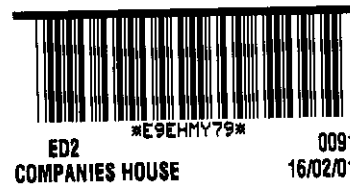


REGISTERED No.

138256



R H B Neame

S F B Neame

J B Neame

Directors

R H B Neame (66) CBE DL Chairman

Joined the Company in 1956 and appointed to the Board in 1957. Was appointed Chairman in 1971. He was a Director of National Westminster Bank plc Southern Advisory Board, 1982 to 1991, Chairman of the Gatwick Airport Consultative Committee, 1990 to 1995, and a member of Kent County Council, 1965 to 1989. He is currently Vice-President of the South East England Tourist Board, a Non-Executive Director of Mendocino Brewing Company, Ukiah, USA and a Non-Executive Director of Merrydown PLC.

S F B Neame (55) Vice Chairman and Director of Information Technology

Joined the Company in 1972 and appointed to the Board in 1976. He was a Systems Engineer with IBM from 1967 to 1972 and a Director of Quotient plc from 1987 to 1992. He is an active member of brewing industry panels concerning the beer duty campaign and media communications.

E R Johnston

aM B Bunting

P J Bentley

J B Neame (36) Managing Director from July 1999

Joined the Company in 1991. Was Company Secretary until July 1994 and Tied Trade Director until June 1999. He is a Barrister-at-law and was a Management Consultant with the COBA Group from 1987 to 1991. He is also a non-executive director of Radio Invicta Ltd, part of the Capital Radio Group plc.

E R Johnston (65) Non-Executive Director

Was appointed to the Board in 1980. He was a Director of West India Rum Company Limited from 1976 to 1982, and a Director of Caribbean Distillers Limited from 1970 until 1976. He is currently a Director of Johnston Associates Limited. He will retire from the Board at the AGM.

M B Bunting (66) Non-Executive Director

Was appointed to the Board in 1986. Formerly Vice-Chairman, Managing Director of Courage Limited from 1975 to 1985. He is currently a Non-Executive Director of George Gale & Co Limited.

P J Bentley (61) Non-Executive Director

Was appointed to the Board in 1995. He has over 30 years of experience in the drinks industry. Formerly Chief Executive of Skol International and Managing Director of both Benskins Brewery and Joshua Tetley, all companies within the Allied Domecq Group. Latterly he was Managing Director of Bairds Malt and Non-Executive Director of Marstons.

M B J Kimmins (63)
Non-Executive Director

Was appointed to the Board in 1999. He is currently Chairman of Corney & Barrow Group Limited having previously been with Distillers Company as Chairman and Managing Director of William Sanderson & Son. He is also a Trustee of the Ascot Authority, Member of the Jockey Club, Director of Newbury Racecourse plc and a Council Member of St. John, Berkshire.

K R Littlefair (53) Finance

Joined the Company in April 2000. He is a chartered accountant who gained extensive experience with Ernst & Young before joining London International Group plc, where he was Finance Director of the European Division and then the Operations Division.

I J Dixon (57) Production and Distribution

Joined the Company in 1991. He was previously Group Production Director of Courage Breweries, and was responsible for the development of the Berkshire Brewery, the then largest in the UK. He was with Courage 18 years and has over 30 years' experience in the brewery industry.

M J McJennett (45) Sales and Marketing

Joined the Company in 1991. Formerly a Director of Bass North, a subsidiary of Bass PLC. He was with Bass for 18 years and held several senior sales positions during that time.

Company Secretary
G H A Barnes (45)

Joined the Company in 1978. He is a chartered surveyor and has held various management positions within the Company. Currently he is Company Secretary and has responsibility for all aspects of our Estate management.

Company Advisors
Registrars

Computershare Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: 0870 702 0000

Auditors

Ernst & Young
Wessex House, 19 Threefield Lane
Southampton SO14 3QB

Bankers

National Westminster Bank plc
13 Market Place, Faversham
Kent ME13 7EF

Stockbrokers

Cazenove & Company
12 Tokenhouse Yard
London EC2R 7AN

Financial PR

Gavin Anderson & Company
15-17 Eldon Street
London EC2M 7LD

Registered office

Shepherd Neame Limited
17 Court Street, Faversham,
Kent ME13 7AX
Tel: 01795 532206
Fax: 01795 538907
E-mail: company@shepherdneame.co.uk
www.shepherdneame.co.uk

M B J Kimmins

K R Littlefair

I J Dixon

M J McJennett

G H A Barnes

Report of the directors

The Directors have pleasure in presenting their eighty-sixth annual report and accounts for the 53 weeks ended 1 July 2000.

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. The Chairman's Statement and Managing Director's Review of Operations give full details of the Company's business for the 53 weeks ended 1 July 2000.

Dividends

The Directors recommend the payment of a final dividend of 10.75% on the "A" and "B" ordinary shares amounting to £1,374,000 (1999 – £1,294,000) making a total for the year of 13.575%, £1,736,000 (1999 – 12.75%, £1,630,000) and leaving retained profits of £3,639,000 (1999 – £3,240,000).

Directorate

The names of the Directors at 1 July 2000 are set out on pages 12 & 13. Particulars of their interests in the Company's shares are detailed in note 24 to the accounts.

Mr M J McJennett and Mr J J Dixon were appointed to the Board on 1 March 2000 and Mr K R Littlefair was appointed to the Board on 17 April 2000.

Mr E R Johnston retires from the Board by rotation and will not be offering himself for re-election.

Board responsibilities

Both the Audit Committee and the Remuneration Committee have met during the year. No award has been made under the Restricted Share Scheme.

Fixed assets

The freehold licensed and associated properties of the Company 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. These figures were incorporated into the accounts of 28 June 1997 and subsequent additions have been included at cost. The brewery premises and other fixed assets remain in the accounts at historical cost. The Directors have considered the value of all the fixed assets of the Company and are satisfied that their aggregate value is not less than the amount in the balance sheet.

Year 2000 Compliance

Last year the Company was required to disclose the steps taken to ensure that its systems would continue to work on the anniversary of the Millennium. The Directors report that the Company's systems met all known requirements at that date and subsequently, within the original budget.

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 are able to participate directly in the success of the business through the Company's profit sharing scheme.

Charitable and political contributions

In the year the Company donated £12,000 for charitable purposes.

Payment to suppliers

The Company aims to comply with suppliers' agreed payment terms whenever possible. Trade creditors on 1 July 2000 represent 44 days' average purchases.

Auditors

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

By Order of the Board

G H A Barnes

Secretary
17 Court Street
Faversham
Kent

26 September 2000



Statement of directors' responsibilities

The Directors are required by law to prepare accounts each period which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss of the Company for the period.

The Directors are responsible for maintaining adequate accounting records, safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.

The Directors confirm that the accounts have been prepared using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also confirm that the accounts have been prepared following applicable accounting standards, and have been prepared on the going concern basis.

Report of the auditors

to the members of Shepherd Neame Limited

We have audited the accounts on pages 16 to 30, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on page 20.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

Basis of opinion

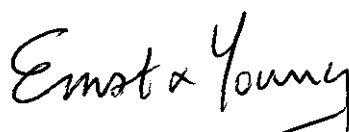
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's

circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 1 July 2000 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Southampton

26 September 2000

Profit and loss account

53 weeks ended 1 July 2000

	note	2000 £'000	1999 £'000
Turnover	1	68,493	62,498
Operating charges	2	(59,220)	(53,567)
Operating Profit		9,273	8,931
Profit on sale of property		867	305
Profit on ordinary activities before interest		10,140	9,236
Interest receivable and similar income		70	57
Interest payable and similar charges	3	(2,661)	(2,510)
Profit on ordinary activities before taxation		7,549	6,783
Taxation	4	(2,174)	(1,913)
Profit after taxation		5,375	4,870
Dividends	5	(1,736)	(1,630)
Retained Profit	22	3,639	3,240
Earnings per £1 nominal share value (p)			
Basic	6	42.0	38.1
Diluted	6	41.9	38.0

Movements on reserves are set out in notes 20 to 23

Statement of total recognised gains and losses

53 weeks ended 1 July 2000

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £5,375,000 for the period ended 1 July 2000 and the profit of £4,870,000 for the period ended 26 June 1999.

Note of historical cost profits and losses

53 weeks ended 1 July 2000

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation	7,549	6,783
Realisation of property revaluation	375	(238)
Historical cost profit on ordinary activities before taxation	7,924	6,545
Historical cost profit for the period retained after taxation and dividends	4,014	3,002

Balance sheet

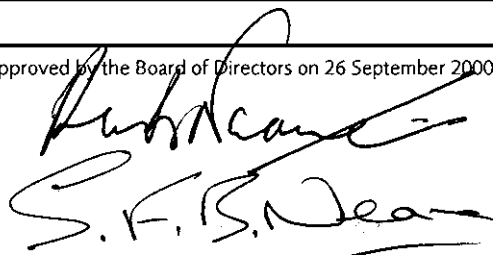
as at 1 July 2000

	note	2000 £'000	1999 £'000
Fixed assets			
Tangible fixed assets	9	101,586	97,121
Investments	10	2,954	2,705
		104,540	99,826
Current assets			
Stock	11	3,520	3,864
Debtors	12	11,473	10,611
Cash		49	50
		15,042	14,525
Creditors: amounts falling due within one year			
Bank overdrafts and loans		(9,477)	(7,767)
Creditors	13	(14,745)	(14,685)
		(24,222)	(22,452)
Net current liabilities		(9,180)	(7,927)
Total assets less current liabilities		95,360	91,899
Creditors: amounts falling due after more than one year	14	(19,612)	(19,790)
Provision for liabilities and charges: Deferred taxation	18	(307)	(307)
		75,441	71,802
Capital and reserves			
Called up share capital	19	12,787	12,787
Share premium account	20	1,400	1,400
Revaluation reserve	21	18,469	18,844
Profit and loss account	22	42,785	38,771
Equity shareholder's funds	23	75,441	71,802

These financial statements were approved by the Board of Directors on 26 September 2000 and were signed on its behalf by:

Robert H B Neame, Director

Stuart F B Neame, Director



Cash flow statement

53 weeks ended 1 July 2000

	2000 £'000	1999 £'000
Net cash inflow from operating activities	13,151	10,264
Returns on investment and servicing of finance		
Interest paid	(2,777)	(2,632)
Taxation paid	(2,261)	(1,961)
Capital expenditure and financial investment		
Purchase of property, plant and equipment	(10,232)	(9,309)
Purchase of investment	(1)	-
Proceeds of sales of assets	2,313	1,922
Additional loans to customers	(766)	(626)
Customer loan redemptions	518	621
	(8,168)	(7,392)
Acquisitions and disposals		
Proceeds of sale of associated undertaking	-	237
Equity dividends paid	(1,656)	(1,562)
Net cash outflow before use of liquid resources and financing	(1,711)	(3,046)
Financing		
Proceeds of sale of shares for cash	-	185
Decrease in cash during the year	(1,711)	(2,861)

Notes to the cash flow statement

53 weeks ended 1 July 2000

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

	2000 £'000	1999 £'000
Operating profit	9,273	8,931
Depreciation	3,600	3,101
Increase in debtors and prepayments	(206)	(774)
Decrease in stocks	344	14
Increase/ (decrease) in creditors and accruals	74	(1,057)
Loss on sale of assets (excluding property)	66	49
	3,878	1,333
Net cash inflow from operating activities	13,151	10,264

Note 2: Reconciliation of net cash flow to movement in net debt

	2000 £'000	1999 £'000
Decrease in cash during the year	(1,711)	(2,861)
Amortisation of loan premium	178	178
Movement in net debt during the year	(1,533)	(2,683)
Net debt at 26 June 1999	(27,507)	(24,824)
Net debt at 1 July 2000	(29,040)	(27,507)

Note 3: Analysis of changes in net debt

	1999 £'000	Cash flow £'000	Amortisation of loan premium £'000	2000 £'000
Cash at bank	50	(1)		49
Bank overdrafts	(7,767)	(1,710)		(9,477)
	(7,717)	(1,711)		(9,428)
Debt due after more than one year	(19,790)	-	178	(19,612)
Total	(27,507)	(1,711)	178	(29,040)

Accounting policies

a Basis of preparation

The accounts are prepared under the historical cost convention modified by the revaluation of freehold licensed and associated properties. The accounts have been prepared in accordance with applicable accounting standards.

b Tangible fixed assets and depreciation

The Company has adopted Financial Reporting Standard 15 "Tangible Fixed Assets" for the 53 weeks ended 1 July 2000. As a result, the accounting policy has been amended and is now as follows:

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 freehold properties, adjusted for subsequent disposals.

All tangible fixed 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	4%
Other freehold and long leasehold buildings	2%
Short leaseholds	over the lease term
Fixed plant	10%-20%
Vehicles	14%-20%
Fixtures	5%-20%
Containers	10%-16.6%

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

c Stocks

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

d Deferred taxation

Provision is made for deferred taxation using the liability method on timing differences to the extent that it is probable that the liability will crystallise.

e Repairs to properties

The charge in the accounts includes provision for the estimated cost of completion for all work which had commenced before the year end, and was planned to be completed within three months of commencing the work. The estimated charge in respect of major projects expected to exceed three months' duration is charged in accordance with professional valuations of work completed.

f 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.

g Employee Profit Share Scheme

The allocation from profits is charged to the profit and loss account in the year of allocation.

h Property disposals

The surplus and deficiencies on property disposals are shown by reference to their balance sheet values and are included in the profit on ordinary activities.

i Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the terms of the lease.

j Pubco PLC loan

The finance cost, including the loan premium, recognised in the profit and loss account in respect of the Pubco PLC loan is calculated so as to spread its net cost evenly over the period to repayment.

Notes to the accounts

1 July 2000

1 Turnover

Turnover comprises sales net of discounts, rents received and services rendered from trading activities, excluding value added tax. The export sales during the year were £ 1,017,000 (1999 – £1,108,000).

2 Operating charges

	2000 £'000	1999 £'000
Change in stocks of finished goods & WIP	162	18
Factored goods	14,023	12,537
Raw materials, duty and consumables	15,445	15,011
Staff costs: Wages and salaries	10,584	9,391
Social security costs	856	791
Other pension costs	739	473
Depreciation	3,600	3,101
Auditors' remuneration: Audit services	58	58
Non-audit services	7	23
Property repairs	985	897
Operating lease rentals: Land & buildings	539	340
Other operating charges	12,222	10,927
	59,220	53,567

3 Interest payable and similar charges

	2000 £'000	1999 £'000
Pubco PLC loan	1,933	1,883
Bank loans and overdrafts	535	441
Other	193	186
	2,661	2,510

4 Taxation

	2000 £'000	1999 £'000
UK Corporation tax at 30% (1999 – 30.75%)	2,109	1,913
Prior year underprovision	65	-
	2,174	1,913

The corporation tax charge for the period has been reduced by £420,000 (1999 – £301,000) for accelerated capital allowances, for which no deferred tax provision is required and by capital gains rolled over.

Notes to the accounts

1 July 2000

5 Dividends

	2000 £'000	1999 £'000
"A" and "B" ordinary shares		
Interim paid 2.825% (1999 – 2.625%)	362	336
Final proposed 10.75% (1999 – 10.125%)	1,374	1,294
	1,736	1,630

6 Earnings per share

	2000 £'000	1999 £'000
Profit attributable to equity shareholders	5,375	4,870
Weighted average share capital	12,787	12,772
Dilutive outstanding options	47	49
Adjusted weighted average share capital	12,834	12,821
Basic	42.0p	38.1p
Diluted	41.9p	38.0p

7 Directors' remuneration

	2000 £'000	1999 £'000
Aggregate amount		
Directors' emoluments	551	422
Pension contributions	374	171
	925	593
	£'000	£'000
Highest paid Director		
Emoluments	167	153
Pension Contributions	283	106
	450	259

The accrued pension at 1 July 2000 of the highest paid Director amounted to £101,051 per annum (1999 – £96,451).

Details of share options are shown in note 24.

8 Employees

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

	Number of employees 2000	Number of employees 1999
Brewery	265	262
Retailing	743	649
	1,008	911

Notes to the accounts

1 July 2000

9 Tangible assets

	Freehold Properties £'000	Leasehold properties under 50 years £'000	Plant vehicles and containers £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Valuation or cost:						
At 26 June 1999	80,422	837	15,852	22,719	891	120,721
Additions	3,130	795	1,499	2,961	1,847	10,232
Transfers	–	–	1,812	150	(1,962)	–
Disposals	(1,642)	–	(481)	(446)	–	(2,569)
At 1 July 2000	81,910	1,632	18,682	25,384	776	128,384
Accumulated depreciation						
At 26 June 1999	447	106	9,676	13,371	–	23,600
Charge for year	141	72	1,397	1,990	–	3,600
On disposals	–	–	(296)	(106)	–	(402)
At 1 July 2000	588	178	10,777	15,255	–	26,798
Net book amounts:						
At 1 July 2000	81,322	1,454	7,905	10,129	776	101,586
At 26 June 1999	79,975	731	6,176	9,348	891	97,121

Financial Reporting Standard 15 "Tangible Fixed Assets" has been adopted for the 53 weeks ended 1 July 2000. As a result, an additional depreciation charge amounting to £102,000 has been included in the accounts for the period then ended, in respect of freehold licensed properties.

The freehold licensed and associated 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 £68,279,000 are included in the valuation or cost of the freehold properties at 1 July 2000.

If they had not been revalued, freehold properties would have been carried in the balance sheet at 1 July 2000 at:

	2000 £'000	1999 £'000
Cost	55,068	52,209
Accumulated depreciation	(588)	(447)
Net book amount	54,480	51,762

Included in additions is £107,000 (1999 – £126,000) of own work capitalised.

Notes to the accounts

1 July 2000

10 Investments and loans

	2000 £'000	1999 £'000
a Associated undertakings		
At 26 June 1999	5	55
Acquisition	1	
Sale of investment	–	(50)
At 1 July 2000	6	5

The Company holds 25% of the ordinary share capital of Pubco PLC, a company registered in England and Wales. The main activity of this associated undertaking is to raise funds by the issue of loan stock and to on-lend the proceeds to its shareholders. Pubco PLC does not have significant net income or net assets and therefore Shepherd Neame's share of these have not been included in the accounts as the amounts would not be material. The interest payable to Pubco PLC is shown in note 3.

	2000 £'000	1999 £'000
b Securities		
At 26 June 1999	509	509
At 1 July 2000	509	509
Market value or Director's valuation	303	381

Listed securities held by the Group and Company at 1 July 2000 at cost were £500,000 (market value £294,000, 1999 – £372,000).

	2000 £'000	1999 £'000
c Loans to customers		
At 26 June 1999	2,191	2,186
Additions	766	626
Redemptions	(518)	(621)
At 1 July 2000	2,439	2,191
Total investments and loans	2,954	2,705

- d The Company has guaranteed mortgages totalling £1,083,000 (1999 – £1,569,000) advanced by a Building Society to Free Trade licencees. The Company has charges over the mortgaged properties, the values of which exceed the guarantees provided.

Notes to the accounts

1 July 2000

11 Stock

	2000 £'000	1999 £'000
Raw materials and consumables	1,267	1,510
Work in progress	315	266
Finished goods including factored goods	1,938	2,088
	3,520	3,864

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

12 Debtors

	2000 £'000	1999 £'000
Trade debtors	7,782	7,985
Other debtors	927	721
Prepayments	2,764	1,905
	11,473	10,611

13 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	4,606	5,015
Corporation tax	1,752	1,839
Other tax and social security	2,692	2,868
Accruals	2,128	1,800
Trade deposits	1,521	1,409
Proposed dividend	1,375	1,295
Other creditors	671	459
	14,745	14,685

14 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Loan from associated undertaking	18,500	18,500
Balance of premium received on loan from associated undertaking	1,112	1,290
	19,612	19,790

The loan from associated undertaking is from Pubco PLC and is repayable on 30 September 2006. The loan is secured by a first floating charge over the Company's registered property and assets. Interest payable is at a fixed rate of 11.25%. The loan premium received is being offset against the loan interest payable in accordance with accounting policy j.

Notes to the accounts

1 July 2000

15 Capital commitments

Contracts for capital expenditure not provided for in the accounts amounted to £1,431,000 (1999 – £376,000).

16 Other financial commitments

		Land and buildings 2000 £'000	Land and buildings 1999 £'000
Operating leases which expire :	Within 1 year	–	–
	Within 2 – 5 years	–	–
	After 5 years	608	465
		608	465

17 Contingent Liabilities

£18,750 remains uncalled on the 25,000 £1 ordinary shares held by the Company in its associate Pubco PLC.

18 Deferred taxation

	Provided in the accounts 2000 £'000	Provided in the accounts 1999 £'000	Full potential liability 2000 £'000	Full potential liability 1999 £'000
Capital allowances	307	307	2,128	1,885
Short term differences	–	–	(37)	(71)
	307	307	2,091	1,814

The full potential liability includes the amount provided and has been calculated at a corporation tax rate of 30% (1999 – 30.75%).

No provision is made, or included in the full potential liability above, for the taxation liability which would arise on the disposal of properties at their revalued amounts, or as a result of gains rolled over, as the likelihood of such liabilities is considered remote.

19 Share capital

	2000 £'000	1999 £'000
a Authorised:		
12,874,400 "A" ordinary shares of £1 each	12,874	12,874
68,000,000 "B" ordinary shares of 2p each	1,360	1,360
	14,234	14,234
b Allotted and fully paid:		
11,426,538 "A" ordinary shares of £1 each	11,427	11,427
68,000,000 "B" ordinary shares of 2p each	1,360	1,360
	12,787	12,787

"A" and "B" ordinary shares have the same rights except that there are transfer restrictions on the "B" ordinary shares as set out in paragraphs 24 to 26 of the Articles of Association.

Notes to the accounts

1 July 2000

20 Share premium account

	2000 £'000	1999 £'000
Balance at 26 June 1999	1,400	1,258
Premium on shares issued during the year	–	142
Balance at 1 July 2000	1,400	1,400

21 Revaluation reserve

	2000 £'000	1999 £'000
Balance at 26 June 1999	18,844	24,978
Transfer of realised surplus (1999 deficit) to profit and loss account	(375)	238
Bonus issue	–	(6,372)
Balance at 1 July 2000	18,469	18,844

22 Profit and loss account

	2000 £'000	1999 £'000
Balance at 26 June 1999	38,771	35,769
Retained profit for the year	3,639	3,240
Transfer of realised revaluation	375	(238)
Balance at 1 July 2000	42,785	38,771

23 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the period	5,375	4,870
Ordinary dividends	(1,736)	(1,630)
New share capital subscribed	–	185
Movement during the year	3,639	3,425
Shareholders' funds at 26 June 1999	71,802	68,377
Shareholders' funds at 1 July 2000	75,441	71,802

Notes to the accounts

1 July 2000

24 Directors' interests

The interests of the Directors in the Company's shares at 1 July 2000 (26 June 1999) are as follows:

		"A" Ordinary shares		"B" Ordinary shares	
		Beneficial	As trustees	Beneficial	As trustees
R H B Neame	2000	108,761	506,784	6,861,600	772,132
	1999	108,761	466,818	6,861,600	772,132
S F B Neame	2000	184,080	300,694	3,668,800	—
	1999	184,680	259,000	3,746,200	—
J B Neame	2000	67,593	357,584	1,716,800	772,132
	1999	61,002	317,618	1,716,800	772,132
E R Johnston	2000	108,412	—	2,282,600	—
	1999	100,412	—	2,282,600	—
M B Bunting	2000	400	—	200,000	—
	1999	400	—	200,000	—
P J Bentley	2000	1,120	—	—	—
	1999	1,120	—	—	—
M B J Kimmins	2000	66,812	—	656,900	—
	*	66,812	—	656,900	—
I J Dixon	2000	1,012	—	—	—
	*	1,012	—	—	—

* at date of appointment

At the date of their appointment Mr M J McLennett and Mr I J Dixon each held options to acquire 4,500 shares in the company under the Shepherd Neame Executive Share Option Scheme. No options were granted to, or exercised by, any Director during the year.

Mr K R Littlefair had no interest in the company's shares.

25 Share schemes

a The Shepherd Neame Employee Profit Sharing Scheme.

The Board has allocated £162,000 out of profits for the year which will be applied in acquiring "A" ordinary shares either by purchase or subscription.

The 1999 allocation was applied in purchasing 51,644 "A" ordinary shares between August and October 1999 at an average of £3.12 per share.

Currently 223 (1999 – 232) employees, including the highest paid Director and four other Directors, qualify to participate in this scheme.

b The Shepherd Neame Executive Share Option Scheme.

There are outstanding options available to executives, to subscribe for 29,800 "A" ordinary shares as follows:

Date granted	Exercisable at per share	Until	Number of shares
April 1992	£2.175	March 2002	29,800

c The Shepherd Neame Restricted Share Scheme.

The Company operates a restricted share scheme for executives, including the highest paid Director and four other Directors.

Options to acquire shares to the value of approximately £21,000 will be available for exercise for a nominal sum under the scheme in the year 2000.

Further options to acquire shares to the value of approximately £29,000 will be available for exercise for a nominal sum under the scheme in the year 2001.

These options expire in November 2004 and November 2005 respectively.

Notes to the accounts

1 July 2000

26 Financial instruments

The Company's financial instruments comprise a loan, loans to customers, cash and short term borrowings. The main purpose of the financial instruments are to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations, which have not been included in the following disclosures. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board. There is also a foreign currency risk which is considered immaterial and is therefore excluded from the disclosures.

Interest Rate Risk

Debt is represented by a fixed rate loan and short term borrowings. The fixed rate loan, because of its nature is not capped. Short term borrowings are not capped as it is currently Company policy to have a proportion of total borrowings on a variable basis.

Liquidity Risk

It is currently the Company's policy to finance the majority of its business needs by means of long term fixed rate finance. The balance of its requirement is financed through overdraft and money market facilities. At the year end the Company had short term facilities of £16 million (1999 – £11 million) of which £9.5 million (1999 – £7.8 million) were being utilised. The size of the facility is regularly reviewed.

Financial assets

The Company funds certain free trade customers with loans. At the balance sheet date these loans amounted to £2,439,000 (1999 – £2,191,000). The maturity profile of these assets are:

Recoverable < 1 year	£68,000
Recoverable 1-5 years	£571,000
Recoverable > 5 years	£1,800,000

Interest rate profile

The interest rate profile of the borrowing is:

	2000 Weighted average interest rate (%)	2000 Weighted average period for which rate fixed (years)	1999 Weighted average interest rate (%)	1999 Weighted average period for which rate fixed (years)
Loan from associated undertaking	10.29	6.25	10.29	7.25

Short term borrowings bear interest at rates fixed in advance for periods between one day and three months by reference to bank base rate.

Fair Values of Financial Assets and Liabilities

Loans to the free trade 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 cashflows inherent in them relate to improved sales revenue in future periods. 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 2000 £'000	Fair value 2000 £'000	Book value 1999 £'000	Fair value 1999 £'000
Fixed rate loan	(18,500)	(22,304)	(18,500)	(23,669)
Short term borrowings	(9,477)	(9,477)	(7,767)	(7,767)
Fixed asset investments	515	309	514	386
Cash	49	49	50	50

Market values have been used to determine the fair values of fixed asset investments. The fair value of all other items has been calculated by calculating the expected future cash flows at prevailing interest rates.

The objective of the Company to fund its operations through floating rate borrowings, with exception of the fixed rate Pubco loan, has been achieved in the year.

Notes to the accounts

1 July 2000

27 Pension commitments

The Company operates two defined contribution schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounts to £739,000 (1999 – £473,000). Contributions of £49,000 (1999 – £78,000) were payable to the scheme at the year end.

All Executive Directors are members of the Company's defined contribution schemes. Two, however, including the highest paid Director are effectively entitled to defined benefit pensions by the terms of their contracts of employment.

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.

Notice of meeting

Notice is hereby given that the Eighty-sixth Annual General Meeting of the Company will be held at the Brewery, 17 Court Street on 27 October 2000 at 12 noon for the following purposes.

Resolution 1

To receive and adopt the Annual Statement of Accounts and Balance Sheet and the Reports of the Directors and Auditors thereon.

Resolution 2

To declare a Final Dividend upon the "A" and "B" ordinary shares.

Resolution 3

To propose the election of Mr I J Dixon as a Director.

Resolution 4

To propose the election of Mr M J McJennett as a Director.

Resolution 5

To propose the election of Mr K R Littlefair as a Director.

Resolution 6

To reappoint the Auditors and authorise the Directors to fix their remuneration.

By Order of the Board

G H A Barnes

Secretary

17 Court Street

Faversham

Kent

5 October 2000

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

Five year summary

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
Profit and loss					
Turnover	68,493	62,498	58,676	53,703	51,485
Operating profit	9,273	8,931	8,553	8,286	7,735
Net finance charges	(2,591)	(2,453)	(2,454)	(2,492)	(2,245)
Profit on sale of property	867	305	329	172	165
Profit on sale of investment	–	–	82	–	119
Profit before taxation	7,549	6,783	6,510	5,966	5,774
Taxation	(2,174)	(1,913)	(2,094)	(1,742)	(1,670)
Earnings available to shareholders	5,375	4,870	4,416	4,224	4,104
Dividends	(1,736)	(1,630)	(1,545)	(1,462)	(1,354)
Retained profit	3,639	3,240	2,871	2,762	2,750
Dividends					
Percentage on shares	13.58%	12.75%	12.12%	11.50%	10.88%
Dividend cover	3.1	3.0	2.9	2.9	3.0
Earnings per £1 nominal share value (p) based on:					
Earnings available to shareholders	42.0	38.1	34.7	33.4	33.0
Earnings before profit on sale of property net of tax	35.3	35.7	32.3	32.1	31.7
Shareholders' funds employed					
Share capital	12,787	12,787	6,372	6,357	6,227
Share premium	1,400	1,400	1,258	1,127	716
Revaluation reserve	18,469	18,844	24,978	24,712	25,237
Revenue reserve	42,785	38,771	35,769	33,164	29,565
	75,441	71,802	68,377	65,360	61,745
Represented by:					
Assets					
Fixed assets	104,540	99,826	95,516	91,019	85,958
Current assets	15,042	14,525	13,807	12,018	11,100
	119,582	114,351	109,323	103,037	97,058
Liabilities					
Short term	24,222	22,452	20,978	17,532	14,990
Long term	19,612	19,790	19,968	20,145	20,323
Deferred tax	307	307	–	–	–
	44,141	42,549	40,946	37,677	35,313
Net assets	75,441	71,802	68,377	65,360	61,745
Net assets per share (£)	5.90	5.62	5.36	5.14	4.96

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