great strides in consolidating customer reviews and engaging with customers online. Occupancy during the year in the 271 bedrooms in our retail estate was strong at 76% (2013: 73%) and RevPAR up +8.3% to £52 (2013: £48).

Attracting and retaining the best people

We continue to focus on improving our recruitment and induction process for new licensees with better information on our website and improved skills training. We also use our retail skills to offer a strong business support package for our tenanted licensees to draw on.

As a consequence the number of applicants for our tenanted pubs has increased this year and the number of tenancy changes reduced. At the year end our tenanted estate was fully let. Satisfaction levels amongst our licensees from annual independent surveys are high and increasing. We score particularly well on the support from our Business Development Managers and Food Specialists.

More and more of our training is bespoke to the needs of the licensee and their outlet which enables higher success rates. During the year, we also trained our Business Development Managers to British Institute of Innkeeping Level 4 of Multi Retail Management.

We have reviewed our tenanted offer to ensure we provide a viable commercial proposition for both parties with flexible and appealing agreements, affordable rent and beer discount as appropriate. We have also had great success with matched investments with licensees.

We like to reward achievement, and I am delighted with the standards achieved by all of our award winners but notably Kathryn Gracey at The Marine Hotel, Shepherd Neame Pub of the Year, Mike Stokes at the Hoop and Grapes,Tenanted Pub of the Year and Brian and Anne Hogg at the Dog and Bear, Lenham, Managed Business of the Year.

Trading Performance

As a consequence of these initiatives, investments and the improved market conditions, trading in our pubs has been strong.

Tenanted estate revenues grew by +2.2% (2013: -1.1%) for the 52 weeks to 28 June 2014. Like for like EBITDAR per tenanted pub grew by +4.4% (2013: -1.0%) with

STRATEGIC OBJECTIVE TWO:

Attracting and retaining customers to **our quality beers**

We look to develop our beer portfolio with continuous innovation and great marketing, underpinned with a passion for quality

Occasional and event beers such as 4-4-2 are being marketed under the new No. 18 Yard Brewhouse brand. This innovative ale, produced for the 2014 FIFA World Cup, was carefully crafted from ten different hops and developed in our micro brewery

During the year new designs were introduced for our seasonal beers such as Late Red to give them Kentish provenance

The Whitstable Bay range was relaunched in the year with a Pale Ale and Blonde Lager to support the existing Organic Ale under the Faversham Steam Brewery banner. Black Oyster Stout is being launched in September 2014 modest like for like beer volume growth achieved for the first time in many years. Average EBITDAR per tenanted pub grew by +5.9% (2013: +3.0%) as we evolve the quality of our estate and the performance of individual outlets.

Retail estate revenues grew by +10.8% (2013: +5.0%) for the 52 weeks to 28 June 2014. Same outlet like for like sales were up +8.9% (2013: +3.3%), with liquor +8.0% (2013: +2.0%), food +10.4% (2013: +5.0%) and accommodation +9.7% (2013: +7.9%). Average EBITDAR per managed pub is up +13.9% (2013: +4.0%).

Brewing and Brands

Overview

This has been a year of considerable change in our Brewing and Brands business and we have made good progress as we restructure this part of our business.

Our strategic objectives are to attract and retain customers to a great portfolio of premium brands, instil a passion for quality, and drive continuous innovation and great marketing.

Total own brewed beer sold was marginally down by -0.3% (2013: -1.3%) at 245,000 BBs (2013: 246,000 BBs). As previously announced, the Company is making a phased exit from the production of Kingfisher lager. Bottled production ceased in October 2013 and keg production will cease in December 2014. The brand represented 13.5% of own produced beer volume (2013: 18.6%). The core own and licensed beer volume, adjusted to exclude contract volume, grew by +6.1% (2013: +0.9%).

Portfolio Development

Our brand portfolio has strengthened materially in the last year. We relaunched our Heritage Range with new packaging for Bishops Finger and 1698 bottle conditioned ale and revived several old recipes as our Classic Collection. Within our Discovery segment, we re-launched Whitstable Bay as a broader beer range in new livery, under the Faversham Steam Brewery banner, with a Pale Ale and Blonde Lager to complement the original Organic Ale.

These initiatives have performed above expectation with the Whitstable Bay range growing by two and a half times and Bishops Finger by +7.7% (2013: +1.0%). Samuel Adams Boston Lager more than doubled in volume with a particularly strong performance in the on trade. Our core brands had a solid year with Spitfire growing by +1.1% (2013: +2.7%) and Asahi Super Dry by +0.1% (2013: +9.4%).

In addition to the improvements in our portfolio above, we have launched new designs for our seasonal beers such as Early Bird and Goldings and created a new brand for occasional and event beers from our micro brewery, called the No.18 Yard Brewhouse. Since the year end we have further developed our portfolio with the launch of Whitstable Bay Black Oyster Stout and are redesigning Master Brew branding.

We have increased our marketing spend by £0.3m as announced last year following our agreement to engage comedy duo, Armstrong and Miller in character as 'Spitfire pilots'. We launched a multi-media advertising campaign with TV coverage and strong trade support in July 2013. This campaign was supported by digital activity and the Movember partnership and will continue in autumn 2014.

Business Reorganisation

In October 2013 we transferred our warehousing and distribution operations to KNDL. The transition to this agreement is delivering the anticipated financial and cashflow benefits in this financial year. This agreement allows the Company to pursue trading and development opportunities beyond its Kent heartland.

In support of this initiative, the Company has widened its national sales representation, built up a high-quality salesforce and achieved good volume growth in national on and national off trade. Export volume is also up +24% (2013: +30%). We have also combined the sales and marketing and production and distribution teams into one business division, which has reduced cost and improved focus on common objectives. We have outsourced non-core functions such as the management of point of sale and events equipment. To support the new business structure we have re-aligned the roles and responsibilities of our central functions and strengthened our financial reporting teams.

Operations

The water recovery plant became operational in March 2014. This plant will minimise the consumption of extracted well water by enabling us to recycle 40% of our water for re-use in boilers and cleaning.

This investment is necessary as we near the end of a long term agreement with our local water company. The transition from the old arrangement to the new plant is a major project for the business with costly environmental compliance.

We now anticipate that ongoing annual charges will be £1.0m higher than the previous arrangement but this investment will help us to offset the materially higher costs that would have been incurred if we did not pre-treat our water prior to discharge. Since the year end the Company has received a permit to discharge cleansed water from the plant direct to the neighbouring creek.

Current Trading

We have made a good start to the new year and maintained recent momentum, in particular in the pub estate, against a very strong comparable period in 2013.

For the 10 weeks to 6 September 2014 like-for-like managed sales are up by +4.1% (2013: +10.2%). Like for like EBITDAR in the tenanted estate to 30 August 2014 is up +2.6% (2013: +1.7%). Total beer volume is down -13.5% but this was against a very buoyant period in the prior year (2013: +9.3%) and in part reflects the phasing out of the Kingfisher contract. We expect this volume trend to flatten out as the year progresses.

Summary

This has been a significant year for the Company with good strategic progress and the implementation of a challenging reorganisation. For the second year in a row we have taken decisive steps to strengthen the pub and beer portfolio and the quality and efficiency of our operations.

The trading performance has been strong and the cost savings arising from the business reorganisation partly reinvested into improving the pub experience for our customers and brand marketing activity, as well as offsetting the cost inflation from the water recovery plant. This has resulted in higher returns, strong cash flow and reduced leverage.

We believe we have the right strategic framework, the suitable skills within the business to exploit new opportunities and a good pipeline of product innovation and pub developments to continue this year's good progress and to exploit the opportunities of this ever-changing market.

J B Neame
Chief Executive

STRATEGIC OBJECTIVE THREE:

Providing a distinctive range of **complementary products**

We have improved the quality of our wine range within the year with around 75% of our wine sales in our pubs exclusive to Shepherd Neame

The food development team has supported our managers and licensees in improving all aspects of our food offer

The Coffee and Ale House brand has been launched in the year to provide an enhanced coffee offer across the tenanted estate with improved machines, ingredients and regular audits

FINANCIAL REVIEW

Summary profit and loss account	2014 £'000	2013 £'000	Change
Turnover	138,679	134,906	2.8%
Operating profit before exceptional items	13,401	12,708	5.5%
Operating margin before exceptional items	9.7%	9.4%	+0.3%
Operating exceptional items	(1,279)	(1,243)	(2.9%)
Net finance costs	(4,622)	(4,675)	1.1%
Exceptional property profits	224	317	(29.3%)
Profit before tax	7,724	7,107	8.7%
Profit before tax and exceptional items	8,779	8,033	9.3%
Taxation	(1,546)	(1,637)	5.6%
Profit after tax	6,178	5,470	12.9%
Basic earnings per share	41.9p	37.1p	12.9%
Basic earnings per share before exceptional items	48.5p	41.5p	16.9%

This year's results reflect the strategic initiatives announced last year. The business and board reorganisation has resulted in the expected increase in profitability that has enabled us to reinvest in our customer offer through increased marketing spend to attract customers to our beer portfolio and property repair and decoration spend to increase footfall to our pubs.

As expected, 2014 saw an evolution in our capital investment away from recent high-quality single acquisitions to refurbishing and enhancing our existing assets. Notable projects were carried out at The Botany Bay Hotel and a number of our tenanted pubs as well as bringing the water recovery plant on the brewery site into operation. The lower capital investment combined with the impacts of warehousing and distribution moving to KNDL has resulted in the expected decrease in net debt and leverage from the level seen in 2013.

The completion of the share capital reorganisation has meant that whereas in 2013 the issued share capital of the Company was 11,457,500 'A' shares of £1 and 68,000,000 'B' shares of 2 pence, the revised issued share capital is 14,857,500 ordinary shares of 50p. This has had a number of impacts on the KPIs and metrics for the year, notably on earnings per share, dividend cover and net assets per share. Where appropriate through this report the 2013 comparative has been restated based on the current share structure to allow greater comparison of these metrics over the two financial years.

Results Turnover for the 52 weeks ended 28 June 2014 increased by 2.8% (2013: +1.4%) to £138.7m (2013: £134.9m) and operating profit before exceptional items was up 5.5% (2013: flat) at £13.4m (2013: £12.7m). Turnover growth was driven by performance in managed houses and the Tenanted Estate combined with growth in National Off Trade offsetting the expected decline in revenues from contract brewing following the phased exit from Kingfisher lager.

Operating profit benefited from the growth in turnover across all channels with the exception of contract brewing. As part of the strategic developments announced in 2013 the business and board reorganisation was completed in the year which has then realised a benefit of £1.2m in the year. Against this profit increase, £0.3m of additional marketing spend and £0.3m of increased property repairs and decoration spend was reinvested. Moving to 2015 a similar increase in repair and decoration spend is expected.

The commissioning of the water recovery plant led to an increase in cost of £0.5m on the prior year. As announced in the interim results the ongoing costs of operating the water plant are now expected to be around £1m higher than the previous arrangement and hence a further increase in costs in the region of £0.5m are expected in 2015.

Operating margins further reflected the mix of turnover growth in the year with strong growth across the pub estate where tenanted revenues were up 2.2% and managed revenues were up 10.8%. Operating margin rose +0.3% from 9.4% to 9.7% and operating margin before exceptional items excluding the impact of duty on turnover was 12.5% (2013: 12.4%).

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

Exceptional items Total exceptional items were a charge of £1.1m (2013: charge of £0.9m). This comprised four elements:

- The business and board reorganisation charge of £0.5m (2013: charge of £1.2m) reflects the completion of the transition of warehousing and logistics services to KNDL.
- The share capital reorganisation led to a one-off charge of £0.7m reflecting the Company's legal and professional fees, and other costs.
- Property profits of £0.2m (2013: £0.3m) on the sale of four pubs (2013: six pubs) three unlicensed properties (2013: one unlicensed property) and one piece of land were recognised as the business continues to dispose of predominantly small community wet led pubs and unlicensed assets that no longer fit with the Company's long-term strategy.
- A full impairment review was carried out in the year which resulted in a write back of £0.6m of previous impairment charges (2013: write back of £0.5m) in relation to two pubs (2013: five pubs). A charge of £0.7m (2013: £0.5m) was recognised in relation to the impairment of 10 pubs and properties (2013: eight pubs and properties) taking the net property impairment charge to £0.05m (2013: £nil).

The net tax credit on exceptional items of £0.1m (2013 credit of £0.3m) related to a tax credit on the business reorganisation charges and a tax charge of £0.03m (2013: charge of £0.02m) on the sale of the unlicensed property. No tax was payable on the remaining property profits as a result of rollover relief.

Finance costs Average borrowings decreased following the reduction in the Company's acquisition activity compared to recent years and a reduction in working capital. As a result net finance costs decreased by 1.1% to £4.6m (2013: £4.7m).

Interest cover before exceptional items was 2.9 times (2013: 2.7 times).

Summary rates of taxation	2014 Profit £'000	Tax £'000	Rate %	2013 Profit £'000	Tax £'000	Rate %
Profit before tax and tax thereon	7,724	1,546	20.0	7,107	1,637	23.0
Business and Board reorganisation	526	104	-	1,243	291	-
Share capital reorganisation	708	-	-	-	-	-
Impairment	45	-	-	-	-	-
Property profits	(224)	(28)	-	(317)	(15)	-
Profit before tax and exceptional items and tax thereon	**8,779**	**1,622**	**18.5**	8,033	1,913	23.8
Effect of reduction in corporation tax rate on deferred tax provision	-	535	6.1	-	176	2.2
Underlying tax rate	**8,779**	**2,157**	**24.6**	8,033	2,089	26.0

Taxation The tax charge after exceptional items was £1.5m (2013: £1.6m), an effective rate of 20.0% (2013: 23.0%). The average statutory rate of corporation tax in the UK for the period was 22.50% (2013: 23.75%). The charge was largely reduced by the effect of the reduction in the corporation taxation rate on the deferred tax provisions of £0.5m (2013: £0.2m).

Moving to 2015 the Company expects the underlying tax rate to continue to be around 2% higher than the average statutory rate in place.

Earnings per share

Impact of share restructure on EPS	basic EPS pence	pre exceptional EPS pence
2013 EPS per £1 share as reported	43.0	48.1
Notional impact of share capital reorganisation	(5.9)	(6.6)
Restated 2013 EPS per ordinary share	37.1	41.5
2014 EPS per ordinary share	41.9	48.5
Growth	12.9%	16.9%

Basic earnings per ordinary share before exceptional items increased by 16.9% to 48.5p (2013 restated: 41.5p). This reflects higher operating profits, lower finance costs and the lower overall tax rate.

Basic earnings per ordinary share increased by a lower rate at 12.9% to 41.9p (2013 restated: 37.1p) as a result of the exceptional charges associated with the business and board reorganisation, the costs associated with the share reorganisation and lower property profits in 2014 following the lower number of disposed properties.

Dividends

Dividend per share and dividend cover under new share structure

	Dividend rate per share pence	dividend cover times	pre exceptional dividend cover times
2013 as reported	25.15	1.7	1.9
Notional impact of new share structure	-	(0.2)	(0.3)
Restated 2013 on new share structure	25.15	1.5	1.6
2014	25.90	1.6	1.9
Dividend increase	3.0%	-	-
Movement in dividend cover	-	0.1	0.3

Dividend per share paid and proposed in respect of the year increased by 3.0% to 25.90p per ordinary share (2013: 25.15p per £1 share) to give total dividends of £3.7m (2013: £3.2m). Dividend cover has increased to 1.6 times (2013 restated: 1.5 times). Dividend cover before exceptional items increased to 1.9 times (2013 restated: 1.6 times) following the higher operating profit in the year.

Cash flow and net debt

Summary cash flow statement	2014 £'000	2013 £'000
EBITDA	20,459	19,614
Operating Exceptional items	(796)	(507)
Working capital and other operating cashflows	2,774	(84)
Cash flow from operations	**22,437**	**19,023**
Interest	(3,559)	(4,528)
Tax	(1,458)	(2,333)
Dividends	(3,236)	(3,140)
Purchase of own shares	(432)	-
Disposal of fixed assets	2,217	2,742
Cash flow pre capital *investment*	**15,969**	**11,764**
Core capital expenditure	(8,559)	(10,123)
Net loans to customers	(58)	(5)
Cash flow pre acquisitions	**7,352**	**1,636**
Acquisition of pubs and hotels	(260)	(3,648)
Net cash inflow (outflow) for the year	**7,092**	**(2,012)**
Movement in loan issue costs	(148)	(619)
Closing net debt	**(71,469)**	**(78,413)**

EBITDA increased by 4.3% to £20.5m (2013: £19.6m) reflecting the increase in operating profit. There was a net cash inflow from working capital movements of £2.8m (2013: outflow of £0.1m), mainly due to a one off increase in creditors and accruals following the transfer of logistics and warehousing operations and a decrease in debtors from the phased exit of contract brewing. As a result of these two factors the net cash inflow from operating activities increased by £3.4m to £22.4m (2013: £19.0m).

The exceptional outflows in the year relate to costs associated with the transfer of operations and employees to KNDL and the resignation of an Executive Director. Moving to the 2015 year an outflow of £0.6m is expected following the completion of the share capital reorganisation.

The total cash cost of interest, tax and dividends decreased by £1.7m to £8.3m (2013: £10.0m). As communicated last year three quarterly interest payments were made in 2014 (2013: four). In the coming year a standard four quarterly payments will be made. A further £0.6m decrease in corporation tax payments resulted from the accelerated capital allowances associated with the capital expenditure on the water recovery plant.

STRATEGIC OBJECTIVE FOUR:

Attracting and retaining the **best people**

We have a commitment to developing our licensees and employees to ensure our customers benefit from people that have a passion for quality and service

Rob and Donna Taylor at the Compasses, Crundale who received The Restaurant of the Year Award at the annual Shepherd Neame pub awards. Judges praised the Compasses team for its skilful use of local and seasonal produce to create a delicious, beautifully presented menu underpinned by the friendly service provided by staff, and the restaurant's relaxed ambience

We continue to improve the look and feel and overall experience for customers in our pubs. We have had great success with matched investments with entrepreneurial licensees

More of our training is bespoke to the needs of the licensee and the outlet including developing wine knowledge and retail skills

Moving to 2015 the dividend cash flows will reflect the new share structure and the increased number of shares. As such, if approved, the cash flows from payment of the final dividend for 2014 to be paid in October 2014 will be £0.5m higher than the payment made in 2013.

In order to service the Company's obligations under employee incentive plans 37,000 shares were purchased (2013: none) at an average market price of £11.67 leading to a cash outflow of £0.4m.

Cash spend on capital expenditure was £8.8m, down from £13.8m in 2013. This was driven by a reduction in acquisition expenditure where in 2014 there were no freehold capital acquisitions. Core capital expenditure was £8.6m (2013: £10.1m) reflecting the investment in the Water recovery plant of £0.8m and the major redevelopment of The Botany Bay Hotel of £1.4m. Proceeds of £2.2m (2013: £2.7m) were realised from the sale of four pubs (2013: six pubs), three unlicensed properties (2013: one unlicensed property) and one piece of land.

In relation to 2015 core capital expenditure will include an investment in the region of £2m to refurbish the Royal Wells Hotel. This completes the major refurbishments of the hotel assets purchased since 2011.

Financing and loan facilities

The Company's medium-term facilities were refinanced in 2012 to enable the Company to have flexible facilities that provide headroom for expansion but allow for repayment at no penalty if expansion opportunities do not arise. No further drawings were made on the five year term loan meaning total drawings on this facility remained at £18m (2013: £18m). At the year end nil drawings (2013: £nil) were made on the £10.0m revolving credit facility also maturing in 2017.

The medium-term facilities provide certainty of funding until 2017 and amortisation of these facilities will start in 2015 where contractually a minimum of £2m will be repaid. The 20 year term loan maturing in 2026 remains unchanged meaning total committed facilities of £88.0m are in place together with a £5.0m overdraft facility which is renewable in June 2015.

Interest on the 20 year term loan was fixed by swap contracts to give an effective rate of interest of 5.94%. Interest on the £18.0m loan and the revolving credit facility is based on LIBOR plus a margin of between 3.00% and 5.25%. This has not been fixed by a swap contract.

The policy for managing treasury and financial risk is as set out in note 25.

Balance sheet

Overall there was a £0.3m increase in tangible fixed assets (2013: increase of £4.0m) reflecting the core capital expenditure made in the year. The lower levels of capex combined with strong operating cashflows mean net debt has decreased by £6.9m to £71.5m (2013: £78.4m).

As a result of the anticipated net debt reduction balance sheet gearing at the year end was 56% (2013: 62%) and the ratio of net debt to EBITDA at the year end was 3.5 times (2013: 4.0 times).

The share reorganisation has resulted in the issue of 14,857,500 ordinary shares of 50p and the cancellation of the former 11,457,500 'A' shares of £1 and the 68,000,000 'B' shares of 2p. As part of this transaction 11,457,500 deferred shares of 50p each were created and then gifted to the Company for no consideration and cancelled. The resultant decrease in share capital of £5.4m has given rise to an increase in the profit and loss reserve of £5.4m. Share premium has decreased by £0.3m. Shareholders funds at 28 June 2014 were £128.8m (2013: £125.8m).

Accounting standards

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

PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS	MITIGATION AND MONITORING
ECONOMIC	
Strength of the economy The success of the Company's operations is partly reliant upon the strength of the UK and regional 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.	We monitor and respond to changes in the economy by reviewing the investment levels in our key brands and pubs, by developing our portfolio and through active property management, in order to continue encouraging a variety of customers to our products and pubs.
Key input costs In recent years the Company has suffered from significant increases in the cost of inputs such as utilities, malt, glass recycling and food for resale. There is a risk that input costs could increase significantly again in the future which would impact margins.	Management look to source key inputs such as malt, hops and utilities on long-term contracts, giving certainty on price where appropriate. The Company is always seeking productivity and cost saving initiatives to mitigate the impact of rising costs on margins.
REGULATORY	
Regulation and taxation of the sale of alcohol The drinks industry is heavily regulated and heavily taxed through excise duty. There is a risk that future increases, or other changes in taxation, or regulation to address health issues or binge drinking, could affect the market, and our profitability.	Legislative developments are monitored and we aim to grow income streams derived from food, accommodation and soft drinks as well as alcohol. The Company has membership of the BBPA and directors are members of key industry bodies where those matters are discussed.
Health and safety Health and safety legislation, including fire safety and food legislation, is paramount in all operations. Any non-compliance could have serious consequences for our employees, tenants and customers.	Health and safety procedures and policies are in place to ensure compliance. We provide regular training, risk assessments are performed, and all incidents are investigated.
Operation of tied pubs The Government has recently announced its intention to implement a statutory code of practice and adjudicator for landlords and tenants. The majority of provisions will cause additional cost and administration. There is a threshold for some provisions that apply to companies with more than 500 pubs, which does not affect Shepherd Neame at present but this could change in future.	We work hard to ensure that our tenants are treated fairly and have viable commercial propositions with flexible, appealing agreements. We follow the industry voluntary code of practice. The new code requirements will be incorporated as necessary.
OPERATIONAL	
Licensed brewing contracts The Company is engaged in various contracts to brew, sell and market brands under licence from third party brewers. Such contracts carry different obligations and responsibilities on both parties. The agreements are all long term but subject to renewal from time to time.	There is regular inspection of quality and service levels by brewing partners, with the aim of providing reassurance and satisfaction for all parties, helping good relations to continue. The contracts we hold are long-dated and regular reviews with our partners take place.
Brands 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.	Staff training, adherence to high-quality standards throughout the business, management review and internal controls reduce the operational risk of brand damage. Our communications team manages our reputation and liaises with the media.
Supply chain failure Prolonged disruption to our supply chain could affect the quality and availability of our product.	We work with established and reliable suppliers wherever possible and maintain good relationships with them to assist with monitoring their positions.
Information technology failure The Company places significant reliance on information systems. A significant or prolonged failure of these systems would affect all aspects of our business.	The IT function has back-up systems, a disaster recovery plan and external support agreements for hardware and software, which 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 and profitability of the Company.	We have developed a disaster recovery plan to mitigate disruption, including arrangements to use alternative facilities. The move to transition warehousing to KNDL means our product is now de-centralised and held in a number of warehouse locations.
Water recovery The Company is in the final stages of a project to build and operate a new water recovery plant to clean waste water from the brewery site. If this plant were to experience a sustained failure it could lead to periods of ceased production.	The Company has undertaken business continuity planning with alternative procedures for the disposal of waste, albeit at higher cost, to mitigate this risk.

Our community

We have a commitment to Faversham, Kent and the communities our pubs serve

The Spitfire Ground, St Lawrence has been rebranded in Spitfire livery for the 2014 cricket season

Former Environment Secretary Owen Paterson toasts the official opening of the water recovery plant on the brewery site in November 2013. This will support the recycling of 40% of our water for use in boilers and cleaning

We support many charity events through our pub estate including the annual Wheelie Bin Race at The Three Horseshoes in Herne Hill

Heritage
Shepherd Neame is an independent family business and Britain's Oldest Brewer, based in the market town of Faversham in Kent. All our beers are brewed with the finest traditional ingredients including water sourced from our own well deep beneath the brewery. We are proud to brew an award-winning range of quintessentially Kentish ales and international lagers.

Shepherd Neame pubs and hotels are found across the south-east of England including Kent, London, Essex, Surrey and Sussex and we believe we own more listed buildings than any other commercial organisation in Kent. Our investment in their upkeep helps preserve time-honoured crafts, including thatching, signwriting, stonemasonry, traditional carpentry and glass etching. We are dedicated to safeguarding local and brewing heritage for future generations.

We take responsibility for our impact on society, being both the community and environment, in the following ways:

Responsible retailing
Shepherd Neame is committed to operating pubs and hotels of high quality, and we encourage our pubs to be active participants in their communities. We take our responsibility to customers and communities seriously and believe the pub is a community asset that should provide a friendly, safe environment for its customers.

We believe that well-run pubs, parental guidance, individual responsibility and suitable education are important to establish a sensible attitude to drinking. We do not believe that twenty-four hour opening is appropriate for our business.

The company is dedicated to discouraging excessive drinking and so-called binge drinking and we support a number of initiatives to help achieve our commitment to do business in a socially responsible manner.

We support Drinkaware, a charity that provides information on the effects of alcohol and aims to reduce alcohol misuse. We use the logo on physical marketing materials and online. Challenge 21 is a proof-of-age scheme, which we operate across our estate, using mystery drinkers to monitor it.

We are partners with the Department of Health's Responsibility Deal, and support pledges for improving public health in England. These include alcohol labelling, increasing the public's awareness of alcohol units and responsible marketing.

We also support Kent Community Alcohol Partnership, which brings together councils, the police, Trading Standards, education providers and the health service with alcohol producers and retailers at the local level.

We have been accredited by the British Institute of Innkeeping Benchmarking and Accreditation Service (BIIBAS) for our Code of Practice for Tenancies and are active participants in the debate to improve transparency and disclosure between landlords and tenants. Our Tenanted Business Development Managers were some of the first to qualify for the new BII Professional Certificate in Multiple Retail Management.

Environment
Shepherd Neame is very proud of the standards it achieves for environmental management in activities such as water supply, raw materials handling, pollution control, waste management and recycling. The following achievements are testament to our efforts:

We have completed the installation of a water recovery plant that will enable the recovery and re-use of our waste water into other processes and materially reduce our water consumption. This will significantly reduce the amount of water we extract from our well.

We were the first UK brewery to attain full accreditation for ISO 14001, an environmental benchmark of international repute. We were also the first UK brewery to be awarded a Feed Materials Assurance Scheme certificate, which guarantees the quality and traceability of the brewery's spent malt and yeast for agricultural feed.

For the brewing process, we audit environmental policies and procedures of all major suppliers and all malt is sourced from the UK. All spent produce is used as animal feed and we recycle 97% of the grain and hops used. Our packaging materials are 100% recyclable and our waste is separated into recyclable elements. All of our waste oil is collected and converted back into biofuel.

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. It has enabled us to reduce our energy and water consumption, particularly by switching from tunnel pasteurisation to flash pasteurisation.

We work well within the Government's Energy Efficient Quotient. Over the past decade we have reduced our energy consumption in the bottling hall by 27%. The brewery has switched to the exclusive use of lightweight glass for its bottled beers, resulting in a saving of 20% in glass usage.

Our PDX wort boiling system uses direct steam injection to heat the wort in-line and this has reduced our energy consumption during this stage of the process by 50%. As part of our capital refurbishment programme we install LED lighting where appropriate, and have a rolling programme to retrofit LED into our retail estate. We are also currently installing waterless urinal systems across our retail estate and looking at voltage optimisation opportunities.

Employees
We are justifiably proud of our dedicated staff, many of whom have very long service and some of whom are the fourth and fifth generations of local families working for us. Of the brewery staff, 31% have 10-20 years service and 12% have over 20 years service.* We owe much of our success to them and ensure that they are appreciated, valued and respected. We are committed to providing equal opportunities for all our employees, and every employee is treated equally and fairly. We run an active sports and social club for employees as well as a pensioners club for retired employees.

There is regular communication on company strategy and developments; feedback and ideas are encouraged. 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 give achievement awards to those who have made a special effort to improve their skills and qualifications. We achieved a Grade 1: Outstanding rating for training provision in the 2013 annual monitoring visit by the BII. We offer BII apprenticeships within our managed estate in conjunction with LeSoCo** as part of our supervisor training programme.

We actively endorse Government initiatives to give young jobseekers skills, work experience and apprenticeships and have worked with The Skills People in this regard.

Community
Shepherd Neame has supported the community it serves for many years. Our brewery and pubs are at the heart of their communities, raising large sums each year for local and national charities.

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 £350,000. In 2013 we were presented with a special award from the RAF Benevolent Fund to recognise our long-standing commitment and contribution to the charity. We have continued our support of the armed forces by publication of an e-book of pub walks, launched in aid of the charity Combat Stress.

We invest around £500,000 annually on sports sponsorship, usually linked to the supply of drinks, from grassroots to county level. In 2013 we entered into a 10-year naming rights agreement with Kent County Cricket Club to rename their Canterbury headquarters The Spitfire Ground, St Lawrence. The Company also sponsors local leagues and provides equipment for community sides. We also support a number of summer events, music festivals, regattas, airshows and the Kent County Show.

We take great pride in supporting the town of Faversham and the county of Kent through events such as the Faversham Hop Festival, Faversham Transport: Travel Through Time Weekend and local food and drink weekends. We sponsor the Faversham Christmas Lights, and the Kent Messenger Group's countywide Big Quiz. 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 staff support a variety of charity initiatives including Wear it Pink, Race for Life, Jeans for Genes, Arthritis UK and the Macmillan World's Biggest Coffee Morning and have participated in many other fundraising events including marathons, bicycle rides and outdoor pursuits. We actively encourage and support the charitable events they organise with donations and advice. We provide numerous prizes and auction lots in kind for charitable events to help raise money for a wide variety of causes ranging from local schools to national charities.

We support Pubwatch across our estate and support licensees working in partnership with their communities and their peers in an effort to provide a safe environment for socialising. Six of our London pubs participate in the Safety Thirst, City of London scheme, which aims to achieve highest standards of safety and security for customers and to minimise any impact on neighbours. Two of our pubs achieved Gold Awards in the 2014 Best Bar None scheme.

We support local tourism through our membership of Visit Kent and our £1.4 million development of The Botany Bay Hotel was seen as a major investment in East Kent tourism. Our Visitor Centre is a multi-award winner small visitor attraction and plays a vital role in the Kent tourism offer.

Land at Queen Court Farm has been set aside to house part of the National Hop Collection of historic varieties of hops, which are used for research and development to benefit this vital British industry.

This strategic report was approved by the Board of Directors on 17 September 2014 and was signed on its behalf by:

J B Neame
Chief Executive

* The calculation is based on brewery employees as at 28 June 2014 excluding managed houses and the visitor centre
** Lewisham Southwark College

BOARD OF DIRECTORS

M H TEMPLEMAN (66)

CHAIRMAN, CHAIRMAN OF THE NOMINATIONS COMMITTEE

Appointed to the Board in March 2002 and became Chairman in October 2005. He stepped down as Director General of the Institute of Directors in September 2011 and 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. He is currently a Non-Executive Director of the Rugby Football Union, Aspria Holdings BV and Fairgrove Partners Limited.

J B NEAME DL (50)

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 a Trustee of the Leeds Castle Foundation. He is Chairman of the British Beer and Pub Association.

M J RIDER (38)

FINANCE AND IT DIRECTOR

Appointed to the Board in February 2012. He joined the Company from J Sainsbury plc, where he was head of Finance, Food, from 2008. He joined Sainsbury's in 2001 and held a number of senior finance roles, including Head of Financial Planning and Corporate Finance and Group Financial Controller. Prior to joining Sainsbury's he qualified as a Chartered Accountant with PricewaterhouseCoopers (UK). He is a Fellow of the Institute of Chartered Accountants.

O W A BARNES (63)

NON-EXECUTIVE DIRECTOR
CHAIRMAN OF THE REMUNERATION COMMITTEE

Appointed to the Board in October 2005. He was a partner and consultant to City solicitors Travers Smith for over 30 years until his retirement in 2012 and sat on the Company Law Committee of the Law Society for over 12 years.

J H LEIGH-PEMBERTON CVO (57)

NON-EXECUTIVE DIRECTOR
CHAIRMAN OF THE AUDIT COMMITTEE

Appointed to the Board in September 2004. He is Executive Chairman of UK Financial Investments Ltd. He was previously Chief Executive of Credit Suisse UK and a Non-Executive Director of RIT Capital Partners plc.

W J BRETT (49)

NON-EXECUTIVE DIRECTOR

Appointed to the Board on 12 September 2013 on the retirement of Mr R L Nicol. He is Executive Chairman of Robert Brett & Sons Ltd and Chairman of the Mineral Products Association.

G H A BARNES (60)

PROPERTY AND SERVICES DIRECTOR
Joined the Company in 1978. He is a chartered surveyor and was appointed to the Board in January 2001. Became Property and Services Director with effect from July 2014. He is also a Director of the Institute of Licensing and Director of the Pub Regulatory Board.

N J BUNTING (47)

RETAIL AND TENANTED OPERATIONS DIRECTOR
Joined the Company in 1993. He has held various management positions including 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 and became Retail and Tenanted Operations Director with effect from July 2014. 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 (43)

BREWING AND BRANDS 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. Became Brewing and Brands Director with effect from January 2014.

R H B NEAME CBE DCL DL (80)

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 in 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.

R N DUNCAN (58)

COMPANY SECRETARY
Joined the Company in 1975 and was appointed as Company Secretary in December 2013, in addition to his role as Head of HR. He has held various management positions within the Company and is a Fellow of the Chartered Institute of Personnel and Development and a Member of the Institute of Brewing and Distilling.

The Company is a private company and its shares are quoted on the ISDX Growth Market, which enjoys certain personal tax advantages for our shareholders compared to a full stock market listing.

As an ISDX market company, Shepherd Neame is not required to comply with all aspects of the UK Corporate Governance Code. 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 28 and 29 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. Non-Executive Directors serving a period beyond nine years are subject to annual re-election. All newly appointed Directors stand for election at the Annual General Meeting following their appointment.

The Board governs through its executive management and committees. Each Board Committee has specific terms of reference and there is a list of Matters Reserved for the Board, which distinguishes which types of decision are taken by the Board or delegated to management. The terms of reference for each Committee are available on the Company's website. The chairmen of each committee report to the Board on proceedings of Committee meetings and minutes are provided to Board members.

The Board meets regularly throughout the year. Its responsibilities include approving the Company's strategy, annual budget, and the annual and half year results. The Board authorises major investments, acquisitions and capital expenditure, and monitors the performance of the business.

Attendance at scheduled meetings held during the year is set out on the right:

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 such as the approval of minor capital projects and refurbishments, the agreement and approval of minor contracts with third parties and employee appointments.

Nomination
The Nomination Committee is chaired by Miles Templeman and comprises the Non-Executive Directors. The Committee met twice during the year, attendance is shown in the table below. The Committee is responsible for identifying and proposing prospective candidates for Directors for consideration and appointment by the Board as a whole. It reviews the size, structure and composition of the Board and makes recommendations to the Board with regard to any adjustments deemed necessary.

The Committee is responsible for considering the Company's succession plans for Board members, and determining what skills, knowledge and experience will be necessary. Other matters considered by the Committee during the year included the proposed appointment of Bill Brett and the re-election of directors.

Before appointment is made, the Board evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:

- Consider candidates from a wide range of backgrounds
- Consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position
- Consider the use of external advisers or advertising to facilitate the search, if applicable; and
- Consider the requirements set out in the Company's Memorandum and Articles of Association

Prior to the appointment of any director the committee obtains from the proposed appointee details regarding any other business interests which may result in a conflict of interest and to ensure that consideration is given to whether these need to be approved by the Board prior to appointment.

Audit
The Audit Committee is chaired by James Leigh-Pemberton and comprises the Non-Executive Directors. The Chief Executive, Finance and IT Director, and external auditor attend its meetings by invitation. The Committee has defined terms of reference, reviews the audit appointment periodically, discusses the audit plan with the auditor and agrees the scope of work, and also recommends approval of the financial statements to the Board. It is responsible for reviewing internal financial controls and risk management systems. The Committee had

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	11	2	6	2
Executive Directors				
G H A Barnes	11	–	–	–
N J Bunting	11	–	–	–
G R Craig	11	–	–	–
J B Neame	11	*	*	*
M J Rider	11	*	–	–
Non- Executive Directors				
O W A Barnes	11	2	6	2
W J Brett **	9	1	4	1
J H Leigh Pemberton	9	2	3	2
R L Nicol ***	2	1	2	1
M H Templeman	10	2	6	2

* These Directors are not members of the Committees but are invited to be in attendance at meetings as appropriate
** W J Brett was appointed to the Board on 12 September 2013
*** R L Nicol retired from the Board on 12 September 2013

two meetings during the year and on each occasion the Chief Executive and Finance and IT Director attended.

The Audit Committee receives reports from the Finance and IT Director and external auditor on the key accounting issues and areas of significant judgement. The key matters for this financial year were the accounting regarding share capital and reserves following the share capital reorganisation, the accounting treatment of exceptional items and the results of the annual impairment exercise. The Chairman of the Committee is in regular contact with the audit partner to discuss matters relevant to the Company. The financial statements and interim results were reviewed in detail prior to their submission to the Board.

Deloitte LLP has been the Company's auditor since 2009. Their performance is reviewed by the Committee which considers their effectiveness and independence, and partner rotation, which occurred at the end of 2013. The auditor provides taxation advisory services in addition to audit services and from time to time may provide non-audit services to the Company. In relation to 2014 Deloitte provided audit services of £86k and non audit services of £27k.

It is the policy of the Board to seek proposals and quotations from a number of suppliers when undertaking significant non-audit work to ensure that the Company benefits from the best combination of quality of work and value for money.

Remuneration
The activities of the Remuneration Committee are explained fully in the Remuneration report on pages 32 to 34.

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.

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 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 Shepherd Neame's 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 and makes presentations to the newly formed Family Council. The Chairman and Chief Executive discuss governance and strategy with major shareholders and the Board receives updates on these meetings which helps develop the Non-Executive Directors' understanding of the views of major shareholders. All shareholders are encouraged to attend the Annual General Meeting as a way of communicating with investors. The Chairman and Chief Executive update them on the Company's performance and progress.

In 2011 Charles Stanley, who have a large private client portfolio were appointed to act as co-broker alongside Cazenove.

The Company's shares were admitted to the CREST trading platform in September 2013.

All formal Company announcements are posted on the ISDX market website (www.isdx.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.

Overview

The Board has voluntarily included a remuneration report. The information discussed in this report is not as extensive as that required for a fully listed entity to disclose.

The Remuneration Committee is chaired by Oliver Barnes and comprises the Non-Executive Directors. The work of the Committee is set out in its terms of reference which are available on the Company's website. 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 when appropriate. External consultants are used periodically to help with these decisions. The last review was carried out by Deloitte LLP in 2011.

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.

Director remuneration composition

Executive

Remuneration for Executive Directors comprises fixed remuneration (salary, car allowance and other taxable benefits) pension contributions and performance-related remuneration designed to motivate maximum performance over a sustained period. Salary levels for Executive Directors are reviewed annually in line with the overall company pay review process.

The performance related pay element of Executive Director remuneration has three components:

- A cash bonus scheme providing for annual bonuses dependent on a combination of corporate financial performance and personal bonus targets. The targets for these bonuses are set annually and currently provide for bonuses of up to 20% of salary.
- Primary options over ordinary shares with a value of up to 20% of salary in accordance with the rules of the 2005 Restricted share scheme. These options are tied to financial performance targets of the business which are set at the start of the financial year to which the targets relate and evaluated at the end of the financial year. In order for these options

Directors' emoluments

The information in this table is subject to audit and as required to be disclosed in note 8.

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Aggregate amount:		
Salary	**1,181**	1,202
Salary in lieu of pension contributions	**77**	48
Taxable benefits	**125**	129
Annual bonus	**179**	59
Primary and Secondary share options vesting in the year	**-**	34
Share Incentive Plan	**19**	12
Directors' emoluments	**1,581**	1,484
Compensation for loss of office	**-**	139
Pension contributions	**127**	158
	1,708	1,781
The number of Directors who:		
Had pensions benefit accruing under money purchase schemes	**6**	6
Exercised options over shares in the Company	**1**	1
Had awards receivable in the form of shares under a long-term incentive plan	**6**	6
Details of Directors' share options are shown on page 34		
Highest paid Director:		
Salary	**234**	229
Salary in lieu of pension contributions	**49**	48
Taxable benefits	**32**	32
Annual bonus	**54**	16
Primary and Secondary share options vesting in the year	**-**	10
Share Incentive Plan	**4**	3
	373	338

In 2014 the highest paid Director was granted secondary options over 6,805 'A' shares under the long-term incentive plan (2013: 7,817 shares) but did not exercise any options (2013: options over 1,127 'A' shares).

The aggregate gain, not included above, made by the highest paid Director on the exercise of share options was nil (2013: £7,600).

Options benefit is calculated as the share price at the year end (less the exercise price) multiplied by the number of options vesting in the year. Options are considered to have vested if the performance criteria have been met in the financial year, in which case the number of vested options is estimated based on performance against performance measures.

SIP benefit is calculated as the share price at the year end multiplied by the number of shares awarded in the year.

to then vest, the Director has to remain in employment three years after the financial year in which the performance of the Company has been evaluated.

- Secondary options over ordinary shares granted annually up to a value of up to 25% of salary in accordance with the rules of the 2005 Restricted share scheme. Under this scheme options are granted every year but only vest three years after grant by reference to growth in earnings per share and return on capital employed over the three year period.

No option may be granted in any year which would result in the aggregate of all share options granted in that year, to any grantee, exceeding 40% of his salary in that year.

In addition to these incentives executives are free to participate in the All Employee Share Incentive Plan (SIP). This scheme is open to all employees with 18 months service at the date of award and provides a free award of shares based on length of service and salary. The maximum award available to any employee is £3,000 per annum.

Non-Executive
Non-Executive Directors receive fees which are reviewed annually by the Board in line with the overall Company pay review process.

Directors Emoluments
For the highest paid Director the increase in annual salary for the 2014 financial year was 2.3%. The figures for annual bonus for the highest paid Director relate to performance in the 2014 and 2013 financial years respectively. The bonus for the highest paid Director under the cash bonus scheme will be £34,000 or 14.5% of salary for the 2014 financial year. In addition the highest paid Director has been awarded a special one-off cash bonus of £20,000 for the 2014 financial year for his work in regard to Company reorganisations.

The secondary share options granted in 2010 that were due to vest in 2013 have lapsed due to performance conditions not being met in the 2013 financial year. Of the secondary share options granted in 2009, 28% vested in 2012 based on performance measured against performance criteria. No primary options were granted in 2009 or 2010 and as such there have been no primary options vesting in either 2013 or 2014.

The average salary increase for Executive Directors was 3.9% in the 2014 financial year and the aggregate bonus paid to Executive Directors in the 2014 financial year, relating to the 2013 financial year was £59,000 or 5.8% as a percentage of executive salaries. Bonuses totalling £179,000 or 16% of salary, including the one-off bonus to the highest paid Director, will be paid to Executive Directors in relation to the 2014 financial year.

Due to changes in legislation the highest paid Director, and one other Executive Director are no longer contributing members of the Company pension scheme. The highest paid Director received payments in lieu of pension in the year ended 28 June 2014 which total £49,000 and are included within emoluments (2013: £48,000). The aggregate gain, subject to tax, not included above, made by the highest paid Director on the exercise of share options was nil (2013: £7,600).

The aggregate number of secondary share options granted to Directors in November 2013 for the reference period 2013 to 2016 were 25,685. These share options will vest by reference to performance criteria to be measured against 2016 results. No primary options were issued in respect of the 2013 financial year.

Subject to the approval of the accounts the Remuneration Committee will consider secondary option awards for the reference period to 2014 in October 2014.

Directors' interests
The information in this table is subject to audit and as required to be disclosed in note 23.
The interests of the Directors in the Company's shares at 28 June 2014 (29 June 2013) are as follows:

		Ordinary shares			'A' shares			'B' shares	
		Beneficial	As trustees	Under SIP*	Beneficial	As trustees	Under SIP*	Beneficial	As trustees
G H A Barnes	**2014**	**23,339**	**-**	**1,803**	-	-	-	-	-
	2013	-	-	-	16,250	-	1,507	148,200	-
O W A Barnes	**2014**	**85,202**	**-**	**-**	-	-	-	-	-
	2013	-	-	-	55,396	-	-	610,150	-
N J Bunting	**2014**	**7,284**	**-**	**1,473**	-	-	-	-	-
	2013	-	-	-	7,284	-	1,201	-	-
W J Brett	**2014**	**15,895**	**-**	**-**	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
G R Craig	**2014**	**250**	**-**	**1,544**	-	-	-	-	-
	2013	-	-	-	250	-	1,296	-	-
J B Neame	**2014**	**154,451**	**114,497**	**1,427**	-	-	-	-	-
	2013	-	-	-	64,967	92,516	3,477	1,762,300	439,682
M Rider	**2014**	**-**	**-**	**280**	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
M Templeman	**2014**	**8,905**	**-**	**-**	-	-	-	-	-
	2013	-	-	-	8,905	-	-	-	-

The beneficial holdings of ordinary shares includes shares awarded under the Employee Profit Share Scheme that have not been transferred into the Directors' names but are held in trust. The holdings under the SIP were allocated in January 2003, 2004, 2005, 2006 and November 2006, 2007,2008, 2010, 2011, 2012 and 2013 and are held in trust for a qualifying period of three years before ownership vests unconditionally (see note 24a).

The information in this table is subject to audit and as required to be disclosed in note 23.

Subject to performance conditions being met, options over the Company's Ordinary shares* held by Directors at 28 June 2014 (29 June 2013) are as follows:

	At 2013	Granted	Exercised	Forfeited	At 2014		Exercise price £	Date from which exercisable	Expiry date
G H A Barnes	468	–	–	–	**468**	**	1.00	26/10/10	26/10/17
	904	–	–	–	**904**	***	1.00	30/10/12	30/10/19
	4,235	–	–	(4,235)	**–**	***	1.00	29/10/13	29/10/20
	2,059	–	–	–	**2,059**	**	1.00	28/10/14	28/10/21
	5,147	–	–	–	**5,147**	***	1.00	28/10/14	28/10/21
	1,671	–	–	–	**1,671**	**	1.00	19/10/15	19/10/22
	5,223	–	–	–	**5,223**	***	1.00	19/10/15	19/10/22
	–	4,547	–	–	**4,547**	***	1.00	18/10/16	18/10/23
	19,707	4,547	–	(4,235)	**20,019**				
N J Bunting	409	–	–	–	**409**	**	1.00	26/10/10	26/10/17
	904	–	–	–	**904**	***	1.00	30/10/12	30/10/19
	4,235	–	–	(4,235)	**–**	***	1.00	29/10/13	29/10/20
	2,044	–	–	–	**2,044**	**	1.00	28/10/14	28/10/21
	5,110	–	–	–	**5,110**	***	1.00	28/10/14	28/10/21
	1,648	–	–	–	**1,648**	**	1.00	19/10/15	19/10/22
	5,150	–	–	–	**5,150**	***	1.00	19/10/15	19/10/22
	–	4,484	–	–	**4,484**	***	1.00	18/10/16	18/10/23
	19,500	4,484	–	(4,235)	**19,749**				
G R Craig	66	–	–	–	**66**	**	1.00	27/10/09	27/10/16
	468	–	–	–	**468**	**	1.00	26/10/10	26/10/17
	904	–	–	–	**904**	***	1.00	30/10/12	30/10/19
	4,235	–	–	(4,235)	**–**	***	1.00	29/10/13	29/10/20
	2,044	–	–	–	**2,044**	**	1.00	28/10/14	28/10/21
	5,110	–	–	–	**5,110**	***	1.00	28/10/14	28/10/21
	1,648	–	–	–	**1,648**	**	1.00	19/10/15	19/10/22
	5,150	–	–	–	**5,150**	***	1.00	19/10/15	19/10/22
	–	4,484	–	–	**4,484**	***	1.00	18/10/16	18/10/23
	19,625	4,484	–	(4,235)	**19,874**				
J B Neame	1,450	–	–	–	**1,450**	***	1.00	30/10/12	30/10/19
	6,789	–	–	(6,789)	**–**	***	1.00	29/10/13	29/10/20
	3,065	–	–	–	**3,065**	**	1.00	28/10/14	28/10/21
	7,663	–	–	–	**7,663**	***	1.00	28/10/14	28/10/21
	2,501	–	–	–	**2,501**	**	1.00	19/10/15	19/10/22
	7,817	–	–	–	**7,817**	***	1.00	19/10/15	19/10/22
	–	6,805	–	–	**6,805**	***	1.00	18/10/16	18/10/23
	29,285	6,805	–	(6,789)	**29,301**				
M J Rider	1,150	–	–	–	**1,150**	**	1.00	19/10/15	19/10/22
	6,162	–	–	–	**6,162**	***	1.00	19/10/15	19/10/22
	–	5,365	–	–	**5,365**	***	1.00	18/10/16	18/10/23
	7,312	5,365	–	–	**12,677**				
Total	95,429	25,685	–	(19,494)	**101,620**				

* Options over 'A' shares of £1 have been re-designated into options over ordinary shares of 50p. There has been no change in the number of options in issue and no incremental fair value arose as a result of this transaction.

** Primary share option rights under the Shepherd Neame 2005 Restricted Share Scheme (see note 24b).

*** *Secondary share option rights under the Shepherd Neame 2005 Restricted Share Scheme (see note 24b).*

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 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 28 June 2014 was £11.75 (29 June 2013: £7.70) and the range during the year was £7.70 to £11.75 (2013: £6.50 to £8.50).

The Directors have pleasure in presenting their one hundredth Annual Report and Accounts for the 52 weeks ended 28 June 2014.

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 and Strategic Report which provide further details of the Company's performance for the 52 weeks ended 28 June 2014 and likely future developments.

Dividends

The Company paid an interim dividend of 5.15p (2013: 5.00p) on the 'A' shares of £1 and 0.103p (2013: 0.100p) on the 'B' shares of 2p. The Directors now recommend a final dividend of 20.75p on the ordinary shares of 50p.

This makes a total dividend for the year of 25.90p for each ordinary share of 50p (2013: 25.15p for each A share or 50 B shares).

The total proposed final dividend on ordinary shares of 50p will be £3,074,000 (2013: £2,576,000 on A shares of £1 and B shares of 2p) which together with the 2014 interim dividend paid on 'A' shares of £1 and B shares of 2p being £660,000 (2013: £639,000) will make total dividends of £3,734,000 (2013: £3,215,000).

Directors

The names of the Directors at 28 June 2014 are set out on pages 28 and 29. Particulars of the Directors' interests in the Company's shares are set out in the Remuneration Report on pages 32-34.

In addition, Mr R L Nicol served as a Non-Executive Director until 12 September 2013 when he retired. He was replaced by Mr W J Brett, who was appointed to the Board on this date. Mr T W Falcon served as Production and Distribution Director until his resignation on 31 December 2013.

Mr N J Bunting retires from the Board by rotation and will be offering himself for re-election. Mr J H Leigh-Pemberton, Mr O W A Barnes and Mr M H Templeman having served longer than nine years submit themselves for re-election in accordance with the Articles of Association.

Purchase of own shares

During the year 37,000 ordinary shares of 50p representing 0.25% of that class of share, were purchased at a cost of £432,000. The shares were acquired in connection with the Company's obligations under the 2005 Restricted Share Scheme and Share Incentive Plan. In 2013 no shares were purchased.

Use of financial instruments

A statement in relation to the use of financial instruments and financial risk management by the Company is given in the Financial Review and also in note 25 to the accounts on pages 52 to 54.

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 £7.5 million.

Auditor

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
R N Duncan
Company Secretary
17 Court Street
Faversham, Kent
17 September 2014
Registered in England number 138256

DIRECTORS' RESPONSIBILITIES STATEMENT 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 UK 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 that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and 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 pages 18 to 22 and in accordance with the capital and risk management process set out in note 25; 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 auditor
The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 28 and 29. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEPHERD NEAME LIMITED

We have audited the financial statements of Shepherd Neame Limited for the 52 weeks ended 28 June 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Group'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 28 June 2014 and of its profit for the 52 weeks 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 Strategic Report and 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.

Andrew Clark FCA

Andrew Clark
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor

London, United Kingdom
17 September 2014

PROFIT AND LOSS ACCOUNT 52 WEEKS ENDED 28 JUNE 2014

	note	52 weeks to 28 June 2014 Before exceptional items £'000	Exceptional items £'000	Total £'000	52 weeks to 29 June 2013 Before exceptional items £'000	Exceptional items £'000	Total £'000
Turnover	1	**138,679**	**-**	**138,679**	134,906	-	134,906
Operating charges	2,3	**(125,278)**	**(1,279)**	**(126,557)**	(122,198)	(1,243)	(123,441)
Operating profit		**13,401**	**(1,279)**	**12,122**	12,708	(1,243)	11,465
Profit on sale of property	3	**-**	**224**	**224**	-	317	317
Profit on ordinary activities before interest		**13,401**	**(1,055)**	**12,346**	12,708	(926)	11,782
Interest receivable and similar income		**25**	**-**	**25**	10	-	10
Interest payable and similar charges	4	**(4,647)**	**-**	**(4,647)**	(4,685)	-	(4,685)
Profit on ordinary activities before taxation		**8,779**	**(1,055)**	**7,724**	8,033	(926)	7,107
Taxation	5	**(1,622)**	**76**	**(1,546)**	(1,913)	276	(1,637)
Profit after taxation		**7,157**	**(979)**	**6,178**	6,120	(650)	5,470
Earnings per 50p ordinary share*							
Basic	7			41.9p			37.1p
Basic before exceptional items	7			48.5p			41.5p
Diluted	7			41.6p			36.9p

Movements in reserves are set out in notes 21 and 22.

All results are derived from continuing operations.

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 £6,178,000 for the 52 weeks ended 28 June 2014 (52 weeks ended 29 June 2013: £5,470,000).

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Profit on ordinary activities before taxation	**7,724**	7,107
Realisation of property valuation (see note 21)	**103**	(77)
Difference between an historic cost depreciation charge and the actual depreciation charge for the year	**29**	29
Historical cost profit on ordinary activities before taxation	**7,856**	7,059
Historical cost profit for the year retained after taxation	**6,310**	5,422

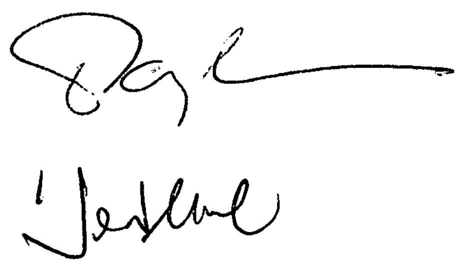
*Comparatives have been restated for the change in share capital, see note 20

BALANCE SHEET AS AT 28 JUNE 2014

	note	28 June 2014 £'000	29 June 2013 £'000
Fixed assets			
Tangible fixed assets	10	**201,591**	201,312
Investments and loans	11	**1,073**	1,193
		202,664	202,505
Current assets			
Stock	12	**6,417**	5,790
Debtors	13	**18,202**	18,768
Cash		**5,981**	85
		30,600	24,643
Creditors: amounts falling due within one year			
Bank loans and overdrafts	15	**(1,987)**	(1,196)
Creditors	14	**(23,477)**	(18,704)
		(25,464)	(19,900)
Net current assets		**5,136**	4,743
Total assets less current liabilities		**207,800**	207,248
Creditors: amounts falling due after more than one year			
Bank loans	15	**(75,463)**	(77,302)
Provision for liabilities	19	**(3,586)**	(4,144)
Net assets		**128,751**	125,802
Capital and reserves			
Called up share capital	20	**7,429**	12,818
Share premium account	21	**1,099**	1,439
Revaluation reserve	21	**13,125**	13,228
Reserve for own shares held	21	**(908)**	(798)
Profit and loss account	21	**108,006**	99,115
Equity shareholders' funds	22	**128,751**	125,802

These accounts were approved by the Board of Directors on 17 September 2014 and were signed on its behalf by:

M H Templeman
J B Neame
Directors



CASH FLOW STATEMENT 52 WEEKS ENDED 28 JUNE 2014

		52 weeks ended 28 June 2014		52 weeks ended 29 June 2013
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities (see note a)		22,437		19,023
Returns on investment and servicing of finance				
Interest paid	(3,584)		(4,538)	
Interest received	25		10	
		(3,559)		(4,528)
Taxation paid		(1,458)		(2,333)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(8,819)		(13,771)	
Proceeds of sales of tangible fixed assets	2,217		2,742	
Additional loans to customers	(210)		(275)	
Customer loan redemptions	152		270	
		(6,660)		(11,034)
Equity dividends paid		(3,236)		(3,140)
Net cash inflow/(outflow) before financing		7,524		(2,012)
Financing				
Purchase of own shares		(432)		-
Reclassification to reflect maturity		(1,987)		-
New long-term loans		-		6,000
Issue costs of long-term loans		-		(475)
Repayment of long-term loan		-		(5,000)
Movement in cash during the period		5,105		(1,487)

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

	52 weeks ended 28 June 2014			52 weeks ended 29 June 2013		
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Operating profit	**13,401**	**(1,279)**	**12,122**	12,708	(1,243)	11,465
Depreciation and amortisation (see note 2)	**6,708**	**-**	**6,708**	6,561	-	6,561
Impairment provision (see note 3)	**-**	**45**	**45**	-	537	537
Charge for share-based payments credited to reserves	**413**	**26**	**439**	288	14	302
Increase in stocks	**(627)**	**-**	**(627)**	(119)	-	(119)
Decrease/(increase) in debtors and prepayments	**582**	**-**	**582**	(807)	-	(807)
Increase in creditors and accruals	**2,406**	**412**	**2,818**	554	185	739
Free trade loan discounts	**162**	**-**	**162**	210	-	210
Loss on sale of assets (excluding property) (see note 2)	**188**	**-**	**188**	135	-	135
	9,832	**483**	**10,315**	6,822	736	7,558
Net cash inflow from operating activities	**23,233**	**(796)**	**22,437**	19,530	(507)	19,023

b Reconciliation of cash flows to movement in net debt

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Opening cash and overdraft	**(1,111)**	376
Closing cash and overdraft	**3,994**	(1,111)
Increase/(decrease) in cash during the period	**5,105**	(1,487)
Reclassification to reflect maturity	**1,987**	-
New long-term loans	**-**	(6,000)
Repayment of long-term loan	**-**	5,000
Amortisation of loan issue costs	**(148)**	(144)
Movement in net debt during the period	**6,944**	(2,631)
Net debt at beginning of the period	**(78,413)**	(75,782)
Net debt at end of the period	**(71,469)**	(78,413)

c Analysis of changes in net debt

	2013 £'000	Cash flow £'000	Reclassification to reflect maturity £'000	Amortisation of issue costs £'000	2014 £'000
Cash	85	5,896	-	-	**5,981**
Debt due within one year	(1,196)	1,196	(1,987)	-	**(1,987)**
	(1,111)	7,092	(1,987)	-	**3,994**
Debt due after more than one year	(77,302)	-	1,987	(148)	**(75,463)**
Total	(78,413)	7,092	-	(148)	**(71,469)**

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 36), 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).

The Company has taken the exemption in S405 of the Companies Act 2006 to exclude its subsidiary undertakings from consolidation as inclusion is not material for the purpose of giving a true and fair view.

b 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.

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

d 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.

e 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.

f Taxation
(i) Current tax
Corporation tax payable is provided on the taxable profit at the average statutory rate for the year.

(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.

g 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 tied estate properties is recognised in the period in which it arises on an accruals basis.

h 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.

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

j Loans
The amortisation of loan issue costs, including any loan premium, recognised in the profit and loss account is calculated at a constant rate on the carrying amount so as to spread the net cost evenly over the period to repayment.

k 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.

l 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.

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 £3,485,000 (2013: £2,730,000).

2 Operating charges

	Before exceptional items 52 weeks ended 28 June 2014 £'000	Exceptional items 52 weeks ended 28 June 2014 £'000	Total 52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Production costs and costs of goods used in retailing	65,338	-	65,338	65,101
Change in stocks of finished goods and work in progress	(627)	-	(627)	(119)
Staff costs:				
Wages and salaries	21,826	45	21,871	22,305
Social security costs	1,936	33	1,969	2,023
Other pension costs	927	-	927	1,002
Depreciation, amortisation and impairment	6,708	45	6,753	7,098
Loss on sale of fixed assets (excluding properties)	188	-	188	135
Property repairs	2,115	-	2,115	1,830
Operating lease rentals – land, buildings, vehicles & equipment	3,379	-	3,379	3,266
Other operating charges	23,488	1,156	24,644	20,800
Total operating charges	125,278	1,279	126,557	123,441

The analysis of auditor's remuneration is as follows:

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Total fees payable to Deloitte LLP for the audit of the Company's annual accounts	86	84
Other services pursuant to legislation:		
Tax services	20	25
Total non-audit fees	20	25
Fees payable to the Company's auditor for the audit of associated pension schemes	7	7
Total fees payable to Deloitte LLP	113	116

3 Exceptional items

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Operating items:		
Impairment of tangible fixed assets*	(45)	(537)
Reorganisation costs – principally in respect of redundancy, and other staff costs	(526)	(706)
Share capital restructure legal and professional fees, stationery and printing costs	(708)	-
	(1,279)	(1,243)
Non-operating items:		
Profit on sale of property	224	317
Total exceptional items before tax	(1,055)	(926)
Taxation (see note 5)	76	276
Total exceptional items after tax	(979)	(650)

* Within impairment of tangible fixed assets in 2013 there was a £537,000 charge for assets that will no longer be utilised following the agreement to transfer distribution and warehousing services.

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

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Current tax:		
UK Corporation tax at 22.50% (2013: 23.75%)	**2,196**	1,489
Prior year over provision	**(50)**	(57)
Total current tax	**2,146**	1,432
Deferred tax:		
Origination and reversal of timing differences	**(65)**	378
Effect of reduction in the rate of corporation tax	**(535)**	(176)
Prior year under provision	**-**	3
Total deferred tax	**(600)**	205
Total tax charge	**1,546**	1,637

b Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities before taxation for the year is higher (2013: lower) than the standard average statutory rate of corporation tax in the UK of 22.50% (2013: 23.75%). The differences are reconciled below.

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Profit on ordinary activities before tax	**7,724**	7,107
UK Corporation tax at average statutory rate 22.50% (2013: 23.75%)	**1,738**	1,688
Expenses not deductible for tax purposes and non-taxable income	**416**	239
Capital allowances less/(greater) than depreciation	**81**	(298)
Short-term timing differences	**49**	6
Utilisation of tax losses	**(65)**	(86)
Profit on sale of property less chargeable gains	**(23)**	(38)
Rolled over gains on asset disposals	**-**	(22)
Prior year over provision	**(50)**	(57)
	2,146	1,432

The exceptional profit on the disposal of properties of £224,000 (2013: £317,000) gives rise to a tax charge of £28,000 (2013: £15,000). The exceptional operating charge of £1,279,000 (2013: £1,243,000) gives rise to a tax credit of £104,000 (2013: £291,000) of which £nil (2013: £128,000) is a deferred tax release. This gives a net tax credit on exceptional items of £76,000 (2013: £276,000).

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 £3.6m (2013: £4.1m), based on a corporation tax rate of 20% (2013: 23%). At present it is not envisaged that any such tax will become payable in the foreseeable future.

6 Dividends

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Declared and paid during the year		
£1 'A' shares:		
Final dividend for 2013: 20.15p (2012: 19.60p)	**2,302**	2,234
Interim dividend for 2014: 5.15p (2013: 5.00p)	**590**	571
	2,892	2,805
2p 'B' shares:		
Final dividend for 2013: 0.403p (2012: 0.392p)	**274**	267
Interim dividend for 2014: 0.103p (2013: 0.100p)	**70**	68
	344	335
Dividends paid	**3,236**	3,140

6 Dividends continued

	52 weeks ended 28 June 2014 £'000	52 weeks ended 29 June 2013 £'000
Proposed for approval at the 2014 AGM:		
Final dividend for 2014 on 50p ordinary shares: 20.75p	**3,074**	-
Final dividend for 2013 on £1 'A' shares: 20.15p	**-**	2,302
Final dividend for 2013 on 2p 'B' shares: 0.403p	**-**	274
	3,074	2,576

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

	52 weeks ended 28 June 2014 £'000	Restated 52 weeks ended 29 June 2013 £'000
Profit attributable to equity shareholders	**6,178**	5,470
Weighted average number of shares in issue	**14,746**	14,751
Dilutive outstanding options	**121**	75
Adjusted weighted average share capital	**14,867**	14,826
Basic	**41.9p**	37.1p
Basic before exceptional items	**48.5p**	41.5p
Diluted	**41.6p**	36.9p

The earnings per share before exceptional items are calculated on profit after tax and before exceptional items of £7,157,000 (2013: £6,120,000). Comparatives have been restated for the change in issued share capital from 11,457,500 'A' shares of £1 each and 68,000,000 'B' shares of 2p each to 14,857,500 ordinary shares of 50p each.

8 Directors' remuneration

Full details are provided in the Directors Remuneration Report and tables on pages 32-34.

9 Employees

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

	52 weeks ended 28 Jun 2014 Number of employees	52 weeks ended 29 Jun 2013 Number of employees
Brewery	**293**	342
Retailing	**890**	869
	1,183	1,211

10 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 29 June 2013	168,735	942	6,397	31,616	45,626	4,097	257,413
Additions	1,251	-	68	1,583	6,167	144	9,213
Disposals	(1,136)	-	-	(2,394)	(1,349)		(4,879)
Transfers	1,063	-	(2)	1,972	45	(3,078)	-
At 28 June 2014	**169,913**	**942**	**6,463**	**32,777**	**50,489**	**1,163**	**261,747**
Accumulated depreciation							
At 29 June 2013	6,037	81	2,979	22,842	23,675	487	56,101
Charge for year	429	17	272	1,924	4,066	-	6,708
Impairment	528	-	10	-	19	135	692
Reversal of past impairment	(586)	-	-	-	(61)	-	(647)
On disposals	(49)	-	-	(1,947)	(702)	-	(2,698)
Transfers	14	-	6	(1)	(19)	-	-
At 28 June 2014	**6,373**	**98**	**3,267**	**22,818**	**26,978**	**622**	**60,156**
Net book values							
At 28 June 2014	**163,540**	**844**	**3,196**	**9,959**	**23,511**	**541**	**201,591**
At 29 June 2013	162,698	861	3,418	8,774	21,951	3,610	201,312

Included in additions is £114,000 (2013: £87,000) of own labour capitalised.

Disposals includes an amount of £1,812,000 (2013: £1,237,000) 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 £52,528,000 are included in the valuation or cost of the freehold properties at 28 June 2014 (2013: £53,194,000).

If they had not been revalued, freehold properties would have been carried in the balance sheet at 28 June 2014 at:

	2014 £'000	2013 £'000
Cost	**147,410**	146,129
Accumulated depreciation	**(5,583)**	(5,385)
Net book amount	**141,827**	140,744

The Company has entered into certain operating leases as lessor. The gross cost of assets held for use under these leases amounted to £21,315,000 (2013: £21,277,000) and the related accumulated depreciation charges amounted to £806,000 (2013: £589,000) and the aggregate rentals receivable amounted to £1,028,000 (2013: £1,008,000).

A net impairment loss of £45,000 was recognised in the year (2013: £537,000). An impairment loss of £692,000 was recognised in respect of 10 licensed properties to write them down to their recoverable amount (2013: £529,000 in respect of eight licensed properties). Prior year impairment losses of £647,000 were reversed in respect of two licensed properties to write them back to their recoverable amount (2013: £529,000 in respect of five licensed properties). The 2013 impairment loss also comprised a £537,000 write down of fixed assets that will no longer be utilised following the agreement to outsource distribution and warehousing services in 2014.

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 based upon the budget for the forthcoming financial year approved by the Directors. Cash flows beyond the budget period are extrapolated in perpetuity for freehold properties and over the length of the remaining lease for leasehold properties. The long term growth rates applied are 2.5% for managed pubs and 1.5% for tenanted pubs. The pre-tax discount rate used in this review was 8.22% (2013: 8.26%).

11 Investments and loans

	2014 £'000	2013 £'000
Investments in subsidiaries	101	101
Loans to customers	972	1,092
	1,073	1,193

None of the investments in subsidiaries are significant.

a Loans to customers

	2014 £'000	2013 £'000
At start of year	1,092	1,343
Additions	210	275
Redemptions	(168)	(316)
Loan Discounts	(162)	(210)
At end of year	972	1,092

b The maturity profile of the loans is:

	2014 £'000	2013 £'000
Recoverable < 1 year	90	85
Recoverable 1-5 years	443	580
Recoverable > 5 years	439	427
	972	1,092

Of these loans £382,000 is expected to be repaid in cash and £590,000 is expected to be repaid by offset against discounts to be earned by customers (2013: £194,000 and £898,000 respectively). The level of discounts awarded and the interest and fees charged depends on the trading performance of each customer against individual targets.

12 Stock

	2014 £'000	2013 £'000
Raw materials and consumables	1,990	2,138
Work in progress	359	339
Finished goods including goods for resale	4,068	3,313
	6,417	5,790

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

13 Debtors

	2014 £'000	2013 £'000
Trade debtors	15,159	15,843
Other debtors	398	385
Prepayments	2,645	2,540
	18,202	18,768

14 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	**6,756**	6,475
Amounts due to subsidiary undertakings	**101**	101
Corporation tax	**1,235**	548
Other tax and social security	**6,461**	5,721
Accruals and deferred Income	**6,828**	3,857
Trade deposits	**1,716**	1,608
Other creditors	**380**	394
	23,477	18,704

15 Bank loans

Amounts falling due after more than one year

	2014 £'000	2013 £'000
Bank loans	**76,000**	78,000
Less: loan issue costs	**(537)**	(698)
	75,463	77,302

The bank loans comprise a 20 year term loan of £60.0m arranged in April 2007 and a five year term loan of £18.0m arranged in June 2012. The 20 year term loan is hedged by interest rate swap contracts which are referred to in note 25. Both loans were provided by the Royal Bank of Scotland plc and Lloyds Banking Group plc.

The £60.0m 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 repayment schedule of the £18.0m loan is a £2.0m repayment each 31 May in 2015 and 2016 with the balance repayable on 31 May 2017. Voluntary prepayments may also be made without penalty.

The Company also has a £10.0m five year revolving credit facility that matures in May 2017 and a £5.0m committed overdraft facility that is renewable in June 2015. At both this and the prior year end there were no drawings on the revolving credit facility.

The bank loans and overdraft are repayable as follows:

	2014 £'000	2013 £'000
Amounts payable on demand or within one year	**2,000**	-
Amounts payable in 2-5 years	**16,000**	18,000
Amounts payable in over five years	**60,000**	60,000
	78,000	78,000

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

16 Capital commitments

Contracts for capital expenditure not provided for in the accounts amounted to £410,000 (2013: £493,000).

17 Other financial commitments

	Land and buildings 2014 £'000	Plant and machinery 2014 £'000	Land and buildings 2013 £'000	Plant and machinery 2013 £'000
Annual commitments under non-cancellable operating leases which expire:				
Within one year	**198**	**26**	133	64
Within 2-5 years	**216**	**242**	333	221
After five years	**2,407**	**-**	2,251	-
	2,821	**268**	2,717	285

18 Contingent liabilities

The Company has guaranteed a mortgage totalling £47,000 (2013: £47,000) 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.

As previously announced, the Company has invested in a new water treatment plant which will minimise the consumption of extracted well water through greater recycling. This plant is now being commissioned and is necessary as we near the end of a long-term agreement with our local water company.

The Company is in dispute regarding the terms on which the long-term agreement will terminate and any residual liabilities under it owed by the Company. The Board is of the view that there should be no material liability for the Company in this respect. The dispute resolution procedure in the long-term agreement is arbitration. In the absence of a consensual resolution to this dispute, there is a possibility that arbitration could commence. It is estimated that the Company's legal and associated costs of an arbitration case could be up to £750,000. The Company would seek to reclaim these costs as part of the arbitration process.

19 Provision for liabilities

	Onerous lease		Deferred tax		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
As at 29 June 2013	-	-	**4,144**	3,939	**4,144**	3,939
Arising in the year	**42**	-	-	-	**42**	-
(Credited)/charged in the year	-	-	**(600)**	205	**(600)**	205
As at 28 June 2014	**42**	-	**3,544**	4,144	**3,586**	4,144

The deferred tax included in the balance sheet is as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	**3,583**	4,204
Other timing differences	**(20)**	28
Unutilised tax losses	**(19)**	(88)
	3,544	4,144

The onerous lease provision is recognised in respect of a leasehold property where the lease contract is deemed to be onerous. Provision is made for the discounted value of the lower of the unavoidable lease costs and the losses expected to be incurred by the Company.

20 Share capital

Allotted, called-up and fully paid

	'A' shares of £1 each £'000	'B' shares of 2p each £'000	'A' shares of 50p each £'000	Deferred shares of 50p each £'000	'B' shares of 50p each £'000	Ordinary shares of 50p each £'000	2014 Total £'000
At the beginning of the period:							
11,457,500 'A' shares of £1 each	11,458	-	-	-	-	-	**11,458**
68,000,000 'B' shares of 2p each	-	1,360	-	-	-	-	**1,360**
	11,458	1,360	-	-	-	-	**12,818**
Share capital reorganisation:							
a Subdivision of 'A' shares	(11,458)	-	5,729	5,729	-	-	-
b Compensatory bonus issue of 'B' shares	-	340	-	-	-	-	**340**
c Consolidation of 'B' shares	-	(1,700)	-	-	1,700	-	-
d 'A' share and 'B' share re-designation	-	-	(5,729)	-	(1,700)	7,429	-
e Cancellation of deferred shares	-	-	-	(5,729)	-	-	**(5,729)**
Share Capital at the end of the year – 14,857,500 ordinary shares	-	-	-	-	-	**7,429**	**7,429**

On 5 June 2014 the shareholders approved a reorganisation of the share capital of the Company.

a 11,457,500 'A' shares of £1 each divided into 11,457,500 'A' shares of 50p each and 11,457,500 deferred shares of 50p each
b 17,000,000 'B' shares of 2p each issued
c 85,000,000 'B' shares of 2p each consolidated into 3,400,000 'B' shares of 50p each
d 11,457,500 'A' shares of 50p and 3,400,000 'B' shares of 50p re-designated as 14,857,500 shares of 50p each
e 11,457,500 deferred shares of 50p each gifted to the Company for no consideration and cancelled.

21 Reserves

	Share premium £'000	Revaluation reserve £'000	Own shares held £'000	Profit & loss account £'000	Total £'000
Balance at 29 June 2013	1,439	13,228	(798)	99,115	**112,984**
Profit for the period	-	-	-	6,178	**6,178**
Dividends paid	-	-	-	(3,236)	**(3,236)**
Transfer of realised revaluation	-	(103)	-	103	**-**
Accrued share-based payments	-	-	-	439	**439**
Purchase of own shares	-	-	(432)	-	**(432)**
Distribution of own shares	-	-	173	(173)	-
Unconditionally vested share awards	-	-	149	(149)	-
Compensatory bonus issue of 'B' shares (see note 20)	(340)	-	-	-	**(340)**
Cancellation of deferred shares (see note 20)	-	-	-	5,729	**5,729**
Balance at 28 June 2014	**1,099**	**13,125**	**(908)**	**108,006**	**121,322**

The Company held 102,905 50p ordinary shares at 28 June 2014 with a market value of £1,209,000 (2013:102,719 and £791,000). 64,638 of the own shares held are allocated to employees under the Share Incentive Plan, and a further 72,741 have vested unconditionally and as such are no longer treated as own shares held (2013: 73,876 and 80,417 respectively). Of these shares, 57,263 can be distributed to the employees free of tax (2013: 62,976).

22 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Shareholders' funds at the beginning of the year as previously reported	**125,802**	123,170
Profit after taxation	**6,178**	5,470
Ordinary dividends paid	**(3,236)**	(3,140)
Accrued share-based payments	**439**	302
Purchase of own shares	**(432)**	-
Movement during the year	**2,949**	2,632
Shareholders' funds at the end of the year	**128,751**	125,802

23 Directors' interests

The interests of the Directors in the Company's shares and options over the Company's ordinary shares held by Directors at 28 June 2014 and 29 June 2013 are as disclosed in the Remuneration report on pages 32-34.

24 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, 2010, 2011, 2012 and 2013. 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 2014 or 2013.

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

	2014 Number	2013 Number
Outstanding shares at start of year	**150,835**	148,357
Granted during the year	**20,327**	28,451
Forfeited during the year	**(3,006)**	(3,283)
Distributed during the year	**(35,914)**	(22,690)
Outstanding shares at end of year	**132, 242**	150,835
Distributable at end of year	**72,741**	80,417

24 Share-based payment continued
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 is £9.508 (2013: £8.112).
The weighted average fair value of the shares granted in November 2013 was £9.40 (November 2012: £8.30). 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 28 June 2014 is £216,000 (2013: £176,000).

b 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 four other Directors. This scheme replaced the 1995 Restricted Share Scheme following its cessation in 2005. It was updated to reflect changes in tax legislation and market practice since the 1995 scheme was adopted. There were no options outstanding at 28 June 2014 in respect of the 1995 scheme.

Under the 2005 restricted share scheme, primary options are awarded which are exercisable three years after they are awarded. The Directors were also granted secondary options which are exercisable three years after they were awarded if the Company achieves certain financial performance criteria.

During the year, the Company purchased 37,000 ordinary shares at an average cost of £11.665 per share (2013: nil).

The contractual life of each option granted is 10 years.

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

	2014 Number	2014 Weighted average exercise price	2013 Number	2013 Weighted average exercise price
Outstanding at start of year	**138,568**	**£1.00**	106,916	£1.00
Granted during the year	**25,685**	**£1.00**	55,217	£1.00
Exercised	**(8,576)**	**£1.00**	(2,554)	£1.00
Forfeited during the year	**(31,943)**	**£1.00**	(21,011)	£1.00
Outstanding options at end of year	**123,734**	**£1.00**	138,568	£1.00
Exercisable at end of year	**6,697**	**£1.00**	7,927	£1.00

The weighted average fair value of the options granted during the year was £8.6817 (2013: £7.3841). The exercise price for all options outstanding at the end of the year was £1.00 and the options outstanding at 28 June 2014 had a remaining contractual life of 7.97 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 28 June 2014 and 29 June 2013.

	2014	2013
Expected share price volatility	**25%**	22%
Risk-free interest rate	**5.090%**	5.140%
Expected life of option (years)	**6.5**	6.5
Weighted average share price	**£9.400**	£8.100

A charge of £223,000 was recognised for share-based payments made under the Shepherd Neame 2005 Restricted Share Scheme in respect of employee services during the year to 28 June 2014 (2013: £126,000).

25 Financial instruments

a Capital management
The capital structure of the Company consists of bank loans (see note 15), cash and shareholders' equity, comprising share capital, reserves and retained earnings (see notes 20, 21 and 22). 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 reviews 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 11), cash and trade debtors and other debtors in current assets (see note 13). Its financial liabilities include trade creditors and other payables in current liabilities (see note 14) and short and long-term bank borrowings (see note 15).

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.

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 and National Westminster Bank base rate. The interest on the total facility of £60.0m 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 need by means of long- and medium-term bank loans amounting to £78.0m, of which £78.0m was drawn at the year end. The balance of its requirements is provided by a five year revolving credit loan facility of £10.0m, which matures in May 2017 and a committed overdraft facility of £5.0m, which matures in June 2015. The size of the facility is regularly reviewed and the overdraft facility is renewed annually. At the year end none (2013: nil) of the revolving credit loan facility and none (2013: £1.2m) 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. In addition, receivable balances are monitored on an ongoing basis. The growth of the Company's business with national retailers 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 immaterial, 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:

	2014 Notional principal £'000	2014 Weighted average interest rate (%)	2014 Weighted average period for which rate fixed (years)	2013 Notional principal £'000	2013 Weighted average interest rate (%)	2013 Weighted average period for which rate fixed (years)
Bank loan	**60,000**	**5.94**	**12.75**	60,000	5.94	13.75

Medium-term borrowings outstanding at 28 June 2014 amounted to £18,000,000 (2013: £18,000,000) comprising £18,000,000 (2013: £18,000,000) drawn on a five year term loan and nil (2013: nil) drawn on the five year revolving credit facility, both bearing interest at between 3% and 5.25% above LIBOR. Three month LIBOR was 0.552% at 28 June 2014 (29 June 2013: 0.510%). The overdraft facility bears interest at 2.5% (2013: 2.5%) above National Westminster Bank base rate which was 0.5% at 28 June 2014 (29 June 2013: 0.5%).

25 Financial instruments continued

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 11) 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 2014 £'000	Fair value 2014 £'000	Book value 2013 £'000	Fair value 2013 £'000
Primary financial instruments:				
Variable rate bank loan	**(78,000)**	**(78,000)**	(78,000)	(78,000)
Bank overdraft	**-**	**-**	(1,196)	(1,196)
Cash	**5,981**	**5,981**	85	85
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps – deferred	**-**	**(15,864)**	-	(16,449)

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

26 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 costs represents contributions payable by the Company to the funds and amounts to £927,000 (2013: £1,002,000). Contributions of £117,000 (2013: £124,000) were payable to the scheme at the year end. Three executive Directors are contributing members of one of the Company's defined contribution schemes, but due to changes in legislation the highest paid Director and one other executive Director are no longer contributing members of this scheme although they do have entitlement to deferred benefits.

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.

27 Related party transactions

During the year, the Company purchased goods to the value of £13,000 (2013: £1,000) including VAT and made sales of £118,000 (2013: £66,000) to St Austell Brewery Company Limited, a company of which Mr J B Neame is a non-executive Director. At the year end Shepherd Neame Limited was owed £26,000 (2013: 23,000), including VAT, by St Austell Brewery Company Limited. Shepherd Neame Limited did not owe any balance to St Austell at the year end (2013: £nil).

Mr N J Bunting, executive Director of Shepherd Neame Limited, is also a director of Davy and Company Limited. During the year, the Company made sales to the value of £497,000 (2013: £535,000) to Davy and Company and its associated companies. At the year end, the balance owed to Shepherd Neame Limited by the Davy Group of companies, including VAT, was £44,000 (2013: £43,000).

All the transactions referred to above were made in the ordinary course of business.

FINANCIAL CALENDAR AND COMPANY ADVISORS

Financial calendar

2014

9 October	Ex-dividend date
10 October	Record date*
17 October	Annual General Meeting and payment of final dividend

2015

March	Announcement of interim results
March	Payment of interim dividend
September	Preliminary results announcement
October	Annual General Meeting

* Shareholders on the register at this date

Company advisors

Registrars

Computershare Investor Services plc
PO Box 82
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 702 0003
Dedicated Shareholder Tel: 0870 707 1291
www.computershare.com/investor/uk

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Stockbrokers

JP Morgan Cazenove Limited
25 Bank Street
Canary Wharf
London E14 5JP

Charles Stanley Securities
131 Finsbury Pavement
London EC2A 1NT

James Sharp & Co
The Exchange
5 Bank Street
Bury
Lancashire BL9 0DN

NOTICE OF MEETING

Notice is hereby given that the one hundredth Annual General Meeting of Shepherd Neame Limited (the "Company") will be held at the Parish Church of St Mary of Charity, Church Road, Faversham on Friday 17 October 2014 at 12.00 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

Resolution 1 – To receive the Annual Report and Accounts for the 52 weeks ended 28 June 2014, together with the reports of the Directors and Auditor thereon.

Resolution 2 – To declare a final dividend of 20.75p per ordinary share for the 52 weeks ended 28 June 2014, payable on 17 October 2014 to holders of ordinary shares registered at the close of business on 10 October 2014.

Resolution 3 – To propose the re-election of Mr N J Bunting as a Director.

Resolution 4 – To propose the re-election of Mr J H Leigh-Pemberton as a Director.

Resolution 5 – To propose the re-election of Mr O W A Barnes as a Director.

Resolution 6 – To propose the re-election of Mr M H Templeman as a Director.

Resolution 7 – To re-appoint Deloitte LLP as the Auditor and authorise the Directors to fix their remuneration.

Resolution 8 – To authorise the Company to make market purchases of ordinary shares of 50 pence each (**"ordinary shares"**) on the following terms:

It is proposed that the Company be generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 (the **"Act"**) to make market purchases (as defined in section 693 of the Act) of ordinary shares provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,485,750;

(b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 50 pence, being the nominal amount thereof;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share shall be a sum equal to 105 per cent. of the average of the middle market quotations for an ordinary share of the Company (as derived from the ISDX Markets website) for the five business days immediately preceding the day on which the purchase is made;

(d) the authority conferred by this resolution shall (unless previously renewed or revoked) expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date which is 15 months from the date of the passing of this resolution; and

(e) the Company may before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority and a purchase of ordinary shares may be made in pursuance of any such contract or contracts notwithstanding such expiry.

Notes to the Resolutions

Resolutions 3 to 6 – Re-election of Directors
The articles of association of the Company require certain of the Directors to retire by rotation at each Annual General Meeting and require any non-executive Director who has served for longer than nine years to submit themselves for annual re-election. At this Annual General Meeting, Mr N J Bunting, Mr J H Leigh-Pemberton, Mr O W A Barnes and Mr M H Templeman will retire. Each of such Directors is offering himself for re-election and Resolutions 3 to 6 propose the re-election of such Directors.

Brief biographies of the Directors are set out on pages 28 to 29 of the Annual Report and Accounts.

Resolution 8 – Authority to make market purchases of ordinary shares
Resolution 8 seeks authority for the Company to make market purchases of its own ordinary shares.

If passed, the resolution gives authority for the Company to purchase up to 1,485,750 of its ordinary shares, representing 10 per cent. of the Company's issued ordinary share capital as at 23 September 2014. The Directors have no present intention of making such purchases, but consider it is prudent for them to retain the ability to do so. The Directors would not propose to exercise their authority to make purchases unless the expected effect of the purchase would be to increase the earnings per share of the remaining shares in the capital of the Company and the purchase is generally in the best interest of the shareholders.

Resolution 8 specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date which is 15 months from the date of the passing of the resolution. The Directors presently intend that a resolution to renew this authority will be proposed at each succeeding Annual General Meeting.

Any shares purchased under this authority will be cancelled.

By Order of the Board
R N Duncan
Company Secretary
17 Court Street
Faversham
Kent

23 September 2014

Explanatory notes

1. Members entitled to attend and vote at the Annual General Meeting (the **"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.

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

3. You may appoint a proxy in one of the following ways:

(i) by using the form of proxy circulated to registered shareholders with the Annual Report and Accounts. In order to be valid, the form of proxy should be completed and returned, together with the power of attorney or other authority (if any) under which it is signed or a certified or office copy of the same, 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 15 October 2014. You should contact the Company's Registrars for further forms of proxy or photocopy the form as required;

(ii) online at www.investorcentre.co.uk/eproxy using the Control Number, Shareholder Reference Number and PIN printed on the form of proxy by no later than 12.00 noon on Wednesday 15 October 2014; or

(iii) if you hold your shares in uncertificated form, by using the CREST electronic proxy appointment service as described in note 5 below.

4. The appointment of a proxy will not prevent a member from attending and voting in person at the Meeting.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service should follow the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) not less than 48 hours before the time for holding the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the Register of Members of the Company as at 6 p.m. on 15 October 2014 shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered in the Register of Members of the Company in order to have the right to attend and vote at the adjourned meeting is 6 p.m. on the date which is two days before the time of the adjourned meeting. Changes to the Register of Members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

7. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holdings.

8. 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. To be effective, any instruction appointing a corporate representative must be delivered at the Meeting to the chairman of the Meeting or secretary or any person appointed by the Company to receive such authorisation and unless such certified copy of such resolution is so deposited the authority granted by such resolution shall not be treated as valid (unless the chairman of the Meeting in his absolute discretion decides otherwise).

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

FIVE YEAR FINANCIAL SUMMARY

	Company 2014 £'000	Company 2013 £'000	Group 2012 £'000	Company 2011 £'000	Company 2010 £'000
Profit and loss					
Turnover	**138,679**	134,906	133,025	121,346	115,356
Operating profit before exceptional items	**13,401**	12,708	12,704	12,252	11,857
Net finance charges	**(4,622)**	(4,675)	(4,292)	(4,271)	(4,581)
Exceptional charges	**(1,279)**	(1,243)	-	(1,915)	(450)
Profit on sale of property	**224**	317	649	419	1,887
Profit before taxation	**7,724**	7,107	9,061	6,485	8,713
Taxation	**(1,546)**	(1,637)	(2,112)	(2,090)	(2,360)
Earnings available to shareholders	**6,178**	5,470	6,949	4,395	6,353
Dividends					
Interim and finals for the year	**3,734**	3,215	3,127	3,045	2,953
Percentage on shares	**25.90%**	25.15%	24.5%	23.8%	23.1%
Dividend cover*	**1.62**	1.48	1.92	1.25	1.86
Dividend cover (excluding exceptional items)*	**1.87**	1.65	1.75	1.67	1.48
Earnings per 50p nominal share* value (p) based on:					
Earnings available to shareholders	**41.9p**	37.1p	47.0p	29.7p	43.0p
Earnings (excluding exceptional items)	**48.5p**	41.5p	42.9p	39.8p	34.1p
Shareholders' funds employed					
Share capital	**7,429**	12,818	12,818	12,818	12,818
Share premium	**1,099**	1,439	1,439	1,439	1,439
Revaluation reserve	**13,125**	13,228	13,151	14,046	14,490
Revenue reserves	**107,098**	98,317	95,762	91,241	89,213
	128,751	125,802	123,170	119,544	117,960
Represented by assets					
Fixed assets	**202,664**	202,505	198,610	185,753	186,444
Current assets	**30,600**	24,643	23,982	27,774	29,658
	233,264	227,148	222,592	213,527	216,102
Liabilities					
Short-term	**25,464**	19,900	19,325	19,861	19,829
Long-term	**75,463**	77,302	76,158	69,506	73,394
Provisions	**3,586**	4,144	3,939	4,616	4,919
	104,513	101,346	99,422	93,983	98,142
Net assets	**128,751**	125,802	123,170	119,544	117,960
Net assets per share (£)**	**8.67**	8.47	8.29	8.05	7.94

* Following the share reorganisation (see Financial Review page 19) earnings per share and dividend cover have been restated for 2010, 2011, 2012 and 2013 based on the revised weighted average number of shares in issue.

** Net assets per share has been restated for 2010, 2011, 2012 and 2013 based on the shares in issue at 28 June 2014 being 14,857,500 ordinary shares.

Shepherd Neame Limited
17 Court Street
Faversham, Kent
ME13 7AX

Tel 01795 532206
Fax 01795 538907
Email company@shepherdneame.co.uk
www.shepherdneame.co.uk
Registered in England number 138256