



3 October 2007

SHEPHERD NEAME LIMITED

ANNOUNCEMENT OF PRELIMINARY RESULTS

Shepherd Neame, the Kent-based brewer and pub operator, today announces results for the 52 weeks ended 30 June 2007, its 32nd consecutive year of profit growth.

Highlights include:

- Pre-tax profit before exceptionals up 9.9% to £10.5m (2006: £9.6m)
- Operating profit before exceptionals up 6.9% to £13.9m (2006: £13.0m)
- Earnings per £1 share up 14.3% to 73.4p (2006: 64.2p)
- Dividends per £1 share up 7.5% to 21.5p (2006: 20.0p)
- Turnover up 4.9% to £100.0m (2006: £95.3m)
- Barrels brewed up 1.8% to 221,000 (2006: 217,000)
- Profit before tax up 3.3% to £11.6m

Strong performance in brewing and pub operations:

- Tenanted pub like-for-like contribution up 6.2%
- Managed house like-for-like sales up 4.3%
- Strong performance from brands, particularly Spitfire, Bishop's Finger and Asahi Super "Dry"
- Investment in high quality new pubs – 12 freehold pubs acquired for £16.4m
- Continuing investment in brewery

Miles Templeman, Chairman, commented:

“The company has achieved excellent growth this year against a background of challenging market conditions. This has been a good performance with strong results in all parts of the business. This has also been a year of record capital investment that will provide a strong platform for long term growth. We have acquired high quality new pubs and made significant improvements to our existing estate, have invested in the brewery and expanded our sales and marketing team. We have also refinanced the business to provide long term funding.”

“Trading performance since the year end is satisfactory, despite poor summer weather, the smoking ban and pressure on the consumer from interest rate rises. Although we face continuing external regulatory pressure concerning alcohol, environmental and social responsibility, I have great confidence in our ability to grow in the future.”

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Note: The directors of Shepherd Neame Limited accept responsibility for this announcement.

NOTES FOR EDITORS

Shepherd Neame is a regional brewer and pub owner based in Faversham, Kent. Established in 1698, it is Britain's oldest brewer and employs over 1,000 people.

The Company retails its own beers, on draught and in bottles, under a range of highly successful brand names, including:

- **Spitfire** – One of the fastest growing premium ales in the UK (4.5% abv) with national distribution on draught and in bottle – supported by a multi award-winning 'Bottle of Britain' advertising campaign.
- **Bishops Finger** – Connoisseur premium ale (5.4% abv), nationally distributed in all major supermarkets – one of the country's leading bottled ales.
- **Master Brew** – Widely distributed draught ale (3.7% abv) – a 'local hero' brand mainly sold in Kent. Winner of a silver award at the Brewing Industry International Awards 2004.
- **Hürlimann** – Swiss lager (4.8% abv), UK trademark owned by Shepherd Neame.

Unusually for a regional brewer, the company also brews lagers under licence or contract:

- **Asahi Super "Dry"** – Japan's leading beer (5% abv), which is produced under an exclusive licence for brewing, sales and marketing from January 2007.
- **Sun Lik** – The leading draught Chinese lager (5% abv) and brewed under licence from the Hong Kong Brewery Ltd, part of the San Miguel brewing company.
- **Holsten Export** – Draught lager (4.7% abv) brewed and distributed under licence from Holsten Brauerei AG, Hamburg in accordance with the German Reinheitsgebot purity standards.
- **Oranjeboom Pilsener** – Lager brewed under licence from Inbev (4.1% abv), with wide distribution in the South East.
- **Kingfisher** – A leading Indian lager brand produced under licence from United Breweries of India (4.8% abv) and distributed in the majority of UK Indian restaurants.

Shepherd Neame sold 255,000 brewers' barrels of beer (73.4 million pints) and brewed 221,000 brewers' barrels of beer (63.6 million pints) in the last year. The majority of these sales were made in the UK although the Company also exports to more than 20 countries including France, Sweden and Denmark.

The Company as at October 2007 operates 375 pubs in the South East, of which 327 are tenanted and 48 managed. The pub estate ranges from food-focused destination houses and hotels to historic coaching inns and traditional community 'locals'. Total bedrooms under management are 214.

Shepherd Neame's shares are traded on PLUS Market, formerly known as Ofex. See www.plusmarketsgroup.com for further information and the current share price. For further information on the Company, see www.shepherdneame.co.uk.

CHAIRMAN'S STATEMENT

Results

I am pleased to announce that profit before tax and exceptional items has grown by 9.9% to £10.5m, and profit before tax after exceptional items has increased to £11.6m, a good result in a year of considerable change. This has also been a year of record capital investment for the business that will provide a strong platform for growth in the future.

Turnover has increased by 4.9% to £100.0m and operating profit before exceptional items by 6.9% to £13.9m. Operating profit margin before exceptional items also increased from 13.6% to 13.8%.

During the year the Company incurred exceptional costs before tax of £2.0m. £1.8m of this related to the re-engineering of our business processes in association with the installation of SAP computer software. The remaining £0.2m related to fees in connection with the refinancing of our bank facilities in April 2007, which has provided the Company with secure funding for the long term.

Basic earnings per share grew 14.3% to 73.4p and earnings per share before exceptional items grew by 17.9% to 60.5p.

Dividends

A final dividend of 17.2p per £1 'A' ordinary share and 0.344p per 2p 'B' ordinary share has been proposed by the Board, giving total dividends for the year of 21.5p per £1 'A' ordinary share and 0.43p per 2p 'B' ordinary share. This represents a 7.8% increase in the final dividend, and a 7.5% increase in the total dividend for both classes of shares.

The final dividend will be paid on 26 October 2007 to shareholders on the register as at the close of business on 10 October 2007.

Cash Flow and Investments

Earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptional items has increased from £18.7m to £19.3m. Cash outflow on capital expenditure was at a record level of £30.1m with the acquisition of 12 freehold pubs, improvements in our existing estate and investment in the brewery, business processes and information systems.

We have realised £5.6m from the sale of seven pubs, other property and our former warehouse site in Faversham, giving a net cash outflow on capital expenditure of £24.4m.

Re-financing

The 1991 Pubco loan matured in September 2006 and was replaced by existing bank facilities at that time. Given the then favourable climate for long term interest rates, and the need to fund our expansion, the Company took the opportunity to re-finance the business in April 2007.

We have extended our bank facilities to £75m. This comprises a £60m 20 year term loan, a £10m five year revolving credit facility, and a £5m committed overdraft facility. £50m was drawn on the term loan at the end of the year, with a further £10m draw down due on 20 September 2007. This loan is fully hedged at an average interest rate, including bank margin, of just under 6%.

The balance sheet gearing now stands at a conservative 50%. Total debt to EBITDA before exceptional items is 2.8 (2006 – 2.1) and interest cover before exceptional items is 4.1 (2006 – 3.8).

Articles of Association

The Board is proposing a number of changes to the Articles of Association, the majority of which result from the partial implementation of the Companies Act 2006. These are set out in my letter to shareholders dated 19 September 2007 and a special resolution to adopt the necessary changes will be proposed to the shareholders at the AGM.

Strategy

Our business strategy remains to build our brands, invest to improve our pub estate, remain focused on our strengths and to improve the overall efficiency of our operations.

We continue to improve the brewery, drive quality improvements and make our production more cost efficient. This drive for efficiency is the major force behind the business process change that the Company is undergoing with the implementation of the new IT system purchased from SAP. The effort of the whole team to introduce the system whilst meeting the ongoing needs of the business has been outstanding.

Current Trading

Trading performance since the year end continues to be satisfactory and in line with our expectations, despite poor summer weather, the smoking ban and pressure on the consumer from interest rate rises.

The full impact of the smoking ban will not become apparent for several months but early reaction from customers has been encouraging.

Summary

I am pleased to report another strong performance and significant investment for the future. Our results have been driven by very effective management and an excellent contribution by all the staff and licensees throughout the Company. I know you share my appreciation for all their efforts throughout the year.

Although we face continuing external regulatory pressure concerning alcohol, environmental and social responsibility, I have great confidence in our ability to continue to grow in the future.

M H Templeman
Chairman

CHIEF EXECUTIVE'S REVIEW

Overview

I am pleased to be able to report on another year of significant progress for the Company. We have achieved improved efficiency, higher standards of quality in our operations and very satisfactory growth in a 52-week year compared with the 53-week period in 2006. We traded strongly throughout the year and our business has proved remarkably resilient despite the wet summer weather.

We have continued to implement our strategy as a modern, efficient brewer and operator of premium quality pubs. We have strengthened our portfolio of brands with the addition of the Asahi sales and marketing licence. We have made a record capital investment in our estate and in modernising our plant and business processes.

I am particularly pleased that the Company won the National Business Award for Corporate Social Responsibility, recognising our leadership in this area. This follows the Queen's Award for Sustainable Development in 2006: a unique double achievement.

Pub Business

Our strategy is to acquire and develop pubs to be the leaders in their local market. We aspire to provide excellent and friendly service in unique individual outlets. We aim to have a distinct image, a good external presentation, interesting and attractive gardens and a premium product offer. Each pub operates in its own micro marketplace and we aim to provide our licensees with the best platform to gain market share from their local competitors.

At the year end we owned 376 pubs of which 338 were freehold. More than 200 of our pubs are listed buildings or in conservation areas, a unique heritage. During the year we acquired 12 outstanding freehold pubs for £16.4m and sold seven for £2.9m. Half of our new pubs were closed for a period of upgrade and refurbishment.

We are particularly pleased with some of our acquisitions this year. A notable addition is The Royal Albion Hotel, a landmark site in Broadstairs. This expands further our accommodation business and enables us to provide a distinctive range of high quality inns and hotels for our customers. We will look to expand that side of the business further should the right opportunities arise.

Our acquisitions have taken us further away from our Kent heartland with four new pubs in Sussex, one in Surrey, two in Hampshire and two in Central London. Our style of operation and our product range has been well received in all the new areas in which we trade.

We invested a further £6.8m in developing our existing estate, including the modernisation of The Marine Hotel at Tankerton for £0.8m. We carried out a number of smaller developments, including investment in outside space in readiness for the smoking ban on 1 July. In each case we have implemented long term solutions such as installing new terraces, gazebos and heated umbrellas or in some cases completely re-landscaping the gardens. This has added a new dimension of quality and attractiveness to our pubs such that they stand out from local competitors. We had completed 200 projects by the year end and will have completed a further 50 by October 2007 at an average cost of £9,000.

I am pleased to say the Smoking Ban was implemented with no compliance issues. There is no doubt that creating high quality outside environments has helped us retain our customer base. However, at

this stage, it is too early to draw firm conclusions about longer term trends, which will not become apparent until we have gone through the winter period.

Pubs continue to suffer from excessive regulation and Government initiatives all of which bear a cost. We have now completed the first full year under the new Licensing Act. In general we have established a good working relationship with the relevant authorities and a much closer engagement with the communities that our pubs serve. The new regime cost us £100,000 during the year. However, the excellent support that our team has provided in the licensing reform and smoking transition is well recognised and appreciated.

Managed Pubs

Our retail business has had an excellent year and once again performed above expectations.

Our total sales grew by 5.7% with liquor up 4.6%, food up 7.1%, and accommodation up 12.5%. At the year end, 49 pubs were operated under management and our average take per week for the estate has increased by 8.4% compared to the same period last year.

Our annualised like-for-like sales grew by 4.3% based on 42 outlets trading for a full two years. This is a good result achieved despite poor weather in May and June, and compared with the benefits of the World Cup and excellent weather the previous year.

Total profitability also grew by 9.8% in spite of significant growth in utility, rates and Sky TV costs and the minimum wage.

Our accommodation sales have been strong all year as investments and refurbishments of recent years mature. Our booking and reservations system is well developed and our website and marketing has continued to improve. Our revenue per available room has increased by 8.8%.

Like other operators, we continue to review and improve our food offer. Food now accounts for 27% of sales across our managed estate. We have made considerable progress in the last two years to refine our offer, to improve menus, to instil a service culture in our staff and to continue to promote local food where appropriate. We have undertaken market research to assess customer attitudes and this shows a positive response to our offering.

Tenanted Pubs

Our tenanted pubs enjoyed an excellent year. Total beer volumes were up 2.9%, wine up 8.1%, minerals up 3.2%, and traditional spirits up 5.3%. Rent was up 5.7% and AWP income improved after a poor 2006, rising by 3.4%.

Our annualised like-for-like contribution per pub was up 6.2% and total contribution was up 7.9%.

The presentation of our pubs and the support we provide our licensees help to build the reputation of the Company as a good partner and I have no doubt that we attract and develop some of the best licensees in the industry. Following our design review in 2006, we have increased investment in signage, external decoration and repairs.

The tenanted estate is the largest profit contributor to the business. We believe it can continue to grow in an on trade market that has declined nationally by 5.5% as we continue to focus on the needs of our customers in their local marketplaces.

Beer and Brands

Once again we have substantially out-performed national market trends, with growth in total beer volumes of 2.6% and in own brewed beer volumes of 1.8% against a total market decline of 4.6%.

In the current market, the consumer is drinking less of mainstream brands but seeking the more discerning offer which includes speciality lagers and local ales. The growing trend in eating out and using pubs for a family occasion is likely to accelerate under the smoking ban. We believe our portfolio of brands is well positioned to take advantage of these trends.

We carried out extensive market research during the year and received a very positive response towards Shepherd Neame, its beers and its pubs.

Consumers are showing more interest in local, natural, traditional products than a few years ago and appear to feel a strong connection to the values, standards and products of a traditional family brewer.

On 1 January 2007, we strengthened our portfolio of brands by entering an arrangement for the exclusive licence for the sale and marketing of Asahi Super Dry in the UK, which replaces the brewing agreement of 2005. We have installed draft Asahi in a significant number of locations since this change and expect this trend to continue in the current year. Asahi was supported by a national press advertising campaign carried out in conjunction with the brand owner during summer 2007.

We have strengthened our sales team by appointing five regional account managers, which gives us national reach to support our product listings in the major pubcos and multiples and thereby drive growth. We have also restructured our marketing team and appointed three brand managers to give tighter focus to our brand development.

Our brands have performed well with Spitfire cask ale growing by 4.5%. Spitfire and Bishops Finger both performed very strongly in the distinctive 500ml bottle, with growth of 17.3% and 6.9% respectively.

We promoted Sun Lik for the first time to Chinese restaurants and sales grew by 10.1%.

Our national off trade total sales volumes grew by 9.8%, national on trade by 18.6% and export by 31.4%.

The local free on trade market was again very competitive and volume has declined marginally. The second half of the year has been much stronger with new accounts coming on stream. We have expanded our business into sporting clubs and invested more in outside events as part of our strategy to move the mix of our business away from its more traditional base.

Brewery

To compete effectively as a brewer and to maximise the potential of our brand portfolio, we need to continue to modernise our brewing plant and update our business processes.

In the brewery, our major investment was the installation of a new cask plant which increases capacity and the level of automation in this area, as well as reducing energy costs. This follows investment in recent years in a new distribution centre and new keg plant. We are currently implementing phase one of an upgrade to our bottling line which will increase its capacity and speed. We intend to complete phase two within the next 18 months, which includes the installation of a new filler. We have installed a micro brewery to enable us to test and develop new products more efficiently. We continue to invest in our plant and refine our brewing processes to reduce energy consumption.

Our quality standards throughout the year have been excellent but the cost of raw materials and utilities continues to rise substantially. Compared to three years ago our unit costs are 60% higher for electricity, 91% more for gas and 33% more for malted barley. Our investment in the brewery has, however, helped us to offset some of these cost increases.

During the second half of the year we sold our former warehouse site on Belvedere Road for £2.4m. We also acquired the former ATS site in the centre of our brewery. This now gives us an integrated town centre site.

Our newly refurbished Visitor Centre has seen strong growth in visitor numbers. This now competes very well with other local visitor attractions. The brewery is now also licensed for weddings.

Business Process Review

Our current systems and procedures have evolved over many years and no longer meet the needs of the business or our customers. The systems are highly fragmented and create inefficiency and additional administration. Throughout the year we have been working on our Enterprise Project to modernise our business processes and IT platform. We are implementing SAP software to create an integrated, secure and flexible IT platform and modern business processes which we believe will deliver substantial benefits for our business in the future and pay back within five years. We have been reviewing our options for change since 2003 and at the year end our total investment since the start of this project was £3.4m including exceptional charges of £1.8m. As part of the exceptional charge, we have prudently written of £0.6m of pre-contract costs associated with this initial review and the costs of mapping our current processes.

We have defined new processes and have extended the original remit so that there will now be no need for a phase two. This has extended the timescale but will lead to greater efficiency from the outset. We have now started an extensive company wide communications and training programme and we will incur significant further costs in 2007/8 in order to complete this project.

A Sustainable and Responsible Business

There is widespread public concern surrounding the misuse of alcohol and the Government has recently undertaken a far-reaching review of alcohol policy. This may lead to more onerous requirements for alcohol producers and retailers in the future. The review will continue into 2008. The Company takes its responsibilities as an alcohol producer very seriously and has undertaken a variety of initiatives with local schools to improve alcohol education and awareness of the dangers of alcohol consumption in excess. In the pubs we now have robust systems in place to prevent sales to underage drinkers.

Summary

The Company's strategy is to be a modern, high quality, highly efficient brewer, wholesaler and retailer of premium speciality beers, wines, spirits and minerals. We aim to have a clear, distinct and sustainable market position. We have made significant steps this year in modernising our operation and together with the new banking facilities mentioned in the Chairman's statement, created a strong platform for continued development and success of the Company. The Enterprise Project has been a major but necessary undertaking for all in the business and I would wish to record special thanks to our employees and pay tribute to the flexibility and adaptability of all in responding to the changes within the business.

J B Neame
Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

52 weeks ended 30 June 2007

| | | 52 weeks to 30 June 2007 before exceptional items £'000 | 52 weeks to 30 June 2007 exceptional items £'000 | 52 weeks to 30 June 2007 total £'000 | 53 weeks to 1 July 2006 restated £'000 |
|--|---|--|---|---|---|
| Turnover | 1 | 100,047 | - | 100,047 | 95,343 |
| Operating charges | | (86,196) | (1,778) | (87,974) | (82,392) |
| Operating profit | | 13,851 | (1,778) | 12,073 | 12,951 |
| Profit on sale of property | | - | 3,031 | 3,031 | 1,627 |
| Profit on ordinary activities before interest | | 13,851 | 1,253 | 15,104 | 14,578 |
| Interest receivable and similar income | | 21 | - | 21 | 52 |
| Interest payable and similar charges | | (3,347) | (206) | (3,553) | (3,425) |
| Profit on ordinary activities before taxation | | 10,525 | 1,047 | 11,572 | 11,205 |
| Taxation | 2 | (2,875) | 595 | (2,280) | (3,089) |
| Profit for the year after taxation | | 7,650 | 1,642 | 9,292 | 8,116 |
| Earnings per £1 nominal share value (p) | | | | | |
| Basic | 4 | | | 73.4p | 64.2p |
| Diluted | 4 | | | 72.8p | 63.5p |
| Basic before exceptional items | 4 | | | 60.5p | 51.3p |

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 52 weeks to 30 June 2007 £'000 | 53 weeks to 1 July 2006 £'000 |
|--|---|--|
| Profit for the year | 9,292 | 8,116 |
| Actual return less expected return on pension scheme assets | - | 131 |
| Experience gains and losses arising on the present value of the scheme liabilities | - | (382) |
| Deferred tax on items charged to reserves | - | 75 |
| Total recognised gains and losses in the year | 9,292 | 7,940 |
| Prior year adjustments: | | |
| FRS 17 retirement benefits | | |
| - restatement of provision | - | 53 |
| - related deferred tax | - | (16) |
| FRS 20 share-based payment | (40) | - |
| Total gains and losses recognised since the last annual report | 9,252 | 7,977 |

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

| | 52 weeks to 30 June 2007 £'000 | 53 weeks to 1 July 2006 £'000 |
|--|---|--|
| Profit on ordinary activities before taxation | 11,572 | 11,205 |
| Realisation of property revaluation | 466 | 158 |
| Historical cost profit on ordinary activities before taxation | 12,038 | 11,363 |
| Historical cost profit for the year retained after taxation | 9,758 | 8,274 |

BALANCE SHEETS

As at 30 June 2007

| | Group 30 June 2007 £'000 | Group 1 July 2006 restated £'000 | Company 30 June 2007 £'000 | Company 1 July 2006 restated £'000 |
|--|-----------------------------------|---|-------------------------------------|---|
| Fixed assets | | | | |
| Intangible fixed assets | 164 | 202 | 164 | 202 |
| Tangible fixed assets | 162,578 | 141,508 | 162,578 | 141,508 |
| Investments and loans | 2,029 | 2,249 | 6,181 | 2,249 |
| | 164,771 | 143,959 | 168,923 | 143,959 |
| Current assets | | | | |
| Stock | 5,542 | 4,931 | 5,542 | 4,931 |
| Debtors | 14,873 | 13,571 | 14,873 | 13,571 |
| Cash | 96 | 93 | 96 | 93 |
| | 20,511 | 18,595 | 20,511 | 18,595 |
| Creditors: amounts falling due within one year | | | | |
| Bank loans and overdrafts | (4,112) | (2,837) | (4,112) | (2,837) |
| Loan from associated undertaking | - | (18,544) | - | (18,544) |
| Creditors | (20,387) | (17,544) | (24,539) | (17,544) |
| | (24,499) | (38,925) | (28,651) | (38,925) |
| Net current liabilities | (3,988) | (20,330) | (8,140) | (20,330) |
| Total assets less current liabilities | 160,783 | 123,629 | 160,783 | 123,629 |
| Creditors: amounts falling due after more than one year | (49,380) | (18,713) | (49,380) | (18,713) |
| Provisions for liabilities - deferred tax | (3,743) | (3,922) | (3,743) | (3,922) |
| Net assets | 107,660 | 100,994 | 107,660 | 100,994 |
| Capital and reserves | | | | |
| Called up share capital | 12,818 | 12,818 | 12,818 | 12,818 |
| Share premium account | 1,439 | 1,439 | 1,439 | 1,439 |
| Revaluation reserve | 16,228 | 16,694 | 16,228 | 16,694 |
| Reserve for own shares held | (1,515) | (1,538) | (1,515) | (1,538) |
| Profit and loss account | 78,690 | 71,581 | 78,690 | 71,581 |
| Equity shareholders' funds | 107,660 | 100,994 | 107,660 | 100,994 |

These accounts were approved by the Board of Directors on 19 September 2007 and were signed on its behalf by:
M H Templeman
J B Neame
 Directors

CONSOLIDATED CASH FLOW STATEMENT

52 weeks ended 30 June 2007

| | £'000 | 52 weeks ended 30 June 2007 £'000 | £'000 | 53 weeks ended 1 July 2006 £'000 |
|---|----------|---|----------|--|
| Net cash inflow from operating activities | | 20,719 | | 18,059 |
| Returns on investment and servicing of finance | | | | |
| Interest paid | (4,081) | | (3,510) | |
| Interest received | 21 | | 52 | |
| | | (4,060) | | (3,458) |
| Taxation paid | | (2,313) | | (2,252) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | (30,052) | | (13,783) | |
| Proceeds of sales of tangible fixed assets | 5,631 | | 4,800 | |
| Additional loans to customers | (434) | | (917) | |
| Customer loan redemptions | 349 | | 346 | |
| | | (24,506) | | (9,554) |
| Equity dividends paid | | (2,587) | | (2,407) |
| Net cashflow before financing | | (12,747) | | 388 |
| Financing | | | | |
| Purchase of own shares | | (468) | | (786) |
| Repayment of loan from associated undertaking | | (18,500) | | - |
| New short term loan | | 2,000 | | - |
| New long term loan | | 31,000 | | - |
| Issue cost of new long term loans (including exceptional interest charge) | | (557) | | - |
| Movement in cash during the year | | 728 | | (398) |

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

52 weeks ended 30 June 2007

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

| | 52 weeks ended 30 June 2007 before exceptional items £'000 | 52 weeks ended 30 June 2007 exceptional items £'000 | 52 weeks ended 30 June 2007 total £'000 | 53 weeks ended 1 July 2006 restated £'000 |
|--|---|---|--|--|
| Operating profit | 13,851 | (1,778) | 12,073 | 12,951 |
| Depreciation and amortisation | 5,089 | - | 5,089 | 5,117 |
| Charge for share-based payments credited to reserves | 429 | - | 429 | 376 |
| Increase in stocks | (611) | - | (611) | (46) |
| Increase in debtors and prepayments | (933) | - | (933) | (763) |
| Increase in creditors and accruals | 3,720 | - | 3,720 | 429 |
| Free trade loan discounts | 305 | - | 305 | 419 |
| Loss on sale of assets (excluding property) | 13 | - | 13 | 239 |
| Settlement of exceptional pension liability | - | - | - | (663) |
| Pre-project costs | - | 634 | 634 | - |
| | 8,012 | 634 | 8,646 | 5,108 |
| Net cash inflow from operating activities | 21,863 | (1,144) | 20,719 | 18,059 |

2 Reconciliation of cash flows to movement in net debt

| | 52 weeks ended 30 June 2007 £'000 | 53 weeks ended 1 July 2006 restated £'000 |
|---|---|---|
| Opening cash and overdraft | (2,744) | (2,346) |
| Closing cash and overdraft | (2,016) | (2,744) |
| Increase / (decrease) in cash during the year | 728 | (398) |
| Repayment of loan from associated undertaking | 18,500 | - |
| New long term loan | (31,000) | - |
| Issue costs capitalised | 351 | - |
| New short term loans | (2,000) | - |
| Amortisation of loan premium | 44 | 178 |
| Amortisation of loan issue costs | (18) | (16) |
| Movement in net debt during the year | (13,395) | (236) |
| Net debt at beginning of year | (40,001) | (39,765) |
| Net debt at end of year | (53,396) | (40,001) |

3 Analysis of changes in net debt

| | 2006 restated £'000 | Cash flow £'000 | Repayment of short term loan £'000 | New loans £'000 | Amortisation of loan premium £'000 | Amortisation of issue costs £'000 | 2007 £'000 |
|---|---------------------------|--------------------|---|-----------------------|---|---|---------------|
| Cash at bank | 93 | 3 | - | - | - | - | 96 |
| Bank overdrafts | (2,837) | 725 | - | - | - | - | (2,112) |
| Debt due within one year | (18,544) | - | 18,500 | (2,000) | 44 | - | (2,000) |
| | (21,288) | 728 | 18,500 | (2,000) | 44 | - | (4,016) |
| Debt due after more than one year | (18,713) | - | - | (30,649) | - | (18) | (49,380) |
| Total | (40,001) | 728 | 18,500 | (32,649) | 44 | (18) | (53,396) |

NOTES TO THE ACCOUNTS

30 June 2007

1. Turnover

Turnover comprises sales net of discounts, rents received and services rendered from continuing trading activities, excluding value added tax. The Directors consider that the business carried on by the Group is that of a fully integrated regional brewer operating in the UK and that this constitutes one class of business. The export sales during the year were £1,334,000 (2006 - £1,077,000).

2. Taxation

a) Tax on profit on ordinary activities

| | 52 weeks ended 30 June 2007 £'000 | 53 weeks ended 1 July 2006 £'000 |
|--|---|--|
| Current tax: | | |
| UK corporation tax at 30% (2006 - 30%) | 2,339 | 2,586 |
| Prior year under provision | 120 | 100 |
| Total current tax | 2,459 | 2,686 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 478 | 403 |
| Prior year overprovision | (2) | - |
| Impact of prospective reduction in the rate of corporation tax | (248) | - |
| Impact of changes in the IBA regime introduced by Finance Act 2007 | (407) | - |
| Total deferred tax | (179) | 403 |
| Total tax charge | 2,280 | 3,089 |

b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities before taxation for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%). The differences are reconciled below.

| | 52 weeks ended 30 June 2007 £'000 | 53 weeks ended 1 July 2006 restated £'000 |
|--|---|--|
| Profit on ordinary activities before tax | 11,572 | 11,205 |
| UK corporation tax at 30% (2006 - 30%) | 3,472 | 3,361 |
| Expenses not deductible for tax purposes | 118 | 101 |
| Capital allowances in excess of depreciation | (498) | (323) |
| Short term timing differences | 20 | 91 |
| Rolled over gains on asset disposals | (773) | (644) |
| Prior year under provision | 120 | 100 |
| | 2,459 | 2,686 |

The exceptional profit on the disposal of properties of £3,031,000 (2006 - £1,627,000) does not give rise to a tax charge (2006 - £nil) due to rollover relief.

c) Factors that may affect future tax charges

No provision is made for the taxation liability which would arise on the disposal of properties at their revalued amounts or on gains rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is estimated at £6.6m (2006 -

£6.4m), based on a corporation tax rate of 28% (2006 - 30%). At present it is not envisaged that any such tax will become payable in the foreseeable future.

3. Dividends

| | 52 weeks ended 30 June 2007 £'000 | 53 weeks ended 1 July 2006 £'000 |
|--|---|--|
| Declared and paid during the year | | |
| £1 'A' ordinary shares: | | |
| Final dividend for 2006: 15.95p (2005 - 14.80p) | 1,820 | 1,687 |
| Interim dividend for 2007: 4.30p (2006 - 4.05p) | 492 | 464 |
| | 2,312 | 2,151 |
| 2p 'B' ordinary shares: | | |
| Final dividend for 2006: 0.319p (2005 - 0.296p) | 217 | 201 |
| Interim dividend for 2007: 0.086p (2006 - 0.081p) | 58 | 55 |
| | 275 | 256 |
| Dividends paid | 2,587 | 2,407 |
| Proposed for approval at the AGM: | | |
| Final dividend for 2007 on £1 'A' ordinary shares: 17.20p (2006 - 15.95p) | 1,964 | 1,820 |
| Final dividend for 2007 on 2p 'B' ordinary shares: 0.344p (2006 - 0.319p) | 234 | 217 |
| | 2,198 | 2,037 |

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.

4. Earnings per share

| | 52 weeks ended 30 June 2007 £'000 | 53 weeks ended 1 July 2006 restated £'000 |
|--|---|--|
| Based on £1 nominal share value | | |
| Profit attributable to equity shareholders | 9,292 | 8,116 |
| Weighted average share capital | 12,651 | 12,644 |
| Dilutive outstanding options | 110 | 143 |
| Adjusted weighted average share capital | 12,761 | 12,787 |
| Basic | 73.4p | 64.2p |
| Diluted | 72.8p | 63.5p |
| Basic before exceptional items | 60.5p | 51.3p |

The earnings per share before exceptional items are calculated on profit after tax and before exceptional items of £7,650,000 (2006 - £6,489,000 being profit after tax of £8,116,000 less profit on sale of property of £1,627,000).

5. Accounts

The above financial information does not amount to full accounts within the meaning of S240 of the Companies Act 1985. It has, however, been extracted from the statutory accounts for the 52 weeks ended 30 June 2007, which include an unqualified auditor's report and will be delivered to the Registrar of Companies and from the statutory accounts for the 53 weeks ended 1 July 2006, which included an unqualified auditor's report and have been delivered to the Registrar of Companies.

The preliminary announcement is prepared on the same basis as set out in the previous year's annual accounts except as noted below.

The Company has adopted FRS 20, 'Share-based payment, during this financial year. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period. For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this.

The prior year adjustment recorded in the Consolidated Statement of Total Recognised Gains and Losses and the Profit and Loss Account amounting to £40,000, reflects the cumulative profit and loss effect of FRS 20 at 1 July 2006. The corresponding entry to the pre FRS 20 charge is recorded through the profit and loss reserve. Therefore, there is no impact of the restatement for FRS 20 in the profit and loss account reserve at 1 July 2007.